



# MEASURING WELL-BEING AND PROGRESS

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For almost 10 years, the OECD has been looking beyond the functioning of the economic system to the diverse experiences and living conditions of people and households. Measuring well-being and progress is a key priority that the OECD is pursuing through the *OECD Better Life Initiative*, various research and methodological activities, and key events such as the 4<sup>th</sup> OECD World Forum on “Statistics, Knowledge and Policy” that is being organised in New Delhi, India, on 16-19 October 2012. This brochure provides background information on these streams of work being led by the OECD Statistics Directorate.

*“I strongly believe that today, we have to consider a broader picture in our policy making, because a ‘growth as usual’ approach is simply not enough. In the current context, it is of utmost importance to define core objectives besides level of income, such as improving our citizens’ well-being, ensuring access to opportunities and preserving our social and natural environment.”*

*Angel Gurría, OECD Secretary-General,*

*12 October 2011, Conference “Two Years after the release of the Stiglitz-Sen-Fitoussi Report”, Paris*

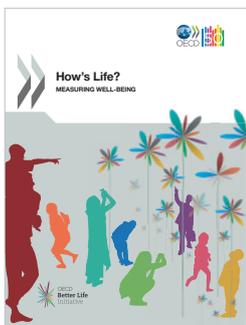
## The OECD Better Life Initiative

The *OECD Better Life Initiative* ([www.oecd.org/betterlifeinitiative](http://www.oecd.org/betterlifeinitiative)), launched in May 2011 on the occasion of the OECD 50<sup>th</sup> Anniversary, brings together several strands of the OECD’s work on measuring well-being and progress. The Initiative aims to promote “Better Policies for Better Lives”, in line with the OECD’s overarching mission. There are two main pillars to this initiative, *How’s Life?* and *Your Better Life Index*. *How’s Life?* is a report that provides a comprehensive picture of well-being in OECD countries and other major economies, by looking at people’s material conditions and quality of life across the population. *Your Better Life Index* is an interactive web-based tool that allows citizens to measure and compare well-being across countries according to the importance they give to the various dimensions of people’s well-being.



The two main pillars of the OECD Better Life Initiative are the How's Life? report and Your Better Life Index

## How's Life?



*How's Life? Measuring Well-Being* ([www.oecd.org/howslife](http://www.oecd.org/howslife)), released for the first time in October 2011, is prepared under the oversight of the OECD Committee on Statistics and will be released every two years. It looks at the most important aspects that shape people's lives and well-being. It paints a comprehensive picture of well-being in OECD countries and other major economies, by looking at people's material conditions and quality of life in eleven dimensions: income and wealth, jobs and earnings, housing conditions, health status, work and life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security and subjective well-being. The OECD Framework for analysing well-being and societal progress is shown on page 4. Critical features of this framework are its focus on individuals' and households' outcomes (rather than drivers and

inputs) and on both objective and subjective aspects of well-being. The report also provides information on inequalities in the various dimensions of people's life and (in a more limited way) on our imprint today on some key resources that will shape well-being in the future.

The report finds that well-being has increased, on average, over the past fifteen years: people are richer and more likely to be employed; they enjoy better housing conditions and are exposed to lower air pollution; they live longer, are more educated and are exposed to fewer crimes. But differences across countries are large. Furthermore, some groups of the population, particularly less educated and low-income people, fare systematically worse in all dimensions of well-being considered in this report. For instance they live shorter lives and report greater health problems; their children obtain worse school results; they participate less in political activities; they can rely less on social networks in case of need; they are more exposed to crime and pollution; they are less satisfied with their life as a whole than more educated and higher-income people.

The report responds to a demand from citizens, analysts and policy makers for better information on well-being and for a more accurate picture of societal progress. The next edition of *How's Life?* is planned for Spring 2013.



