WELL-BEING: FROM MEASUREMENT TO POLICY

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OECD Statistics and Data Directorate

“Inclusive prosperity: Recoupling growth, equity and social integration”
Queen’s International Institute on Social Policy
Kingston, Ontario
20 August 2019
OECD and Inclusive Growth

- OECD “Framework for Policy Action on Inclusive Growth”, August 2018
- Concepts, Indicators, Framework for Action
  - Investing in people and places left behind
  - Supporting business dynamism & inclusive labour markets
  - Building efficient and resilient governments
- Commonalities with approaches pursued in other countries/organisations
  - Creating an economy that delivers for everyone
- .. but also differences
  - Focus beyond income equalities to inequalities in broader range of outcomes, i.e. well-being inequalities
PARIS 14th December 1960

“DETERMINED by consultation and co-operation to use more effectively their capacities and potentialities so as to promote the highest sustainable growth of their economies.”

The “temple of growth”, “... what St Peter is for Catholics, OECD is for GDP”

Both in terms of the development of the statistical methodology underpinning the SNA (Stone, Gilbert) and for the policy primacy attributed to “growth for growth sake.. as supreme objective”
OECD and well-being

- **Conceptual discussion** ("Problems of modern society" in 70s), **measurement tradition** in social (1970s) and environmental indicators (1980s)

- Renewed emphasis in the **2000s**, following release of **SSF report** in 2009, through **OECD Better Life Initiative** in 2011
  
  - Bringing existing OECD measures under one umbrella (well-being)
  - Developing new and better measures; statistical **capabilities & comparability**

→ Key audience: **National statistical offices, policy-makers, wider public**
OECD well-being framework

Focus on:
- **people** rather than the economic system
- **outcomes** rather than inputs and outputs
- both **averages** and **inequalities**
- both **objective** and **subjective** aspects
- well-being both **today** and **tomorrow**

Ongoing revision of framework & indicators:

SDD outputs include...

4 x

OECD Better Life Index

7 x

2 x

30+
A. Why should we care about people’s well-being?

Informing societal discussions and deliberations

1. More complete picture of progress here & now, later, elsewhere
2. Highlight inequalities across a wide range of outcomes
3. Fostering public debate and engagement

Contributing to “better policies for better lives”

1. Strategic alignment of policies, priority-setting, accountability
2. Appraisal & evaluation of impact of policy on people’s lives
3. Offer a new lens for thinking about and understanding issues
1. Providing a more balanced picture of countries’ conditions

This chart shows Canada’s relative strengths and weaknesses in average well-being when compared with other OECD countries. Longer bars always indicate better outcomes (i.e. higher well-being), whereas shorter bars always indicate worse outcomes (i.e. lower well-being). If data are missing for any indicator, the relevant segment of the pie is shaded in white.

www.oecd.org/howslife
1. Providing a more balanced picture of progress

### Natural capital

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Tier</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions from domestic production</td>
<td>3</td>
<td>2005-2015</td>
</tr>
<tr>
<td>CO₂ emissions from domestic consumption</td>
<td>3</td>
<td>2001-2011</td>
</tr>
<tr>
<td>Exposure to PM₁₀ air pollution</td>
<td>0</td>
<td>2005-2013</td>
</tr>
<tr>
<td>Forest area</td>
<td>0</td>
<td>2005-2014</td>
</tr>
<tr>
<td>Renewable freshwater resources</td>
<td>1</td>
<td>Latest available</td>
</tr>
<tr>
<td>Freshwater abstractions</td>
<td>2</td>
<td>2013</td>
</tr>
<tr>
<td>Threatened birds</td>
<td>0</td>
<td>Latest available</td>
</tr>
<tr>
<td>Threatened mammals</td>
<td>0</td>
<td>Latest available</td>
</tr>
<tr>
<td>Threatened plants</td>
<td>0</td>
<td>Latest available</td>
</tr>
</tbody>
</table>

### Human capital

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Tier</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young adult educational attainment</td>
<td>1</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Educational expenditure</td>
<td>3</td>
<td>2015</td>
</tr>
<tr>
<td>Cognitive skills at age 15</td>
<td>1</td>
<td>2015</td>
</tr>
<tr>
<td>Adult skills</td>
<td>3</td>
<td>2011/2012</td>
</tr>
<tr>
<td>Long-term unemployment</td>
<td>1</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>3</td>
<td>2007-2012</td>
</tr>
<tr>
<td>Smoking prevalence</td>
<td>1</td>
<td>2005-2014</td>
</tr>
<tr>
<td>Obesity prevalence</td>
<td>3</td>
<td>2005-2013</td>
</tr>
</tbody>
</table>

