

Well-being: from measurement to policy use

The OECD's approach



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Outline of presentation

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**



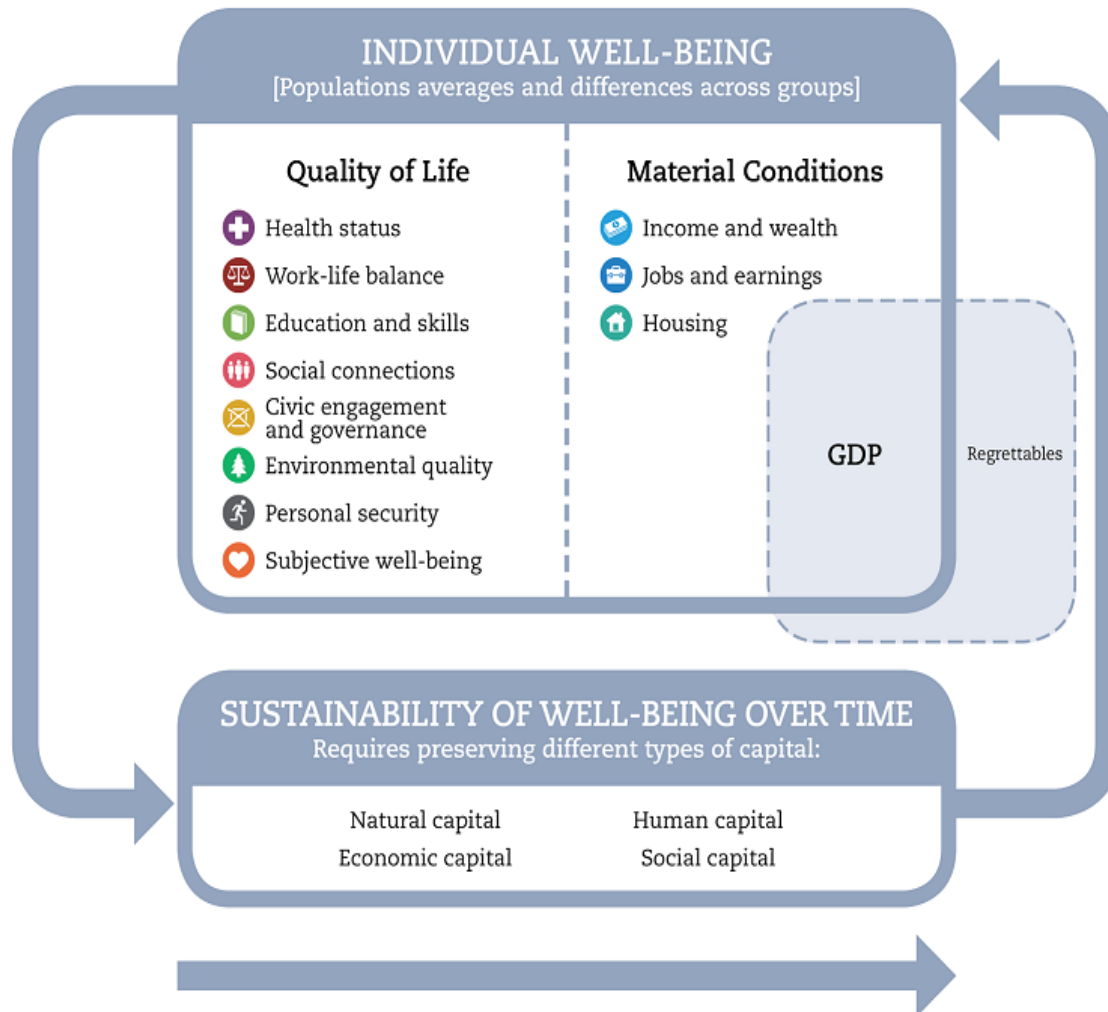
**The OECD Better Life Initiative
launched in 2011: *Better Policies
for Better Lives***

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

Measuring well-being: How?

