



## **Executive Summary of *How's Life? Measuring Well-Being*<sup>1</sup>**

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<sup>1</sup> This executive summary is an excerpt of the Overview Chapter of the publication “How's Life? Measuring well-being”. The integral publication may be available in Japanese next year.

## Introduction: in quest of better lives

The OECD has a long tradition of work on social indicators and quality of life. More recently, the OECD has been leading the international reflection on measuring well-being and societal progress. In 2004, it held its first World Forum on “Statistics, Knowledge and Policies” in Palermo. Two more Forums have taken place, the first in Istanbul in 2007 (which led to the launch of the OECD-hosted Global Project on Measuring the Progress of Societies) and the second in Busan in 2009. Thanks to these and other efforts undertaken within the international community, measuring well-being and progress is now at the forefront of national and international statistical and political agendas.

On the occasion of the OECD’s 50<sup>th</sup> Anniversary, held under the theme “Better Policies for Better Lives”, the Organization launched the *OECD Better Life Initiative. How’s Life?*, which is part of this initiative, is a first attempt at the international level to go beyond the conceptual stage and to present a large set of comparable well-being indicators for OECD countries and, to the extent possible, other major economies. This set is still exploratory and will, over the years, be improved by taking into account the outcomes of a number of methodological projects at the OECD and elsewhere as these deliver their results and lead to better measures. Nonetheless, this work is critical, as broad-based, international evidence is provided for the first time on a range of aspects of well-being. The report aims to respond to the needs of citizens for better information on well-being and to give a more accurate picture of societal progress to policy-makers.

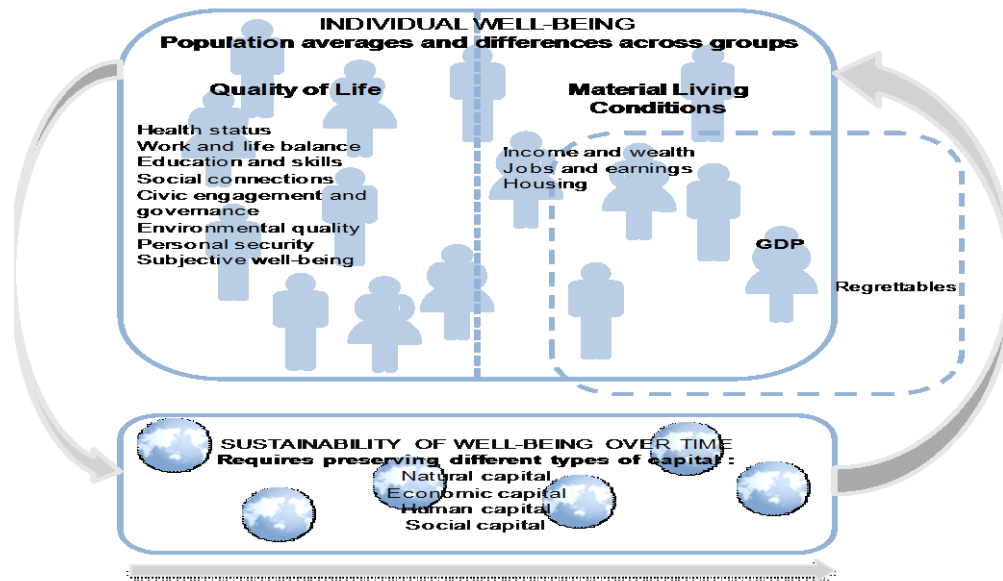
### Box 1.1 The OECD Better Life Initiative

The OECD Better Life Initiative includes both the *How’s Life?* report and the interactive, web-based tool *Your Better Life Index* ([www.oecdbetterlifeindex.org](http://www.oecdbetterlifeindex.org)). The *Your Better Life Index* aims to reach out to citizens, who are the ultimate beneficiaries of research and work on well-being: the voice of the public is critical in the debate on what matters most for the progress of societies.

Since its creation in 1961, the OECD has worked to help governments of member countries deliver good policies and improve the economic and social well-being of nations. The health of economies is of fundamental importance but what ultimately matters is the well-being of citizens. The 50<sup>th</sup> Anniversary offers the opportunity to reaffirm the OECD’s commitment to contribute to people’s well-being through “Better Policies for Better Lives”.

## A framework for measuring well-being

The framework underpinning *How’s Life?* identifies three pillars for understanding and measuring people’s well-being: *i*) material living conditions; *ii*) quality of life; *iii*) and sustainability (see figure below). This approach draws closely on that proposed by Stiglitz *et al.*, (2009) by previous OECD work<sup>3</sup> and by measurement practices around the world.<sup>4</sup>



In terms of its *scope*, the approach shown in this figure distinguishes between wellbeing today and well-being tomorrow. It identifies, for the former, a number of dimensions pertaining to either material living conditions or quality of life that are critical to people’s lives; and, for the latter, a number of conditions that have to be met to preserve the wellbeing of future generations.