### Economic capital

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Tier</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produced fixed assets</td>
<td>0</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>0</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Financial net worth of total economy</td>
<td>0</td>
<td>2005-2015</td>
</tr>
<tr>
<td>Intellectual property assets</td>
<td>0</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Investment in R&amp;D</td>
<td>3</td>
<td>2005-2015</td>
</tr>
<tr>
<td>Household debt</td>
<td>3</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Household net wealth</td>
<td>3</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Financial net worth of government</td>
<td>3</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Banking sector leverage</td>
<td>0</td>
<td>2005-2016</td>
</tr>
</tbody>
</table>

### Social capital

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Tier</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust in the national government</td>
<td>1</td>
<td>2005-2016</td>
</tr>
<tr>
<td>Voter turnout</td>
<td>1</td>
<td>2005-2015</td>
</tr>
<tr>
<td>Government stakeholder engagement</td>
<td>1</td>
<td>2014</td>
</tr>
<tr>
<td>Volunteering through organisations</td>
<td>1</td>
<td>2011/2012</td>
</tr>
<tr>
<td>No data available on trust in others and trust in the poke.</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**Key:**

1. Top-performing OECD tier
2. Middle-performing OECD tier
3. Bottom-performing OECD tier

2. Highlight inequalities across wide range of outcomes

1) Dispersion (i.e. vertical inequalities)
   (i.e. gap between people at the top and bottom of distribution for any given outcome)

2) Gaps between groups (i.e. horizontal inequalities)
   (by age, gender, education, migrant status, place of living...)

3) Deprivations
   (share of people falling below a given standard of living)

2. Highlight inequalities across wide range of outcomes

<table>
<thead>
<tr>
<th>Vertical Inequality</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Deprivation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women relative to men</td>
<td>Young relative to middle-aged</td>
<td>Secondary relative to tertiary</td>
<td>Deprivation</td>
</tr>
<tr>
<td>Household Income</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Household net wealth</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Earnings</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Low pay</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Employment</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Unemployment</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Housing affordability</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Rooms per person</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Perceived health</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Working hours</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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<tr>
<td>Time off</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Educational attainment</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
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<tr>
<td>Cognitive skills at 15</td>
<td>🔴</td>
<td>🟢</td>
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<td>🟢</td>
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<tr>
<td>Adult skills</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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<tr>
<td>Time spent socialising</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Social support</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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<tr>
<td>Voter turnout</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Having a say in government</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Air quality</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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<tr>
<td>Water quality</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
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<tr>
<td>Homicides</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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<tr>
<td>Feeling safe at night</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Life satisfaction</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
</tr>
<tr>
<td>Negative affect balance</td>
<td>🔴</td>
<td>🟢</td>
<td>🔴</td>
<td>🟢</td>
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</tbody>
</table>
3. Fostering public debate and engagement

Large scale public consultations have featured in many national initiatives:

- **Australia**: Measures of Australia’s Progress
- **Italy**: Indicators of Equitable and Sustainable Well-being
- **United Kingdom**: Measuring National Well-Being
- **Israel**: Indicators to monitor Well-being, Sustainability and Resilience
- **France**: New Wealth Indicators
- **Germany**: National dialogue Well-being in Germany (What Matters to Us)

.. and are at the core of *OECD Better Life Index* (communication tool): “chose your own receipt for well-being”
B. What should be measured?