The OECD indicators

- 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

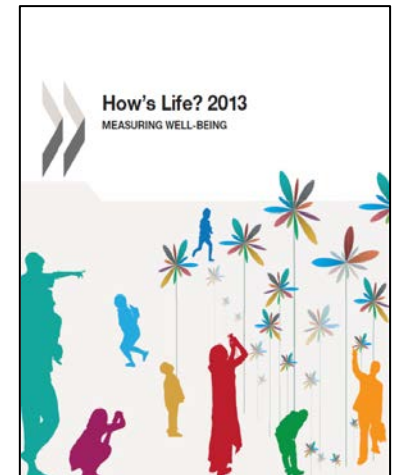


Data considerations

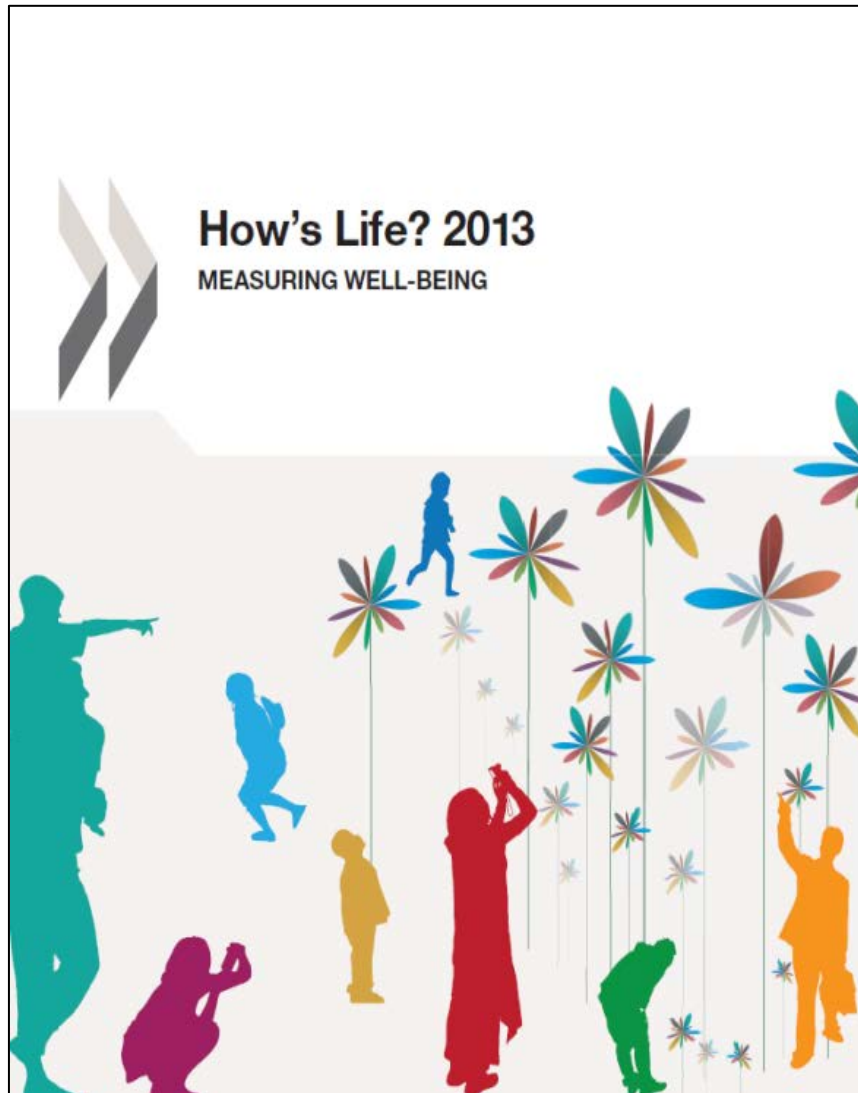
- official or established sources; non-official place-holders
- comparable/standardized definitions
- maximum country-coverage
- recurrent data collection
- can be disaggregated by population group

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

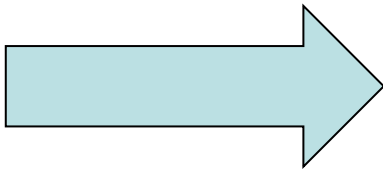
Gender gaps in well-being

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*

How does Mexico compare? on average...