## Your Better Life Index



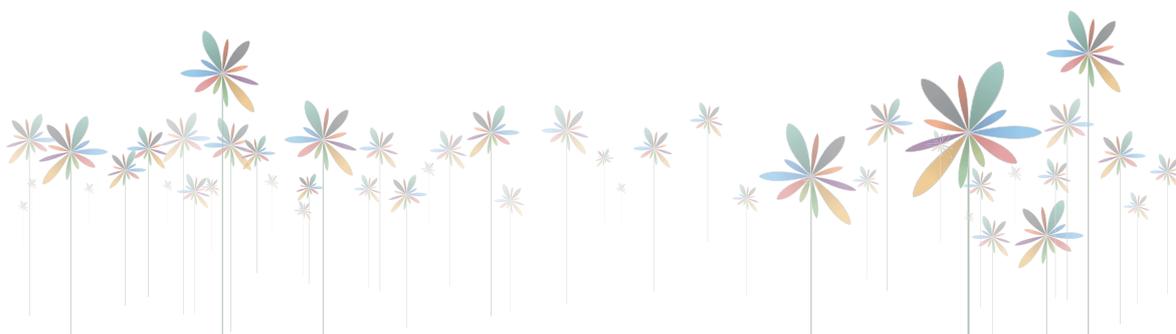
*Your Better Life Index* ([www.oecdbetterlifeindex.org](http://www.oecdbetterlifeindex.org)), released for the first time in May 2011, is an interactive web-based tool which enables citizens to compare well-being across countries by giving their own weight to each of the eleven dimensions explored in *How's Life?*. *Your Better Life Index* aims to engage citizens in discussions on what matters most in their lives and on what governments should do to improve well-being. It places people's concerns and aspirations at the heart of the well-being debate and strengthens participation in the policy-making process.

The indicators featured in *Your Better Life Index* are a subset of those included in *How's Life?* and they are organised along the 11 dimensions of the OECD Framework. As of May 2012, *Your Better Life Index* has attracted over 840,000 visitors, and over 1.9 million page views from 184 countries and 32 territories (as defined by the UN); more than 28,000 user-created indexes have been shared through various channels and 6300 demographic surveys have been submitted to the OECD, generating useful information of the value that people attach to various life dimensions, and how these preferences differ across countries and the demographic characteristics of users.

*Your Better Life Index* is regularly updated and enhanced: compared to the original version, the 2012 edition includes a few additional indicators, some analysis on socioeconomic states and allows a disaggregation by gender. It also expands its geographical coverage to the Russian Federation and Brazil.



Each flower represents a country



## Understanding the issues

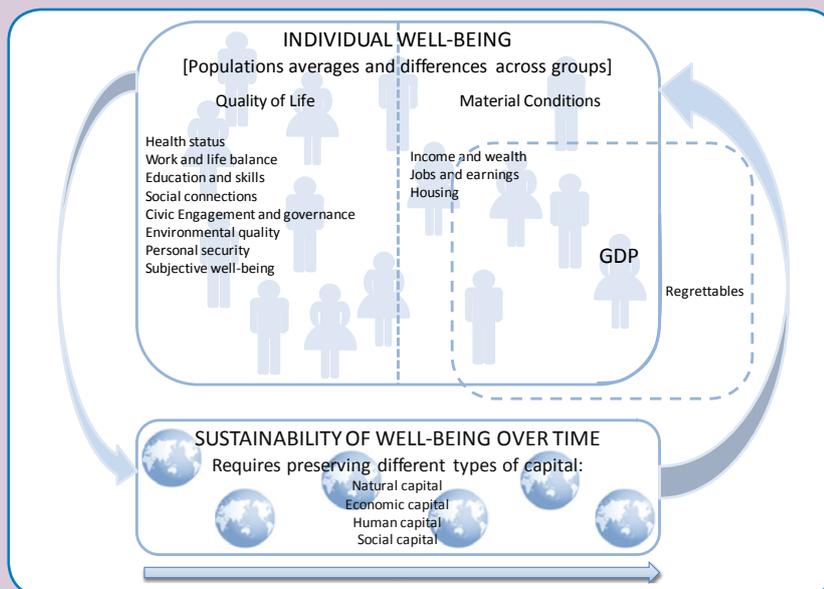
### Why measure well-being and progress?

In recent years, concerns have emerged on the fact that macro economic statistics such as GDP, did not portray the right image of what ordinary people perceived about the state of their own conditions. While these concerns were already evident during the years of strong growth and “good” economic performance that characterised the early part of the decade, the financial and economic crisis of the past few years has further amplified them. Addressing such perceptions is of crucial importance for the credibility and accountability of public policies and for the very functioning of democracy.

