Well-being: from measurement to policy use
The OECD’s approach

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OECD

9-10 September 2014, Guanajuato
1. Measuring well-being: why and how?
2. Key findings of *How’s Life? 2013* for Mexico
3. Policy use; analysing policy trade-offs and synergies
4. Embedding well-being into policy making
Part 1

The OECD’s endeavour to develop measures of well-being

Measuring well-being: why?

- **GDP** is not a metric of people’s well-being and is **often at variance with people’s personal experiences**; GDP should be recognized as a means to an end, not the ultimate objective of policy.

- There is a need for **better measures of well-being** that:
  - **Overcome the shortcomings of GDP** (e.g. take into account distribution across population groups; **quality of life**; sustainability)
  - Inform the policy debate on **aspects that matter most to people’s life**

- Ultimately, we need **improved measures** to make better policies
Measuring well being: How?
The OECD framework

- **People** rather than economic system or GDP
- **Outcomes** rather than inputs and outputs
- Both *averages* and *inequalities*
- Both *objective* and *subjective* aspects
- Both *today* and *tomorrow*

**36 countries**
- OECD countries
- Brazil
- Russia

**Individual well-being**
- [Populations averages and differences across groups]

**Quality of Life**
- Health status
- Work-life balance
- Education and skills
- Social connections
- Civic engagement and governance
- Environmental quality
- Personal security
- Subjective well-being

**Material Conditions**
- Income and wealth
- Jobs and earnings
- Housing

**Sustainability of well-being over time**
- Requires preserving different types of capital:
  - Natural capital
  - Human capital
  - Economic capital
  - Social capital

Source: OECD, 2013
• A dashboard with **25 headline indicators**, around 2 per dimension

• More than **30 secondary indicators** to complement the analysis on specific topics

• All selected indicators meet **statistical standards**, vetted by the OECD Committee on Statistics and Statistical Policy
Indicator selection: guiding principles

Relevance
- face valid
- easily understood (e.g., more is better)
- policy relevant

Data considerations
- official or established sources; non-official place-holders
- comparable/standardized definitions
- maximum country-coverage
- recurrent data collection
- can be disaggregated by population group

Reporting methodology
- Dashboard of 25 headline indicators + secondary indicators
- Levels, trends, average & inequalities
Digging deeper: How’s Life? 2013

- How’s Life at a glance
- The human costs of the financial crisis
- Gender gaps in well-being
- Job quality: Well-being in the workplace
- Measuring sustainability of well-being over time
Part 2

How’s life in Mexico?

Key findings of *How’s Life? 2013*
Mexico is among the 20% lowest performers among OECD countries when all well-being dimensions are considered.

<table>
<thead>
<tr>
<th>Top 20% performers</th>
<th>Australia</th>
<th>Canada</th>
<th>Denmark</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>Switzerland</td>
<td>United States</td>
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</table>

<table>
<thead>
<tr>
<th>60% middle performers</th>
<th>Austria</th>
<th>Belgium</th>
<th>Czech Republic</th>
<th>Finland</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Iceland</td>
<td>Ireland</td>
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<td>Italy</td>
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<tr>
<td>Japan</td>
<td>Korea</td>
<td>Luxembourg</td>
<td>Netherlands</td>
<td>New Zealand</td>
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<tr>
<td>Poland</td>
<td>Slovak Republic</td>
<td>Slovenia</td>
<td>Spain</td>
<td>United Kingdom</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>20% bottom performers</th>
<th>Chile</th>
<th>Estonia</th>
<th>Greece</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>Portugal</td>
<td>Turkey</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

... across well-being dimensions...

- **United States**
  - Work-life balance
  - Social connections
  - Education and skills
  - Civic engagement and governance
  - Environmental quality
  - Personal security
  - Subjective well-being
  - Jobs and earnings
  - Health status
  - Income and wealth
  - Housing

- **Mexico**
  - Education and skills
  - Personal security
  - Income and wealth
  - Jobs and earnings
  - Work-life balance
  - Social connections
  - Health status
  - Environmental quality
  - Housing
  - Civic engagement and governance
  - Subjective well-being

- **Chile**
  - Environmental quality
  - Personal security
  - Income and wealth
  - Housing
  - Education and skills
  - Work-life balance
  - Social connections
  - Jobs and earnings
  - Health status
  - Civic engagement and governance
  - Subjective well-being
...and over time for selected dimensions (1)

Household net adjusted disposable income
US dollars at 2005 PPPs per capita
- Mexico
- OECD

Educational attainment
Percentage of adults aged 25-64 with at least upper secondary education

Life expectancy at birth
Years

Air quality
PM 10 concentrations, micrograms per cubic meter

Source: How’s Life? 2013
...and over time for selected dimensions (2)

**Intentional homicides**

_**Number of homicides per 100 000 persons**_

- **Mexico**
- **OECD**

**Social network support**

_**Percentage of people who have relatives or friends they can count on**_

**Trust in national government**

_**Percentage of people reporting to trust**_

**Life satisfaction**

_**Cantril Ladder**_

Source: How's Life? 2013
How does Mexico compare in terms of inequalities in well-being? A snapshot ...