In terms of its focus, the approach:

- Puts the emphasis on households and individuals, rather than on aggregate conditions for the economy. This is because there may be discrepancies between the economy-wide economic situation and the well-being of households. Generally speaking, the report assesses the well-being of the whole population, though in some cases the focus is put on groups of the population who are more likely to face specific well-being trade-offs (e.g. work and life balance).
- Concentrates on well-being outcomes, as opposed to well-being drivers, measured by input or output indicators. Outcomes may be imperfectly correlated with inputs (e.g. health expenditure may be a poor predictor of health status if the health care system is inefficient) or outputs (e.g. the number of surgical interventions performed may say little about people’s health conditions).
- Looks at the distribution of well-being across individuals. This is especially important when there are disparities in achievements across population groups and when these are correlated across dimensions (e.g. when the likelihood of earning a low income is correlated with low educational achievement, poor health status, poor housing, etc.). In particular, *How’s Life?* looks at disparities across age groups, gender, income or socio-economic background.
- Considers both objective and subjective aspects of well-being. Objective components of well-being are essential to assess people’s living conditions and quality of life, but information on people’s evaluations and feelings about their lives is also important for capturing the psychological aspects of people’s “beings and doings” (e.g. feelings of insecurity) and understanding the relationship between objective and subjective components of well-being.

In terms of current well-being, *How’s Life?* considers the following dimensions:

- Under material living conditions: income and wealth; jobs and earnings; and housing.
- Under quality of life: health status; work and life balance; education and skills; civic engagement and governance; social connections; environmental quality; personal security; subjective well-being.

This thematic structure for current well-being covers many components, reflecting both individual capabilities (conditions in which some choices are made, and peoples’ abilities to transform resources into given ends, for instance, health; Sen, 1998) and material outcomes (e.g. income or consumption). Important “social assets” (such as

reliance on social protection systems) are not considered in this report or are considered to only a limited extent. Future editions of this report will integrate these aspects to the extent that appropriate indicators become available.

Ideally, comprehensive evidence on the sustainability of today's well-being should have been included in this report. However, data availability as well as well unresolved conceptual issues have imposed a narrower focus for the first issue of the report, namely, a focus on environmental sustainability (drawing upon the OECD Green Growth Strategy Indicators) and selected aspects of human capital sustainability.

The conceptual framework used in this report has been discussed with high-level representatives of National Statistical Offices of OECD member countries. There is nevertheless scope for improvement and further development, in particular with the objective of making the framework more relevant from the perspective of all countries covered by the analysis.

## Main findings of *How's Life?*

The following main average patterns emerge from this report:

- In most OECD countries, average measures of household income and wealth have increased over the past fifteen years. Alternative indicators of the material resources enjoyed and consumed by households point in the same direction, despite some differences between objective and subjective indicators.
- There are large differences in employment rates across OECD countries, with evidence of a general rise in most countries. Long-term unemployment is low in most OECD countries and has generally declined since the mid-1990s. The importance of both temporary work and involuntary part-time work has, however, increased slightly during the past fifteen years.
- Housing conditions are good in the majority of OECD countries, though housing costs constitute a major concern for households in many OECD countries.
- In most OECD countries, people can expect to live a long life, and great progress has been accomplished in emerging countries in reducing infant and adult mortality rates. However, a significant share of the OECD population reports chronic health problems and the number of those who suffer from serious disabilities is significant.
- The balance of work and non-work activities has changed considerably in recent decades, with overall gains in leisure and reductions in hours worked. These trends, however, mask the increased complexity of people's lives, with both men and women taking on a wider variety of tasks in the workplace and at home.
- Educational attainment has increased substantially over the past decades, with countries converging towards similar levels of education. However, the quality of educational outcomes, as measured by the reading skills of 15 year-old students, varies greatly across countries – though this variance has fallen over the past ten years.
- Social connections are relatively strong in all OECD countries, with the majority of people seeing friends and/or relatives on a regular basis, and reporting that they have someone to count on in times of need. There are wider cross-country variations in levels of interpersonal trust.
- In all OECD countries people enjoy a high level of political rights but they do not necessarily exert them effectively. Low trust in public institutions and declining levels of civic engagement point to a growing gap between how citizens and elites perceive the functioning of democratic systems.
- In most OECD countries the concentration of particulate matter in the air has dropped in the last twenty years, while remaining well above target levels. People living in emerging countries are exposed to much higher concentrations of pollutants and often live without basic services such as access to safe drinking water and sanitation.
- The number of homicides is low in most OECD countries, although with striking variations across countries. Assaults have decreased in most OECD countries, while they are still common in some emerging countries. The large majority of OECD residents feel safe when walking alone in their neighbourhood at night, even though there are significant differences across countries.
- For most countries average levels of subjective well-being are high. However, there are significant differences across OECD countries, with some reporting lower average levels of subjective well-being than many middle-income and developing countries, regardless of the measure used. While there is only limited information available on how subjective well-being has changed over time, it appears to have risen in some countries and stagnated in others.

