GOING BEYOND GDP TO FOSTER “BETTER POLICIES FOR BETTER LIVES”

The “Better Life” initiative of the Organization for Economic Co-operation and Development provides the first collection of internationally comparable well-being indicators to assess whether progress is being made by the people not just by the economy, says the organization’s chief statistician.

Ms Martine Durand, in Paris.
Ms Durand is the Chief Statistician and Director of the Statistics Directorate of the Organization for Economic Co-operation and Development (OECD). Formally the OECD’s Deputy Director of Employment, Labour and Social Affairs, Ms Durand is now responsible for the OECD’s work on the measurement of well-being and the progress of societies.

For the last half-century, the mission of the OECD (Organization for Economic Co-operation and Development), whose origins lie in European post-war reconstruction, has been to promote policies conducive to higher economic growth. However, over the decades, the organization’s work has evolved so that its agenda now encompasses almost the full range of economic, social and environmental issues confronting developed, emerging and developing countries around the world. In recent years, the OECD has been at the forefront of a movement to rethink the way policy makers and societies at large should define and measure individual and social well-being. The ongoing crisis has made it clear that, in order to guide the development of our societies, we need to go beyond the one-dimensional focus on GDP and develop more sophisticated, multi-dimensional tools to measure social progress.

To this end, during its 50th Anniversary celebrations in May
2011, the OECD launched the “Better Life Initiative”, combining data and research from across the organization and beyond to provide the first collection of internationally comparable well-being indicators.

**The Better Life Initiative is an ongoing project aiming to supply the information necessary for governments and citizens to answer the question: “Are our lives getting better?” As such, it is an essential component of the OECD’s mission to foster “Better Policies for Better Lives”.

**Measuring progress in theory and practice**

The Better Life Initiative represents the culmination of almost a decade of OECD-led dialogue and debate on the role of statistics in defining “progress” in the public and policy spheres. The first OECD World Forum on “Statistics, Knowledge and Policy” – held in Palermo, Italy in 2004 – brought together representatives from civil society, academia, government and national statistical offices to discuss the meaning and measurement of “progress”.

Emerging clearly from this event was the sense that a gap existed between the statistics most commonly used to measure changing conditions, and the realities and priorities of people’s lives, which needed to be addressed. In the intervening years, two more World Fora (in Istanbul in 2007 and in Busan in 2009), as well as many projects launched by other international and national organizations, have added momentum to the drive to develop better well-being metrics. In particular, an expert Commission established by French President Nicolas Sarkozy in 2007, and led by Nobel-prize winners Joseph Stiglitz and Amartya Sen, was asked to assess the adequacy of existing measures of economic performance and social progress. The Stiglitz-Sen-Fitoussi report published in 2009, to which the OECD contributed, made around 30 recommendations for statistical development, including: the need to collect more individual-level (as opposed to national aggregate-level) data to better understand inequalities in household conditions; the need to develop better measures of economic, social and environmental sustainability; and the need to measure well-being across multiple dimensions, encompassing both subjective and objective aspects. These recommendations, along with years of dialogue with groups and individuals from all sectors of society through the OECD-hosted “Global Project on Measuring the Progress of Societies”, have provided the conceptual basis for the OECD’s current efforts to move from theory to practice in well-being measurement.

The Better Life Initiative encompasses many different work...
streams and has led to two major outputs: “Your Better Life Index”, an interactive web tool, and “How’s Life? Measuring Well-being”, a report comparing well-being across OECD countries. The conceptual underpinnings for these products, and of all work related to the Better Life Initiative, is provided by a framework that distinguishes between current well-being and its sustainability, and that describes the former through the two spheres of material conditions (i.e. people’s command over economic resources) and quality of life (i.e. people’s attributes, feelings and evaluations). Overall, the OECD framework identifies 11 dimensions of well-being that have a claim to be relevant to people around the world, whatever the level of economic development of the country where they live:

- Income and wealth
- Jobs and Earnings
- Housing
- Health status
- Work-life balance
- Education and skills
- Social Connections
- Civic Engagement and Governance
- Environmental Quality
- Personal Security
- Subjective well-being

The selection of indicators for each of these dimensions has been informed by a number of principles to ensure their quality and policy-relevance. Official statistical sources have been used wherever possible. However, for some dimensions (such as social connections and subjective well-being), where no comparable data produced by National Statistical Offices currently exist, the OECD has also relied on non-official statistics, which were included as “placeholders” until comparable indicators become available from official sources. A particular emphasis was put on going beyond national averages to compile data on the distribution of outcomes across households and individuals. Indicators were chosen for their ability to show information about outcomes rather than inputs and outputs (e.g. focusing on measures such as life expectancy or educational attainment rates rather than government expenditure on healthcare and education). Finally, the selected indicators combine both objective and subjective measures. While the value of data based on people self-reports has long been recognized by official statisticians, measuring well-being also requires gathering information that only the person concerned can provide. This is the case of subjective well-being, a short-hand for people’s feelings (e.g. of joy and pain) and evaluations (regarding their life as a whole and for selected dimensions). This is a new area for official statistics and the OECD is currently developing guidelines for statistical agencies interested in collecting such measures.