### What is progress?

Societal progress is about improvements in the well-being of people and households. Assessing such progress requires looking not only at the functioning of the economic system but also at the diverse experiences and living conditions of people. The OECD Framework for Measuring Well-Being and Progress (see illustration below) is based on the recommendations made in 2009 by the Commission on the Measurement of Economic Performance and Social Progress – also known as the Stiglitz-Sen-Fitoussi Commission – convened by former French President Nicolas Sarkozy, to which the OECD contributed significantly. It also reflects earlier OECD work and various national initiatives in the field. This Framework is built around three distinct domains: material conditions, quality of life and sustainability, each with their relevant dimensions.

### OECD Framework for Measuring Well-Being and Progress



The Measuring Well-Being and Progress website: [www.oecd.org/measuringprogress](http://www.oecd.org/measuringprogress)



# On-going research on measuring well-being and progress

The measuring well-being and progress agenda calls for new and improved statistics, aimed at complementing standard economic statistics and developing indicators that have a more direct bearing on people's life. This work can be grouped under the three conceptual pillars of:

- » **Material conditions**
- » **Quality of life**
- » **Sustainability**

## Material conditions

Measuring people's material conditions (i.e. their command over commodities) requires looking not only at their income but also at their assets and consumption expenditures, and at how these economic resources are distributed among different people and population groups. It also requires focusing on the economic resources of households rather than on measures pertaining to the economic system as a whole (e.g. GDP per capita). The OECD is working to improve the measurement of material conditions through a range of initiatives, some of which are listed below.

### Measuring disparities in national accounts

The System of National Accounts (SNA) provides information on households' income, consumption and wealth through "Household Accounts". However, this information only shows average conditions in the population. This average will not reflect the conditions of a "typical" person when there are important disparities across the population.

To overcome these limitations, a joint OECD-Eurostat Expert Group has been set-up under the auspices of the OECD Committee on Statistics, to look at how information on the distribution of income, consumption and wealth can be integrated

in national accounts, starting from existing survey and administrative data. The first phase of the work of this Expert Group has focused on comparing the total amounts of household income, consumption expenditure and wealth holdings in micro and macro (SNA) sources, while the second phase, to be completed by end-2012, aims at providing estimates of household adjusted disposable income and expenditures (consistent with SNA totals) for selected groups.

### Measurement of services produced by households for their own use

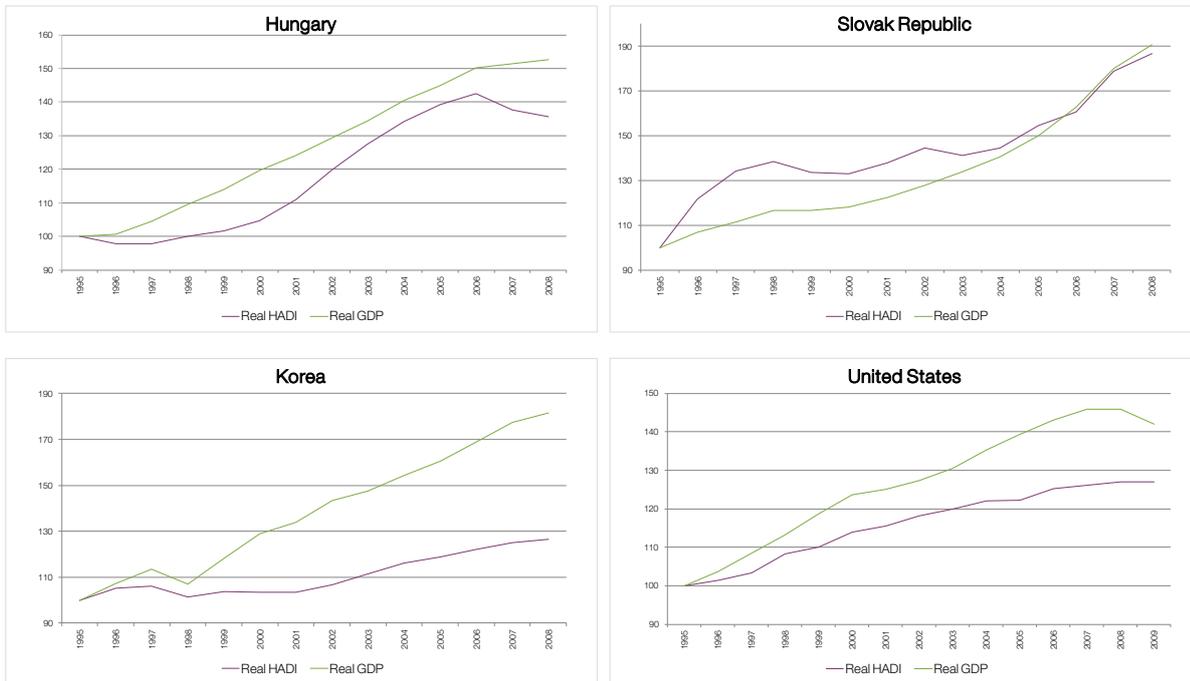
The measures of household consumption and production in the SNA, with the exception of household production of dwelling services imputed for home owners, do not include services produced by households for their own use, such as care for children and the elderly, cooking, cleaning, etc. However, these services are sizeable in all countries and the relative contribution they make to overall consumption differs significantly across countries. As a result, excluding them from the measurement of material conditions, can affect comparisons of living standards both over time and between countries. In pursuing its work to estimate the monetary value of these services, the OECD concluded that, whatever the valuation methodology used, all OECD countries improved their position relative to the United States (the country where household final consumption expenditure per capita is highest), with the gap narrowing from 70% to 50% in the case of Turkey (see OECD Statistics Working Paper: *Incorporating Estimates of Household Production of Non-Market Services into International Comparisons of Material Well-Being* in Further reading section).