A similar socio-economic well-being gradient in Mexico as on average in the OECD

Normalised scores by dimension; 0=OECD bottom performer, 1=OECD top performer
Source: How’s Life? 2013
Income inequalities have decreased in Mexico but they remain high compared with other OECD countries.

Source: How’s Life? 2013, OECD Income Distribution Database
... and in terms of gender well-being inequalities (1)

**Lower gender wage gaps in Mexico**

**Gender wage gaps**
(Men minus Women/Men)

Source: OECD Employment Database

**Gender time gaps**
(Women minus Men)

Source: OECD calculations based on national time-use surveys

But women confronted with double day burden
Gender well-being inequalities (2)

- 47% of Mexican women are the primary target of intimate violence, the highest share in the OECD (OECD average 25%)

- Mexican women are under-represented in top management and political positions but in Mexico, the share of parliamentary seats occupied by women is above the OECD average (37% vs 27%)

- BUT...

- Mexican women live 6 years longer than Mexican men, more than the OECD average (5 years)

- Young Mexican women are more educated than young men: 55% of women and 45% of men have a tertiary degree (compared with 58% of women and 42% of men in the OECD)
Using the How’s Life results for policy and for involving citizens

- **Promotes a multidimensional policy approach which puts people’s well-being at its centre**

  - From ‘accidental’ to systematic checking of consequences of policies on multiple dimensions of well-being (trade-offs/synergies)

  - At the heart of the OECD NAEC Initiative and Inclusive Growth project

- **The Better Life Index**

  - An interactive web application to disseminate, and engage with people on, what matters most in their life
¿Cómo va la vida?

En la vida hay más que las cifras del PIB y las estadísticas económicas – Este Índice te permite comparar el bienestar en distintos países basándose en 11 temas que la OCDE ha identificado como esenciales para las condiciones de vida materiales y la

Better Life Index

Índice

Países

Temas

Sobre este sitio

Crea tu propio Índice para una Vida Mejor

¿Cómo va la vida?

Better Life Blog

Más información

Feb 10, 2014

How's Life report measures human cost of the crisis

→ more ...
The Better Life Index: a quick overview

- More than 3.4 million visitors over the world
  - almost 125,000 in Mexico

- In Mexico, among those who shared their index with the OECD, users value the most life satisfaction, education and health
Part 3
Policy use: analysing policy trade-offs and synergies

The OECD’s project on *Inclusive Growth*
Measuring Inclusive Growth

• Question is: which growth?
• Not GDP, but multidimensional living standards: money-based aggregation of 3 well-being dimensions (so far)
  - Income
  - Jobs
  - Health
  → Focus on 3 dimensions for which OECD work on explicit link with pro-GDP growth policies is more advanced, and which bear the greatest weights as determinants of subjective well-being

• And whose growth?
  - Assess trends and impact for different groups of households

• Link to policy
Indicators for Inclusive Growth

- **Income**: Household real disposable income
- **Jobs**: unemployment
  - strong determinant of subjective SWB
  - refinement: unemployment by duration or outflow rate
  - alternative: employment rate: captures differences in labour market participation
  - Suitable for countries with large informality?
- **Health**: Life expectancy
  - Morbidity preferable?
  - But: data availability and aggregation
  - Also, significant variance between countries and socio-economic groups
  - Likely to be more accentuated in developing countries and emerging economies
Computing multi-dimensional living standards

• **Equivalent income** =
  
  Household disposable income
  
  *less* monetised loss due to unemployment
  
  *less* monetised loss due to lower life expectancy than best performer

• **Multi-dimensional living standards** = aggregating individual *equivalent income*, with a *penalty for inequality* in equivalent income
  
  → The penalty applied is the distance between the median and the average equivalent income

• **Inclusive Growth** = Growth in multi-dimensional living standards, adjusted for inequalities
Comparison over time:
EU and US before the crisis 1995-2007

Decomposing growth in multidimensional living standards for median households (X)

- **Stronger income growth in the US**
- **But longevity increases less rapidly than in the EU**
- **Income of middle class in the US grows less than average income**
Similar effects in EU and US due to the crisis, drop in multidimensional living standards (X) :