Mexico is among the 20% lowest performers among OECD countries when *all* well-being dimensions are considered

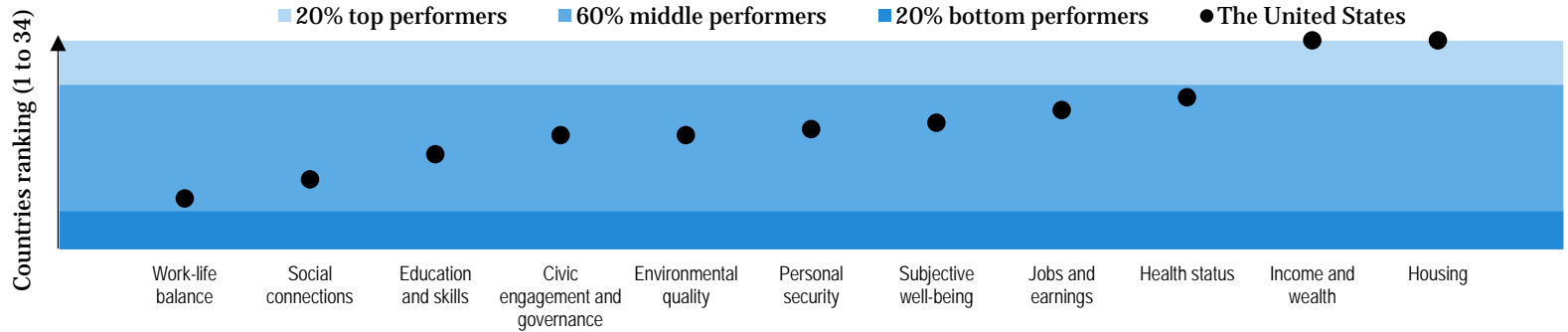
Top 20% performers	Australia	Canada	Denmark	Norway	
	Sweden	Switzerland	United States		
60% middle performers	Austria	Belgium	Czech Republic	Finland	France
	Germany	Iceland	Ireland	Israel	Italy
	Japan	Korea	Luxembourg	Netherlands	New Zealand
	Poland	Slovak Republic	Slovenia	Spain	United Kingdom
20% bottom performers	Chile	Estonia	Greece	Hungary	
	Mexico	Portugal	Turkey		

Source: *How's Life? 2013* – Unweighted averages across all well-being dimensions

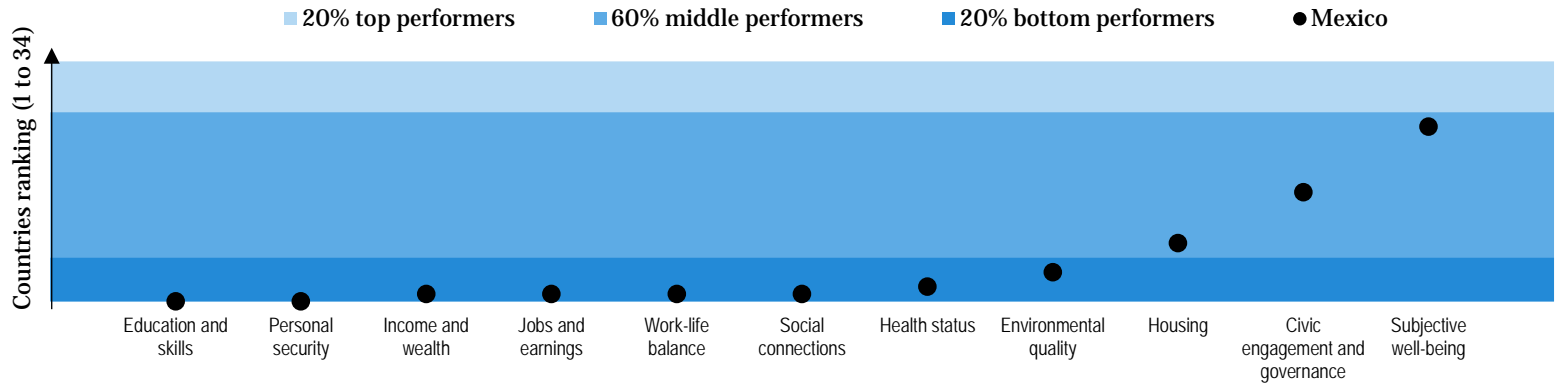
... across well-being dimensions...