The indicators included in the Better Life Initiative have also been chosen to fulfil standard statistical requirements, such as:

- Having face validity, i.e. the capacity to capture what is intended to be measured;
- Being commonly used and accepted as well-being indicators within the statistical and academic communities;
- Focusing on summary outcomes that can be easily understood (e.g. displaying no ambiguity in interpretation, showing either good/bad performance or progress/regress when looking at change over time);
- Lending themselves to disaggregation across population groups, allowing to assess disparities;
- Being amenable to change and sensitive to policy interventions;
- Ensuring broad comparability across countries and maximum country coverage; and
- Being collected through a recurrent instrument.

These criteria define the characteristics of a hypothetical “ideal” set of indicators for monitoring well-being across countries and over time. In practice, finding indicators that meet all these criteria equally well is challenging and will remain so for quite some time. While the current choice of indicators represents a good approximation of the ideal concepts, the selection will be improved in the future as better statistics become available.

Your Better Life Index
Your Better Life Index
main challenges in measuring a multi-dimensional concept such as different views about what is most has proven difficult, if not impossible, to develop a single-number index combining information on all the different choices about the weight of these different components, choices which can be controversial. On the other hand, summary indices are useful communication tools, combining information on several dimensions in order to compare living conditions across countries or over time. The OECD has addressed this challenge in a way that allows users to create their own personalised index by rating the importance of each of the eleven well-being dimensions used by the OECD. Users can then compare well-being in the 34 OECD countries, and share their index with other people and with the OECD. Overall, close to 800,000 people have used the OECD tool since last May.

How's life?
The How's Life? Measuring Well-Being report takes a more in-depth look at the headline indicators used to construct Your Better Life Index, as well as introducing secondary indicators for each dimension for greater contextual depth. The report considers each well-being dimension in turn, presenting information on average outcomes as well as on inequalities in these outcomes by age group, gender and, where possible, socio-economic conditions, and exploring the determinants of each well-being dimensions. Each chapter ends by setting out the statistical agenda ahead. How's Life? is an essential companion to Your Better Life Index, as it identifies the areas where more work will be needed to develop better metrics in the future.

Next steps: Strengthening the links between measures and policies
Your Better Life Index has been hugely successful at reaching a wide audience and getting analysts and members of the public interested in how to measure wellbeing. Earlier this year, Your Better Life Index was named an Official Honoree in the "Government" category of the Webby Awards, the prestigious international body recognizing excellence on the Internet. How’s Life? has also been well received by researchers and statistical agencies as an important contribution to the field of wellbeing measurement. Both of these streams of work will be regularly updated and improved. However, the real challenge is to ensure that better measures will have an impact on policies.

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.

The current international interest in wellbeing is an opportunity that should be capitalized to bridge the gap between well-being metrics and policy interventions. Yet, to ensure that the evaluation of the well-being impacts of policies becomes more systematic and robust, significant research is required to better understand the causal influences at work and the ways in which well-being policies should effectively be implemented.

The OECD is developing a framework aimed at better understanding the drivers of well-being and interpreting the overall impact of alternative policies on people’s life.

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 different policy options.

Of course, the way well-being measures are used in policy-making will differ depending on the context and priorities of each country. While the focus of the Better Life Initiative to date has been on OECD countries (and, to a more limited extent, on selected partner countries such as India, South Africa, Indonesia, China and Russia), future work will look at how to extend the well-being framework to developing countries. It is now widely recognized that "development" constitutes more than improvements in GDP. With the 2015 deadline for the "Millennium Development Goals" approaching, discussions are now underway to develop a follow-up framework based on a more holistic view of development, with the notion of well-being at its core.

The OECD commitment to develop better indicators of people’s life is stronger than ever. We are working in close collaboration with the many countries and organizations (in the United Kingdom, Germany, France, Italy, Australia, Korea, Japan, China, as well as the European Statistical System, to name just a few) that have launched ambitious national and regional initiatives in this field. In many ways, however, this work is still in its infancy; developing better measures of progress, and ensuring that these are used by policy makers, is an ongoing mission.

To provide impetus towards this goal, the OECD is organizing a range of high-level regional conferences in Latin America, Asia, Africa and Europe bringing together experts from governments, statistical offices, academia and the private and non-profit sectors, culminating in the 4th OECD World Forum on "Statistics, Knowledge and Policy", to be held in New Delhi, India, in October 2012 which will focus on measuring well-being for development and policy-making.

Endnotes
1. A few Commonwealth governments have been collecting data on subjective well-being for some time, including Canada, New Zealand, Australia, and the United Kingdom.