### Differences between growth in real GDP per capita and real household income per capita

In many countries, real GDP growth has outpaced growth in real households' adjusted disposable income in recent years (see Figure 1). There are a number of possible factors driving these differences (ranging from terms of trade effects to



Figure 1. Differences between growth of real GDP per capita and growth in Household real net Adjusted Disposable Income (HADI) in selected OECD countries (1995=100)



Source: OECD, National Accounts database

differences in the pace of income growth between households, on one side, and other institutional sectors, on the other). The OECD is conducting work to identify the respective contribution of these factors. Data for all OECD countries should be collected and compiled by mid-2013. A report containing a conceptual framework as well as an analysis of results on the differences between changes in GDP and changes in household (adjusted) disposable income is expected by mid-2014. At a later stage, the OECD will investigate the feasibility of creating links with the complementary work looking at the breakdown of household income into certain categories of households.

### An integrated framework for the analysis of microdata on household income, expenditures and wealth

Most of the analysis on the material conditions of households at the micro level (e.g. analysis of poverty, inequality) is based on income. However, material conditions and their sustainability over time also strongly depend on household wealth

and consumption. While there are international standards for the collection of micro-data on household income (OECD has already been involved in the revision of the international standards on household income statistics, see *Canberra Group Handbook on Household Income Statistics, Second Edition 2011*) and consumption, no such standards currently exist in the case of household wealth. In addition, such standards are rarely assessed for their consistency. Finally, most household surveys do not collect information on the joint distribution of income, consumption and wealth and, even when such information exists, measures describing the joint distribution of these resources (e.g. how many people with adequate income or consumption have insufficient wealth) are poorly developed. An OECD Expert Group has been set up under the auspices of the OECD Committee on Statistics to address these limits. Guidelines for measuring the distribution of household wealth and for elaborating a framework for the production, analysis and dissemination of micro-statistics in these fields are expected to be completed by end-2012.



## Quality of life

Economic resources, while important, are not all that matters for people’s well-being. Health, human contact, education, environmental quality, civic engagement, governance, security and free time are all fundamental to our quality of life, as are people’s subjective experiences of life, i.e. their feelings and evaluations. Measuring quality of life requires looking at all of these elements at the same time: economic and non-economic, subjective and objective as well as at disparities across population groups. The OECD is working to improve measures of quality of life through the initiative listed below.

### Developing guidelines on the measurement of subjective well-being

Indicators of subjective well-being have the potential of bringing critical information on people’s life, shedding light on the relationship between objective circumstances in which people live and their own evaluation and contentment with them. Figure 2 shows the average self-evaluation of life satisfaction, on a scale from 0 to 10 in OECD countries. Most of the existing subjective well-being measures have been developed outside the boundaries of official statistics. However, a number of important initiatives in this field have been taken by National Statistical Offices (e.g. France, Italy, the

United Kingdom) and international organisations (e.g. Eurostat) in recent years.