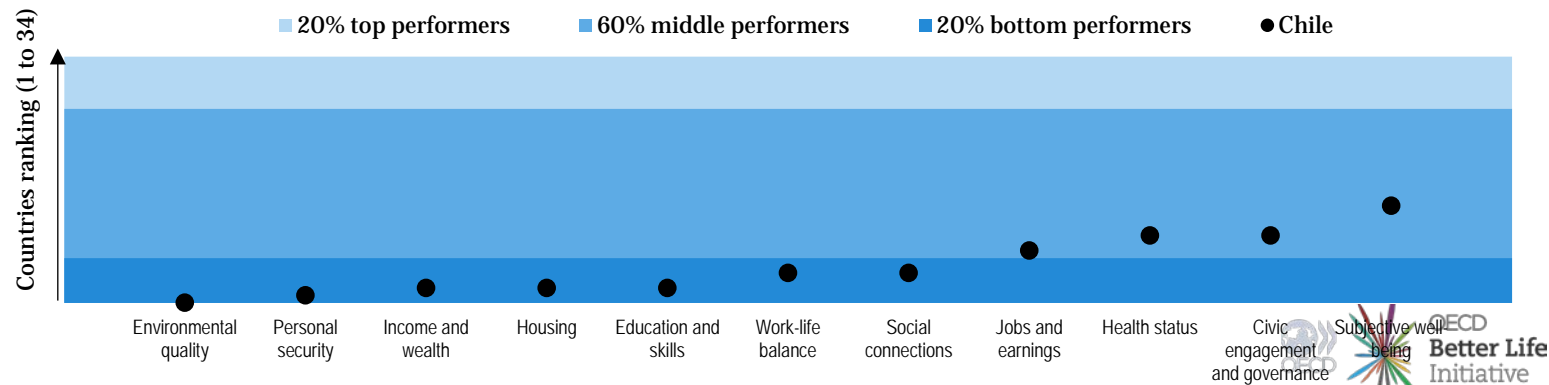
United States



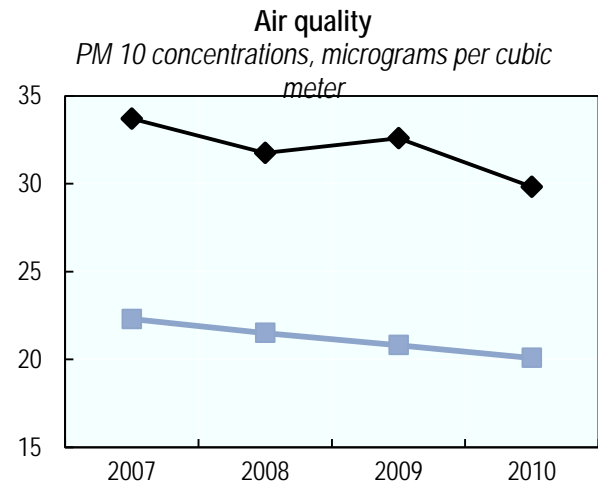
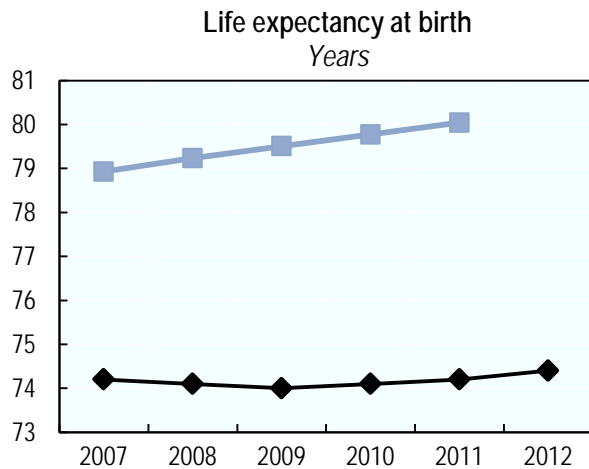
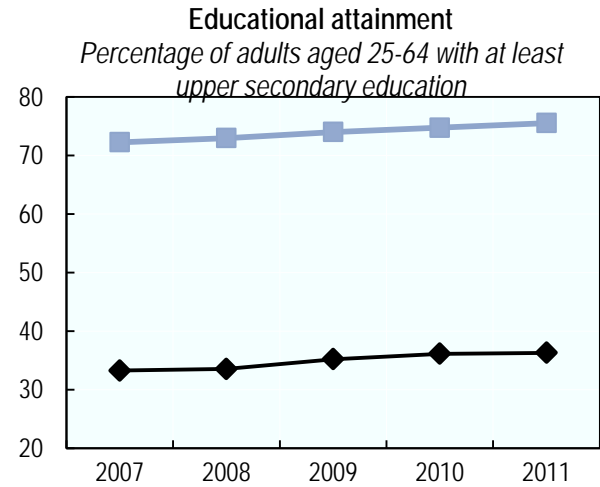
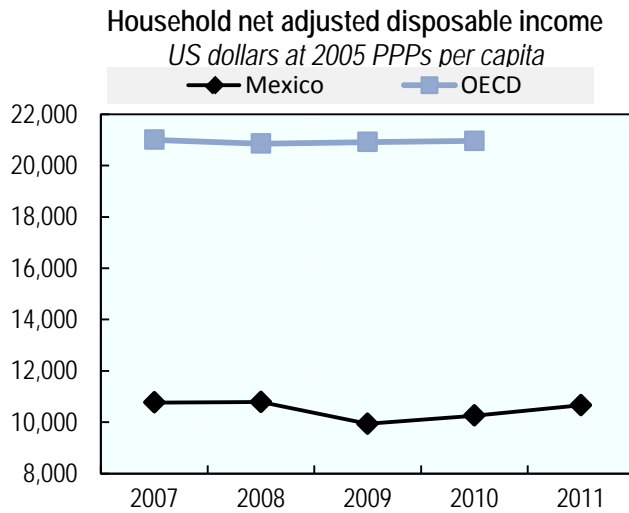
Mexico