Informed by the recommendations of the Commission on Measurement of Economic Performance & Social Progress, (SSF) convened in 2007 by President Sarkozy to explore limits of GDP as a welfare metric and to suggest alternatives. Follow-up by High-Level Expert Group, hosted by OECD, established in 2013 to pursue the ‘Beyond GDP’ agenda undertaken since 2009, whose two reports were released in November 2019 in Incheon (Korea) at 6th OECD World Forum on Statistics, Knowledge and Policy.
Three main themes of HLEG reports

1. Better measuring the effects of the crisis could have led to different policy response

2. Deepen analysis of themes already in SSF (e.g. vertical inequalities, sustainability, subjective well-being) and begin enquiry into new ones (e.g. vulnerability, resilience, inequality of opportunity, trust) recognising and addressing concerns that weigh heavily in people’s daily life

3. Encourage use of new well-being metrics in policy decisions moving beyond identifying “problems”, to anchor well-being metrics in the design, implementation and evaluation of public policies
HELG recommendations on vertical inequalities in economic resources (1)

• **What? Inequalities in earnings, income, consumption wealth**
  – *Within countries* and at the *world level*
  – *Integrating economic inequalities in macro-economic statistics* (to answer the question “who benefits form GDP growth?”)

• **Why are they important?**
  – *Increases in GDP pc do not reflect what is being experienced by most citizen*, especially when inequality is rising (as in recent years), leading to mistrust in data and governments

• **Where do we stand?**
  – *Statistical standards* exist for income inequalities but *not for consumption and wealth*; issues of timeliness, under-coverage, under-reporting at both ends of distribution
  – Much bigger issues of data quality in *non-OECD countries*
HELG recommendations on vertical inequalities in economic resources (2)

• **What should be done?**
  
  – Defining a *more comprehensive income concept* (incl. benefits in kind, consumption taxes, capital gains), with metrics produced as “experimental statistics”
  
  – Systematically assessing scope for *underreporting and non-coverage of the rich*, allowing NSOs to use (anonymised) tax records for linking to survey records
  
  – Using *all data sources on wealth inequality* (e.g. surveys, censuses, lists of large wealth-holders, administrative data on people’s estate at death and on annual wealth taxes)
  
  – *Addressing inconsistencies in international datasets* used for research

• **General philosophy**
  
  – *Different sources have different types of errors*: by crossing different sources we can get a better understanding of reality
• **Horizontal (group) inequalities** in *all well-being outcomes* (e.g. health, skills, political voice) between people sharing *common characteristics* (e.g. age, education, place of living, country of birth)

• **Why do they matter?**
  – They *shape people’s identity*, affect people’s well-being, are a *source* of discrimination, *political grievances & mass mobilisation*

• **Where do we stand?**
  – *Few comparative measures* of the relevant outcomes
  – *Differences in range of individual characteristics considered* in national and international studies for different outcomes
What do we know based on existing evidence?

- Horizontal inequalities in health by education are large

**Life expectancy for men at age 25 and 65 by education**
(gaps, tertiary education less lower secondary)
What should be done?

- Define *common set of group categories* (e.g. disability, gender, ethnicity, place of living) *implemented throughout the statistical system*, and assess *broad range of inequalities* (e.g. health, education, political voice) beyond economic ones.

- Move *beyond* assumption of *full sharing* of economic resources *within households* and develop measures of intra-household inequality through either the inclusion of specific questions in surveys or through more systematic collection of data for all household members.

- Develop measures of the *gender wealth gap* by including questions on ownership of key assets and marital regimes (and what these imply).
HELG recommendations on economic insecurity (1)

• **What it is?**
  – *Vulnerability to economic losses*, where “economic” is used as descriptor of the *consequences* (income losses) rather than of its *cause* (e.g. sickness, unemployment, family breakdown)

• **Why it matters?**
  – Many *reforms have shifted risks* from firms/governments to *households*

• **Where do we stand in terms of measures?**
  – *No measure* (either objective of subjective) *widely used* and accepted
  – *Measures* consistent with available theory and evidence exist: they *could be produced* with existing data, and *should be used in policy*
HELG recommendations on economic insecurity (3)

Share of population income-poor and economically vulnerable (not income-poor but with liquid assets insufficient to cover 3 months of poverty level consumption)

- Income poor, ~11%
- Economically vulnerable, ~36%
What should be done?

- Encouraging *multi-disciplinary research on concepts* (salient risks, available buffers) and *measures* (identify causality and confounders)

- *Improving the evidence base* (panel data; linking panel and administrative data on benefit-use; incorporate small set of ‘security questions’ in opinion surveys; assess relation between objective and subjective measures)

- Identifying *small number of core metrics* (e.g. income shocks, available buffers, perceived insecurity, “named risks”, e.g. unemployment, disability)
C. How can these measures inform policies?