The OECD is preparing a set of guidelines for the collection and use of subjective well-being measures. These guidelines aim to provide guidance to National Statistical Offices and other producers and users of survey-based data on subjective well-being. Work on these guidelines is undertaken under the auspices of the OECD Committee on Statistics, with a final report expected by the end of 2012.

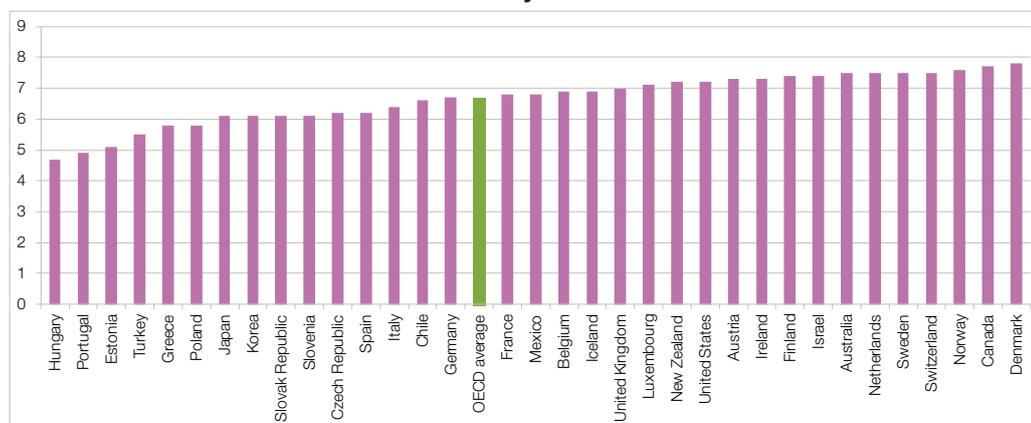
## Sustainability

Sustainability of well-being over time can be assessed by looking at the set of key economic, environmental, social and human assets transmitted from current to future generations, and how these assets are affected by today’s actions, policies and behaviours. The OECD is working to develop metrics that better capture whether the broad notion of economic, environmental, social and human capital are sustainable through some of the initiatives listed below.

### Measuring environmental capital

One critical element of a society’s asset base is provided by its natural resources. The OECD is

Figure 2. Life Satisfaction  
Average self-evaluation of life satisfaction, on a scale from 0 to 10  
2010 or latest year available\*



\*Estonia: 2009, Iceland: 2008, Israel: 2009, Norway: 2008, Switzerland: 2009  
Source: Gallup World Poll



developing indicators to monitor the stock of natural resources and has started work on valuing those natural resources that are recognised in the national accounts, in particular land and subsoil assets. This work also feeds into the development of Green Growth Indicators (GGI) and will contribute to the implementation of the new System of Integrated Environmental and Economic Accounts (SEEA).

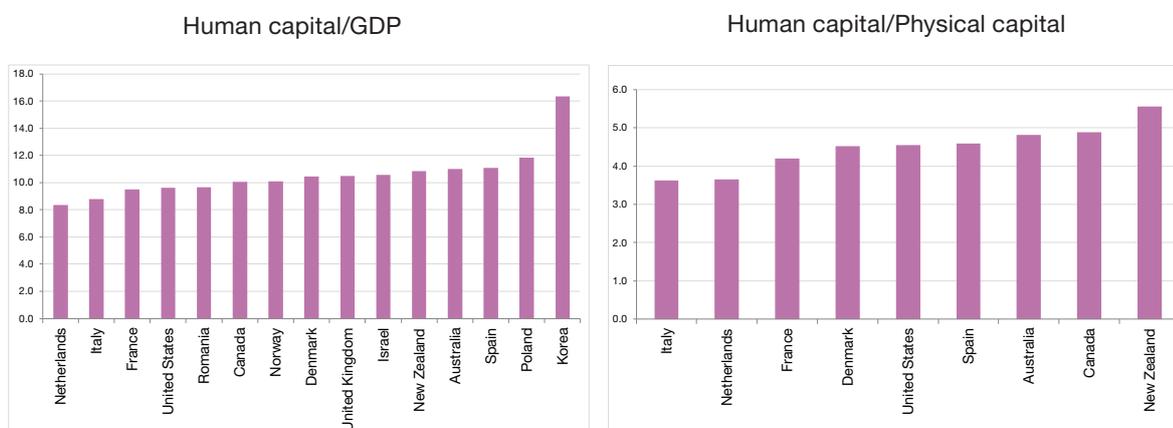
However, while having good measures of these stocks *per se* is important, it is critical to know how these resources and other global environmental commons are affected by consumption patterns in countries other than those where production takes place. A case in point is the climate system, which is affected by emissions of greenhouse gases due to various economic activities. Carbon dioxide (CO<sub>2</sub>) emissions are typically measured on the basis of what countries produce even though consumption of the associated products may often occur elsewhere. The OECD is working to create national estimates of CO<sub>2</sub> emissions that reflect consumption, as supplements to the more conventional measures based on production. This project, which is also part of the OECD work on Green Growth Indicators, is based on World Input-Output tables.