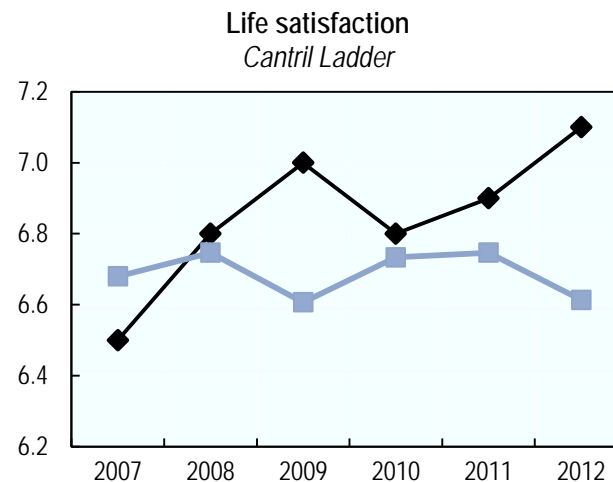
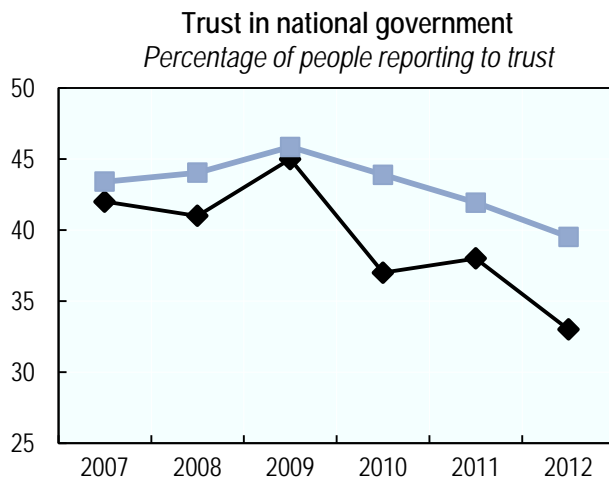
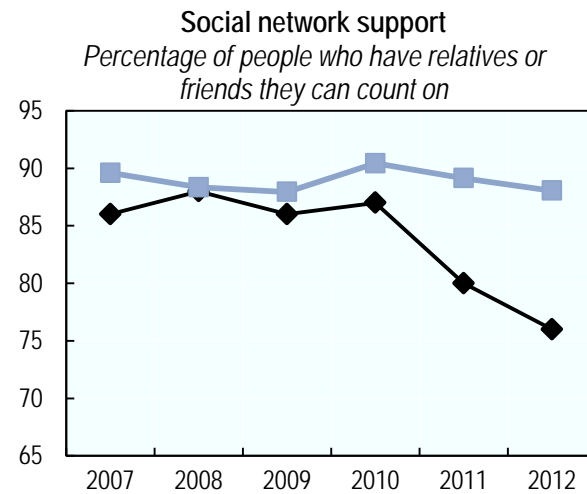
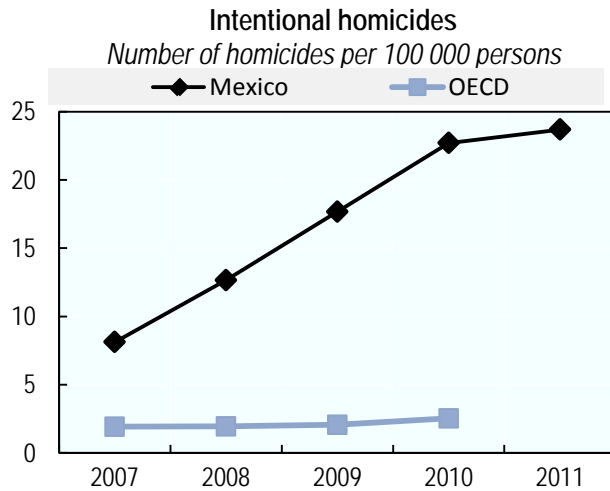
Chile



...and over time for selected dimensions (1)

