



MEASURING WELL-BEING AND PROGRESS

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

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

6 Dissemination: The OECD Better Life Initiative

7 Key events

7 Related initiatives

8 Further reading

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 research, dissemination of existing data via the OECD Better Life Initiative and key events such as the OECD World Forum on “Statistics, Knowledge and Policies”. This brochure provides background information on these three streams of work being led by the OECD Statistics Directorate.

“Measuring Progress of Societies, [...] has become fundamental for development and policy-making in general. Improving the quality of our lives should be the ultimate target of public policies. But public policies can only deliver best fruit if they are based on reliable tools to measure the improvement they seek to produce in our lives.”

*Angel Gurría, OECD Secretary-General,
24 May 2011, OECD Forum 2011, Paris*

On-going research on measuring well-being and progress

The measuring well-being and progress agenda calls for improved and new statistics, aimed at complementing standard economic statistics (which are mainly focused on measuring the volume of market activity and related macro-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 the OECD Measuring Well-being and Progress Framework which draws on previous OECD work, the Stiglitz-Sen-Fitoussi report (2009) and on-going national and international initiatives (see Box: “Understanding the issues”).

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



Understanding the issues

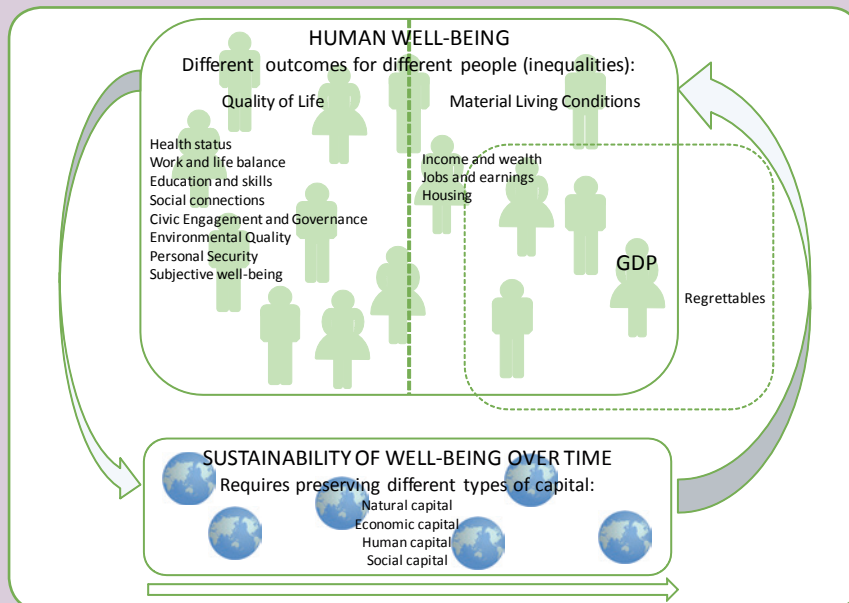
Why measure well-being and progress?

In recent years, concerns have emerged regarding 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 socioeconomic 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 of the citizens is of crucial importance for the credibility and accountability of public policies but also for the very functioning of democracy.

What is progress?

Societal progress is concerned with improvements in the well-being of people and households. It 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 French President Nicolas Sarkozy, to which the OECD contributed. This framework can be categorised into three distinct areas: material living 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



Material living conditions

Measuring people's material living conditions (i.e. their command over commodities) requires looking not only at their income but also at their assets and consumption expenditures and how these are distributed among different population groups. It also requires taking account of goods and services produced by households for their own use that are never bought or sold, and which do not appear in traditional economic measures. The OECD is working to improve the measurement of material living conditions through the initiatives listed below.

Measuring disparities in national accounts

The System of National Accounts (SNA) provides information on households' income, consumption and wealth through the "Household Accounts". However, this information only shows average conditions in the population. This average does not show 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 (CSTAT), to look at how information on the distribution of income, consumption and wealth can be usefully integrated in national accounts, starting from existing survey and administrative data.

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 living conditions, can affect comparisons of living standards both over time and between countries. The OECD is pursuing work to estimate the monetary value of these services, with some results already published in various OECD reports in 2011 (i.e. *Going for Growth, Society at a Glance*).

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

In many countries, real GDP and real households' adjusted disposable income (HADI) have grown at different paces over the past years, with the latter having risen more slowly than the former in several OECD countries. The causes behind this discrepancy are not well understood. The OECD is conducting work to explain what drives these different trends. Figure 1 provides an illustration of the disconnect between growth of real GDP per capita and of real HADI per capita in a few OECD countries.