- Increase in unemployment
- Very weak income growth
- Increase in inequalities, also in the EU

But note: continued differences in the evolution of longevity
Multi-dimensional living standards over time
Multi-dimensional living Standards in Mexico 2011

Living standards of the median household (OECD Average)
Level comparisons: losses of multi-dimensional living standards

Graph showing level comparisons with categories:
- Unemployment
- Longevity
- Inequality

Countries included:
- NOR, CHE, JPN, NLD, AUT, SWE, LUX, AUS, FRA, NZL, ITA, SVN, KOR, FIN, DNK, BEL, DEU, CAN, GBR, GRC, CZE, IRL, PRT, ESP, POL, USA, SVK, HUN, MEX, CHL, EST
Inclusive Growth in Mexico 2003-2011
Link to policies: assessing trade-offs and synergies

- Assessing the impact of various growth-enhancing policies on the level and distribution of income, jobs and health

- For example whether and which structural reforms are found to also deliver stronger income and employment gains for households and at the lower or higher end of the distribution

- Preliminary results show that easing job protection legislation (e.g. reducing duration of unemployment benefits or stepping up job search and activation programs) have important (negative and positive, resp.) distributional effects (especially at the low end)
## Link to policies: assessing trade-offs and synergies

<table>
<thead>
<tr>
<th>A pro-growth change in:</th>
<th>D9/D1 (income distribution)</th>
<th>Employment</th>
<th>Overall earnings distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>B</td>
<td>N</td>
<td>B</td>
</tr>
<tr>
<td>Trade integration</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>FDI Openness</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Product Market competition (easing regulatory barriers to entry)</td>
<td>B</td>
<td>N/G</td>
<td>N</td>
</tr>
<tr>
<td>Easing EPL (overall protection)</td>
<td>B</td>
<td>N/G</td>
<td>B/N</td>
</tr>
<tr>
<td>Easing EPL (reducing duality)</td>
<td>G</td>
<td>G</td>
<td>G</td>
</tr>
<tr>
<td>Lower minimum wage</td>
<td>B</td>
<td>N/G</td>
<td>N</td>
</tr>
<tr>
<td>Lower tax wedges</td>
<td>B</td>
<td>G</td>
<td>N/G</td>
</tr>
<tr>
<td>Participation of women</td>
<td>G</td>
<td>G</td>
<td>G</td>
</tr>
</tbody>
</table>

B=bad, G=good, N=neutral
Part 4

Embedding well-being into policy making

Country reviews; regional well-being; domain-specific policy analysis
Application to country reviews and regions

- Multi-dimensional Country Reviews: well-being for development

- Well-being in Economic Surveys (e.g. Austria 2013, US 2014, Italy, Mexico, forthcoming)

- Regional well-being online tool, launched this week
OECD Regional Well-Being online tool

OECD countries / Mexico

Guanajuato

Explore the map to find out how life is across OECD regions and discover regions with similar well-being.

Each region is measured in eight topics important for well-being. The values of the indicators are expressed as a score between 0 and 10. A high score indicates better performance relative to the other regions.

Regions with similar well-being in other countries

- Turkey
  Southeastern Anatolia - Middle
- Chile
  Aysén
- Poland
  Lubelskie
- Portugal
  Azores

Help
Taking a closer look at regional well-being

Health

Guanajuato reaches 2.3 / 10 points in Health.

This puts the region in position 7 / 32 regions in Mexico.

Compared across all OECD regions, the region is in the bottom 20% in Health.

Civic Engagement

Guanajuato reaches 1.3 / 10 points in Civic Engagement.

This puts the region in position 11 / 32 regions in Mexico.

Compared across all OECD regions, the region is in the bottom 11% in Civic Engagement.

Indicators

Mortality rate: 9.7 deaths per 1,000 people

Life expectancy: 74.8 years

Indicators

Voter turnout: 47.8%
Taking a closer look at regional well-being

**Education**

Guanajuato reaches **0.0 /10** points in **Education**.

This puts the region in position **28 /32** regions in Mexico.

Compared across all OECD regions, the region is in the **bottom 4%** in **Education**.

**Indicators**

Labour force with at least secondary education: **30.6 %**

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**Environment**

Guanajuato reaches **3.2 /10** points in **Environment**.

This puts the region in position **30 /32** regions in Mexico.

Compared across all OECD regions, the region is in the **bottom 25%** in **Environment**.