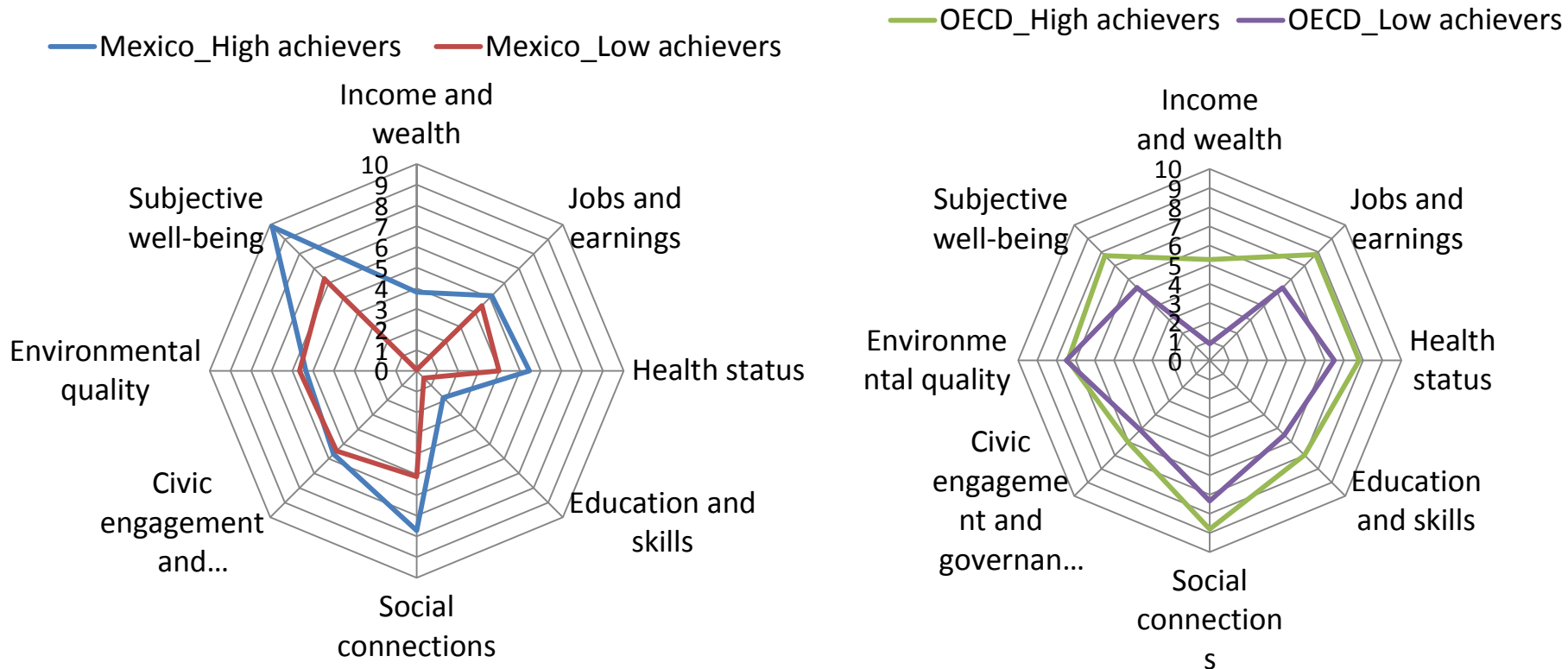


...and over time for selected dimensions (2)