### Measuring human capital

Sustainable well-being is directly linked to changes

in all of a country's resources, including those that are not traded in market, such as human capital (i.e. the stock of competencies, knowledge and skills embodied in people). The OECD has developed monetary estimates of the stock of human capital, to complement existing physical indicators based on years of schooling or levels of competencies. Monetary estimates of the stock of human capital are useful as they can be compared with stocks of physical capital. In addition, these estimates allow one to assess how changes in this stock of human capital are affected by a variety of factors, such as education attainment, labour market and demographic factors. Monetary estimates of human capital per capita in volume terms suggest that it has been declining in some countries (Israel, Korea, Norway and the United States), as investment in education is not large enough to compensate for population ageing and related depreciation of human capital (see Figure 3). These results are illustrative of the interest of including measures of key assets other than economic assets when assessing the sustainability of people's well-being in the future. We will be further improving these estimates by taking into account the quality of skills and competencies as measured by the OECD Programme for the International Assessment of Adult Competencies (PIAAC).

Figure 3. Stock of human capital relative to GDP and to the stock of physical capital, 2006



Source: OECD, National Accounts database  
 Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>



## Measuring social capital

Individuals are “social animals”: they live with others, and their connections and relations are a source of both immediate pleasure and a resource delivering benefits in the future (e.g. in the form of helping to find a job, providing support when needed, or fostering co-operation and collective action when confronting common challenges). The latter perspective on social relations is generally known as “social capital”. An ongoing OECD project aims to identify best practices in the measurement of social capital that can be used by statistical agencies and researchers investigating the interactions between policy decisions and aspects of social capital.

The first phase of the project will review what is known about the measurement of social capital from the research literature, and document the range of questions currently used for its measurement. The compilation of a “databank” of relevant surveys and questionnaire modules will contribute to the review phase, as well as providing a reference tool for anyone interested in social capital measurement. The second phase of the project will take a more analytical approach, identifying the dimensions of social capital that are most relevant for key policy areas, and assessing different measurement approaches. The final report of the project will bring together this knowledge to evaluate the main methodological issues involved in collecting measures of social capital, examine important social capital dimensions, presenting policy applications, best practices and prototype questions. It is intended that this report will lay the groundwork for developing statistical guidelines on measuring social capital in the future.

## Developing a policy framework for well-being

For well-being measures to start making a real difference to people’s lives, they have to be explicitly brought into the policy-making process. Over the last years, many countries have been

active in developing sustainable development and well-being indicators (for instance, Australia, New Zealand, the UK, Japan). The current international interest in new metrics of well-being is an opportunity to bridge the gap between well-being metrics and policy intervention. Yet, to ensure that the evaluation of well-being impacts of policies becomes more systematic and robust, significant research is required to better understand the causal influences of different policies on each of the various dimensions of well-being and how well-being policies should effectively be implemented.

The OECD is developing a framework to identify the main drivers of well-being and to assess the overall impact of alternative policy options on people’s life. The framework is meant to evaluate the various benefits and costs of policies enacted simultaneously or of a single policy affecting many dimensions at the same time. It also includes a mapping exercise, identifying the best approaches that translate well-being measures into policy-making decisions. The ultimate purpose is to bring considerations of well-being more firmly into government decision-making and to provide governments with advice on the well-being effects of policy options. The first results of this project will be available in Autumn 2012.

## Key events

The OECD is continuing the dialogue on measuring well-being and progress through regional conferences and the OECD World Forum on “Statistics, Knowledge and Policy”. These events aim to deepen the ongoing reflection on how to measure well-being and the progress of societies, enhance the relevance of measures and analysis for addressing key policy issues, and lead to concrete outputs such as establishing frameworks for regional co-operation in this field.