Some of the important findings in this report concern the extent to which well-being outcomes vary across the population within each country. The report shows that the distribution of achievements is very uneven in all the dimensions analysed, though there are some countries where inequalities are consistently smaller (e.g. the Nordic countries). Another common pattern is that certain population groups, in particular people with lower incomes and less education, experience the largest disadvantages. Patterns by age and gender are in general more complex and differentiated across domains.

Some of the detailed patterns of inequality in well-being include the following:

- Compared to the OECD average, income inequality remains high in a few OECD countries and in emerging countries, and there is evidence that income is increasingly concentrated at the very top of the distribution. The number of income-poor people has increased in many OECD countries.
- There are large health disparities across income groups, part of which can be attributed to life-style and environmental factors. Furthermore, women tend to live longer than men, but they also report a lower health status as well as higher disability.
- The distribution of family chores is still strongly influenced by gender: men are more likely to work longer hours in paid work than women, while women spend longer hours in unpaid domestic work than men. Better-educated individuals are more likely to work longer hours than less-educated individuals, and better-educated women to be in employment in comparison with less-educated women. Time crunches are particularly sharp for parents.
- The elderly, the poor and the less-educated tend to have weaker networks of social support, in comparison with other population groups. Trust in others generally rises with people's education, age and income, though it tapers off at the high end of the age and income distributions.
- The poor, the less-educated and young people tend to participate less in political life. Trust in the judicial system and in the functioning of national government also tends to rise with people's education and income.
- Men are more likely to be the victim of crime, though women have the strongest feelings of insecurity. People living in large urban areas or their suburbs are more likely to be the victim of an assault and to fear crime. Social ties increase the feeling of security.
- Young people, the elderly and people from poor socio-economic backgrounds are the most vulnerable to pollution. In OECD countries, populations living in large cities or their suburbs are significantly less satisfied with their local environment than people living in rural areas or small towns.
- Women report slightly higher average life satisfaction than men, so do higher-income people and better educated individuals. Life satisfaction is also higher among those who have friends to count on and those who volunteer. Life satisfaction is lower for the unemployed and those with health problems.

### **The statistical agenda ahead**

One important objective of this report is to take stock of the quality and comprehensiveness of existing well-being statistics. Such an assessment is critical in order to move the statistical agenda forward and to ensure that statistics evolve in line with the needs of policy-makers and the general public.

To that end, each chapter of the *How's Life?* report discusses the validity of existing measures in the various well-being dimensions and provides a roadmap of the statistical developments needed in each field. The general message from this exercise is that a great deal of effort still needs to be made to improve existing measures for most of the well-being dimensions analysed in this report. In particular, there are still several gaps between the target and the actual concepts that existing indicators measure. Another problem, which is particularly serious for the quality of life domain, is that some of the relevant official statistics are not directly comparable across countries. As a second-best solution, this report has relied on statistics produced by non-official sources, despite their lower quality.

Some of the priorities for future work in this field are:

- The development of an integrated framework for measuring household income, consumption expenditures and wealth at the micro-level.
- The introduction of disparities between households with different characteristics into the national accounts framework.
- Better measures of the quality of employment, in particular measures of work safety and ethics, of workplace relationship and work motivation, as well as better measures of earnings inequality.
- Better measures of the quality of housing services beyond the availability of basic amenities, of housing

costs and affordability.

- Better measures of morbidity, as well as of mental health and disability in particular, along with better measures of risk factors and drivers of different health outcomes.
- Better measures of non-cognitive skills, such as social and personality skills, as well as measures of the cognitive development of young children and of the adult population.
- More harmonised and recurrent measures of time use data, as well as of time crunches and time stress.
- Better measures of social connections, social network support, interpersonal trust and other dimensions of social capital.
- Better methodologies and concepts for civic engagement indicators, in particular regarding how people perceive the quality of democratic institutions of the country where they live, so as to complement expert's assessments of specific practices within the public sector.
- Broader and more consistent measures of environmental quality, e.g. by moving from data on the concentration of various pollutants to information on the number of people exposed to them.
- More harmonised and complete measures of personal security and of various types of crimes, as well as of violence against women and children.
- A robust set of comparable measures of subjective well-being in its different aspects, as well as greater coverage by these measures across countries and over time.

## Conclusion

While the *How's Life?* report presents a range of well-being indicators, which can be used to paint a broad picture of people's lives, the measurement of well-being remains challenging. Future OECD work will aim to consolidate this effort, in particular by selecting better indicators. It will also be important to extend the scope of this report by better integrating sustainability considerations into the analysis, and by focusing on some groups of the population who have been largely ignored in this first edition (e.g. immigrants, people with disabilities). While national statistical offices have a critical role to play in developing better indicators in many fields, this report also aims to encourage greater discussion by policy makers and the general public about the best way to measure and co