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

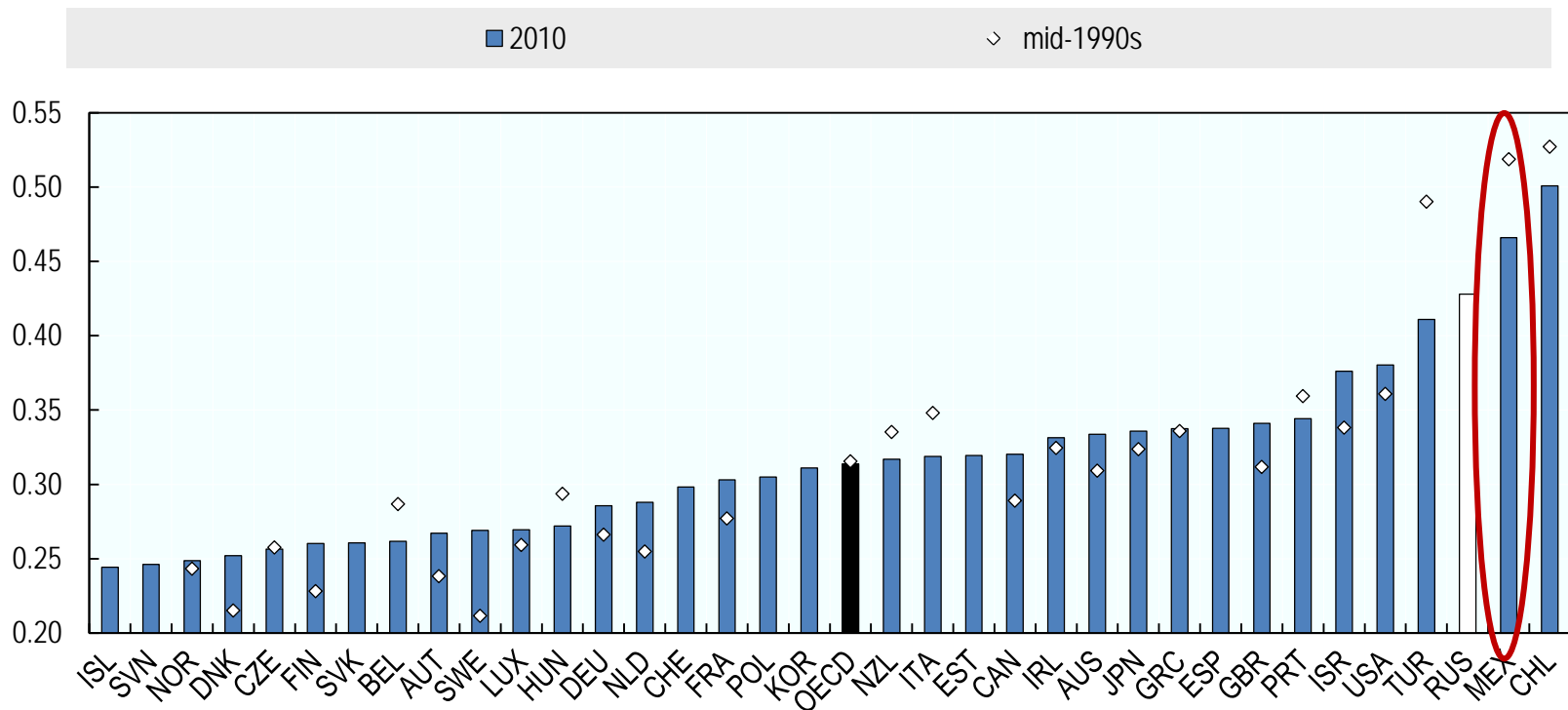


Normalised scores by dimension; 0=OECD bottom performer, 1=OECD top performer
Source: *How's Life?* 2013

... in terms of income inequalities...

Income inequalities have decreased in Mexico but they