## OECD World Fora on Statistics, Knowledge and Policies

The OECD World Fora on “Statistics, Knowledge and Policy” gather decision makers, policy actors, social leaders, statisticians and academics to discuss how best to measure and foster the progress of societies. To date, three OECD World Fora have taken place in Palermo (2004), Istanbul (2007) and Busan (2009).

The 4<sup>th</sup> OECD World Forum under the theme “Measuring Well-Being for Development and Policy Making” will take place in New Delhi, India on 16-19 October 2012 ([www.oecd.org/oecdworldforum/newdelhi2012](http://www.oecd.org/oecdworldforum/newdelhi2012)). Building on the OECD Better Life Initiative, the main objectives of the Forum are to further the discussions on the different aspects that make for a good life today and in the future in different countries of the world and to promote the development and use of new measures of well-being for effective and accountable policy making. An important goal of the Forum is to contribute to the ongoing discussion on the post-2015 development agenda.

## Regional conferences

Several regional conferences on Measuring Well-Being and Fostering the Progress of Societies are being organised in the lead up to the 4<sup>th</sup> OECD World Forum in co-operation with other regional organisations (e.g. UN agencies and development banks).

Three of these events have been organised for the Latin-American region, held in Mexico City (<http://mfps.inegi.org.mx/en/>) in May 2011, for the Asia-Pacific region, held in Tokyo ([www.measuring-well-being.asia/en/](http://www.measuring-well-being.asia/en/)) in December 2011, and for Africa, held in Rabat ([www.oecd.org/dev/progressafrica](http://www.oecd.org/dev/progressafrica)) in April 2012. One more event for Europe is to be held in Paris ([www.oecd.org/progress/europe](http://www.oecd.org/progress/europe)) in June 2012, as part of the (EU-supported) e-Frame programme.

## Related initiatives and networks

### Related initiatives



**Wikiprogress** ([www.wikiprogress.org](http://www.wikiprogress.org)) is a global platform for sharing information in order to evaluate social, environmental and economic progress. The core mission of Wikiprogress is to connect worldwide organisations and individuals wishing to develop new, smarter measures of progress.



**Wikigender** ([www.wikigender.org](http://www.wikigender.org)) aims to facilitate the exchange and improve the knowledge on gender equality-related issues around the world. A particular focus lies on gathering empirical evidence and identifying adequate statistics to measure gender equality. Wikigender aims to highlight the importance of social institutions such as norms, traditions and cultural practices that impact on women’s empowerment.



**Wikichild** ([www.wikichild.org](http://www.wikichild.org)) is a global network which focuses on sharing knowledge, news and developments for the global child well-being community. The portal draws on expertise from the OECD, government and international organisations, NGOs, and other organisations around the world concerned with child well-being.

### Related networks

A number of thematic and regional networks have been created in recent months as part of Wikiprogress, the global platform that serves as reference point for the “progress community”.



The **Global Progress Research Network (GPRNet)** ([www.wikiprogress.org/index.php/GPRNet](http://www.wikiprogress.org/index.php/GPRNet)) is a multidisciplinary network of individuals committed to promoting research and debate, and building knowledge, understanding and collaboration, on societal progress, its meaning, measurement and development.

The **Wikiprogress Latin America Network (WPAL)** (<http://wikiprogressal.blogspot.fr/>) is a research community based on a multidisciplinary exchange of knowledge and information among academics, analysts, opinion leaders, and citizens, on well-being measurement in Latin American countries and on how measurement can contribute to public policy.

## Further reading

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- » OECD Programme for the International Assessment of Adult Competencies (PIAAC), [www.oecd.org/piaac](http://www.oecd.org/piaac)
- » "Developing a Framework for Understanding and Measuring National Well-being", Alison Spence, Matthew Powell and Abbie Self, United Kingdom, Office for National Statistics, July 2011. [www.ons.gov.uk/ons/guide-method/user-guidance/well-being/publications/developing-a-framework-for-understanding-and-measuring-national-well-being.pdf](http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/publications/developing-a-framework-for-understanding-and-measuring-national-well-being.pdf)





OECD Statistics Directorate  
Paris, May 2012

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