Recent OECD work on policy applications of well-being metrics

Selected examples from:

- **15 countries** with extensive well-being measurement frameworks
- **10 countries** with specific mechanisms for embedding well-being metrics in **central government** policy
- **7 detailed case studies**

→ Released as a working paper in 2018 [dx.doi.org/10.1787/d98eb8ed-en](dx.doi.org/10.1787/d98eb8ed-en)

→ Extended in 2019 to look at specific mechanisms
Understanding the nature of the policy process

Well-being metrics can inform all stages of the policy cycle..

- Advising countries in assessing how effective reforms have been to achieve policy objectives.
- Supporting the effective monitoring of reforms’ implementation and progress.
- Supporting governments to efficiently and effectively implement policies.
- Working across government to support reform prioritisation through a comprehensive action-oriented diagnosis.
- Advice on setting up a roadmap to select policy objectives and engaging key stakeholders.
- Supporting the design of rigorous and strategic policy options and the optimal way forward.

.. four key mechanisms being used throughout OECD countries
Range of (recent) experiences, based on four key mechanisms (1)

- **Budgeting**

  **France:** New budget law (2015) requires government to report on *New Wealth Indicators* and assess main reforms - 10 indicators selected; reports published 2015, 2016 and 2018.

  **Italy:** Budget reform law (2016) - 12 indicators selected for progress reporting and forecasting budget impacts.

  **Sweden:** New Measures for Well-Being presented annually alongside the Spring Budget Bill (2017) – 15 indicators selected for monitoring and to support assessment of govt reforms.

  **New Zealand:** Well-Being Budget (2019).
Well-being Budgets – the case of New Zealand

1. Selecting priorities
2. Developing bids
3. Assessing bids and making decisions
4. Evaluating the results

OECD analysis of NZ approach in 2019 OECD Economic Survey (Ch1: Well-being performance, measurement and policy innovations)
Range of (recent) experiences, based on four key mechanisms (2)

Performance frameworks

- Scotland: **National Performance Framework** (revamped 2018)
- Slovenia: The **Slovenian Development Strategy 2030**
- Ecuador: **National Plan for Buen Vivir** (good life) 2017-2021
- Finland: **Strategic Government Programme** Indicators
- United Nations: **Sustainable Development Goals**

**Common goals**

- Identifying outcomes, objectives, targets, indicators
- Joining up across government to deliver shared aims
- A management tool and feedback mechanism
Range of (recent) experiences, based on four key mechanisms (3)

New institutional structures

- United Kingdom: What Works Centre for Well-Being; drawing together the evidence base for government, businesses and communities on what works to raise well-being.

- Wales: Future Generations Commissioner – an independent role to ensure govt meets its duties under the Future Generations Act 2015

- Ecuador: State Secretariat for Good Living (now disbanded)

- United Arab Emirates: Minister for Happiness (in both the Prime Minister’s Office & the Ministry of Cabinet Affairs and the Future)
Range of (recent) experiences, based on four key mechanisms (4)

Civil service capacity building

- United Kingdom: What Works Centre for Well-Being;
- Treasury’s Green Book: Appraisal and evaluation in central government; well-being Cost Benefit Analysis


- New Zealand: Treasury’s Living Standards Framework; intended as a practical tool for analysts, promoting a broader assessment of policy options;
- Budget guidance to all departments on implementing 2019 Wellbeing Budget
General observations on policy use

• New, so it is hard to assess achievements, at the moment we can only assess *process*

• Dashboards of indicators are *easily ignored* (even short ones), *timing* matters (aligning the presentation of evidence with the critical decision windows)

• *Political leadership* matters, but *legislation often used* to anchor these indicators in policy process

• Policy makers need to map their levers (inputs, outputs, processes) to high-level well-being outcomes: *evidence base and research on non-economic outcomes often lacking*

• Well-being indicators *make trade-offs more transparent* but *don’t tell you how to resolve them*

• *Relationships* among *current well-being* and *resources/risks for future not well articulated*
What’s next?

Putting Well-being Metrics into Policy Action

International Workshop
3-4 October 2019
OECD Conference Centre, Paris


Over the past twenty years, governments have stepped up their efforts to develop multidimensional dashboards of well-being, inclusiveness and sustainability indicators. But what difference is this making, in terms of how policy decisions are made? This workshop will explore the policy uptake of these indicators. It will focus on how practical policy mechanisms could be adapted to apply this evidence on a more systematic
Thanks

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