**Indicators**

Air pollution: **16.1** level of PM2.5
Policy uses of subjective well-being measures

- Subjective Well-Being Measurement and Policy Use: **Workshops** in different parts of the world (Americas, Europe, Asia-Pacific; 2013-2015)

Policy uses of SWB measures

• Complementing existing measures of well-being
  → Are changes in society having a positive impact?

• Better understanding the drivers of SWB
  → What underpins SWB resilience and vulnerability?
  → How can policy interventions help?

• Subjective well-being as an input for other analyses
  → Designing and evaluating policy
  → Cost-benefit analysis

• Highlight new areas requiring specific measures (e.g. mental health in the UK)
Complementing existing measures

Egypt: Recent Trends in Percentage “Thriving” and GDP per Capita (PPP)

2005-2010 GDP per capita (ppp) estimates are from the International Monetary Fund’s World Economic Outlook database.

GALLUP
## Cost-benefit analysis

### Valuation of life events using subjective measures

<table>
<thead>
<tr>
<th>Event</th>
<th>Valuation (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment to Unemployment</td>
<td>-27000</td>
</tr>
<tr>
<td>Single to married</td>
<td>7000</td>
</tr>
<tr>
<td>Married to separated</td>
<td>-13000</td>
</tr>
<tr>
<td>Married to divorced</td>
<td>n.s.</td>
</tr>
<tr>
<td>Married to widowed</td>
<td>-16000</td>
</tr>
<tr>
<td>Health excellent to health fair</td>
<td>-14000</td>
</tr>
<tr>
<td>Reduction in risk of terrorism for Paris to the level of the rest of France</td>
<td>2500</td>
</tr>
<tr>
<td>Noise pollution (HH income of 2000 per month)</td>
<td>-699 per month</td>
</tr>
</tbody>
</table>

Source: OECD calculations based on Oswald, Stutzer and Van Praage
Well-being and public policy: The New-Zealand Treasury

LIVING STANDARDS: THE HEART OF OUR POLICY ADVICE

- Policy tool developed for front-line policy analysts

- A “manageable list of the key issues that make the most difference”

- Embed the concept of living standards more systematically and more visibly in policy advice to Ministers
THANK YOU!

For any questions, contact progress@oecd.org

www.oecd.org/measuringprogress
www.oecd.org/howslife
www.oecdbetterlifeindex.org
Supporting slides
Job strain is bad for workers and employers

More strained workers more likely to report that work impairs their health

More strained workers take more sick leave

Source: OECD calculations on the European Survey on Working Conditions
Inequality in life expectancy

Note: The figures show the gap in the expected years of life remaining at age 30 between adults with the highest level ("tertiary education") and the lowest level ("below upper secondary education") of education.

Source: Eurostat database complemented with national data for Austria, Netherlands and Switzerland.
Well-being and public policy: The Australian Treasury

- A whole-of-economy approach focusing on **five aspects** particularly important for wellbeing:
  
  ✓ The set of opportunities available to people (e.g. good health, environmental amenity, political rights)
  ✓ The distribution of those opportunities across the Australian people
  ✓ The sustainability of those opportunities available over time
  ✓ The overall level and allocation of risk borne by individuals and the community
  ✓ The complexity of the choices facing individuals and the community

- Trade-offs matter deeply, both between and within these five aspects

- Their consideration provides the broad context for the use of the best available economic and other analytical frameworks, evidence and measures

- **Measuring Australia’s Progress (MAP)**
Well-being indicators as part of the strategy process

- Vision and overarching goals
- Options
- Emphasis and focus for the term of office
- Detailed planning and allocation of funds
- Implementation

Well-being indicators as analysis and measurement tool
Well-being can support each stage of policy

- New perspective on policy challenge/issue
- New insights on clients, target group
- Open up new/alternative solutions/options
- Appraisal Cost benefit analysis
- Measure progress & success
- Build into services and commissioning
Germany:

“Progress, quality of life and prosperity have many facets: Good jobs, a good income, health, but also intangible values such as family, friends and freedom. **We want to orient our governance more strongly to the values and objectives of the citizens and therefore have a dialogue with them about their understanding of quality of life.** The existing reports and indicator systems, such as the Enquete Commission of the German Bundestag and the Advisory Council on the Assessment of economic development, will be referred to.

On this basis, **we will develop an indicator and reporting system for quality of life in Germany.** It shall inform at a regular interval in an easy to understand form of the status and progress in the improvement of quality of life in Germany. We want to improve the information about the social, environmental and economic dimensions of quality of life and progress. **We want feed the findings into a cross-departmental action plan "good life" on how to improve the quality of life in Germany.**

Italy: urBES project (indicators of inclusive and sustainable well-being at the city level)