An integrated framework on income, expenditures and wealth

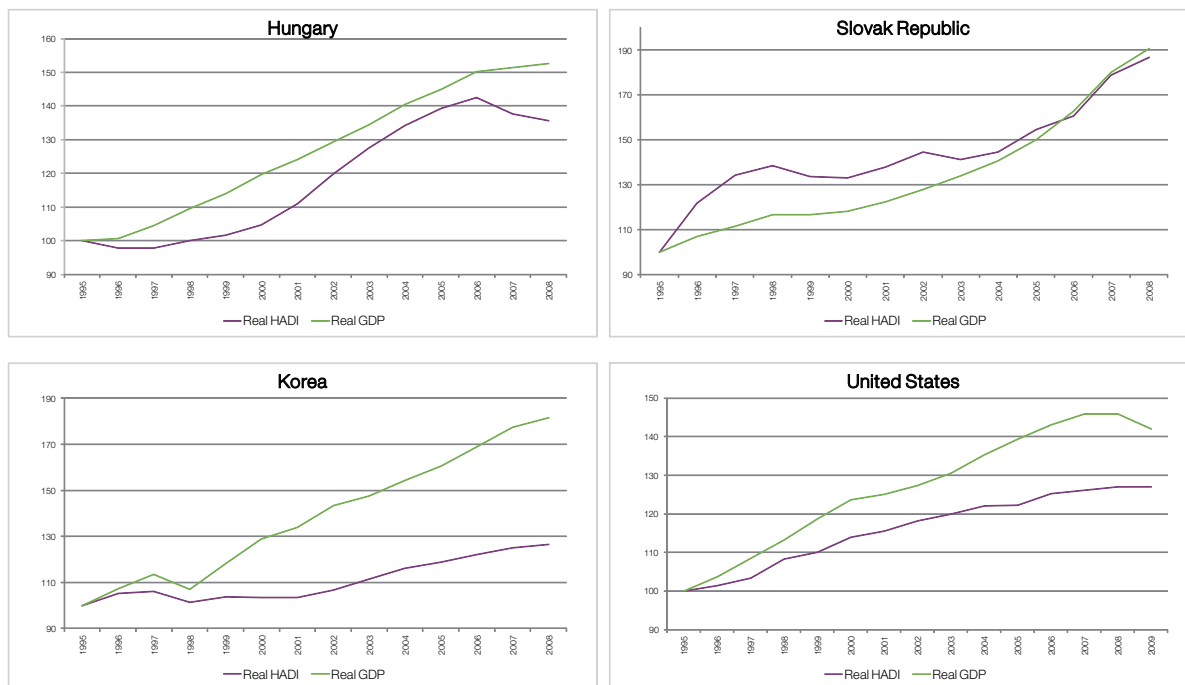
Most of the analysis on the material living conditions of households at the micro level (e.g. analysis of poverty, inequality) are based on income. However, material conditions and their sustainability over time also strongly depend on household wealth and consumption patterns. Currently, most household surveys do not collect joint information on income, expenditures and wealth and their distribution. An OECD Expert Group has been set up under the auspices of the CSTAT to develop guidelines on a joint framework as well as statistical standards for measuring the distribution of household wealth.

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 and governance, security, and free time are all fundamental to our quality of life, as is



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



Source: OECD, National Accounts database

people's subjective experience of life. Measuring quality of life requires looking at all of these elements as a whole: economic and non-economic, subjective and objective as well as at disparities across population groups. The OECD's work on quality of life focuses on a few of these aspects through the initiatives 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, recently a number of important initiatives in this field have also been taken by National Statistical

Offices (e.g. France, Italy, the United Kingdom) and international organisations (e.g. Eurostat).

The OECD is preparing a set of guidelines for the collection and use of subjective well-being measures. These guidelines aim to provide international standards to be adopted by National Statistical Offices and other producers and users of survey-based subjective well-being data.

Improved measures of environmental quality of life

Most of the existing measures of environmental quality of life rely on objective indicators, such as air pollution or water pollutants. While these measures are essential to evaluate the characteristics of the environment and their impact on well-being, much less information exists on people's perception of the quality of the environment.

The OECD is conducting work to fill this gap, by building indicators on people's satisfaction with the quality of air and water locally, satisfaction