remain high compared with other OECD countries

Gini index



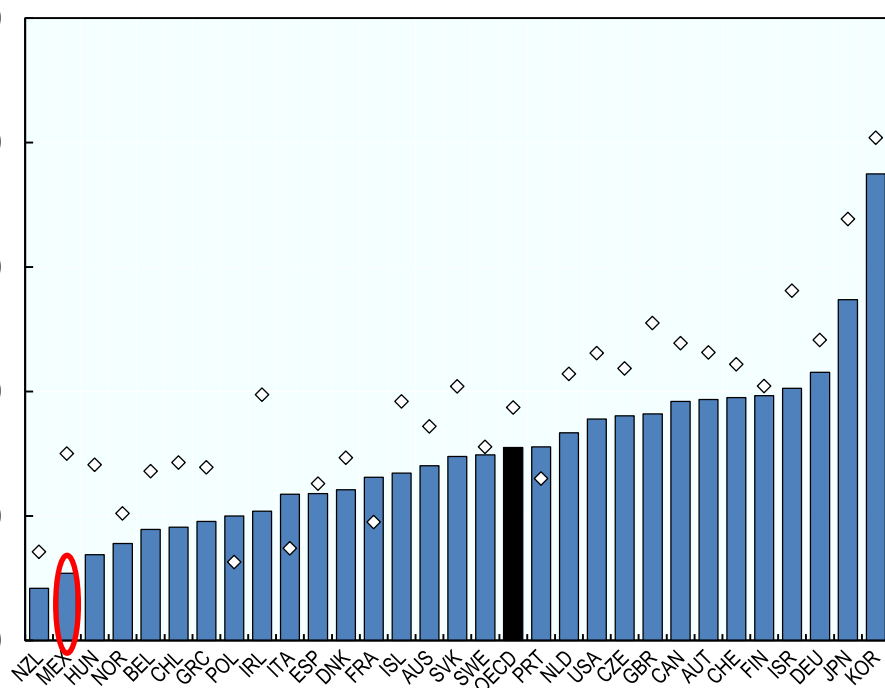
... and in terms of gender well-being inequalities (1)



Lower gender wage gaps in Mexico

Gender wage gaps
(Men minus Women/Men)

■ 2010 or latest available year ◇ 2000 or first available year



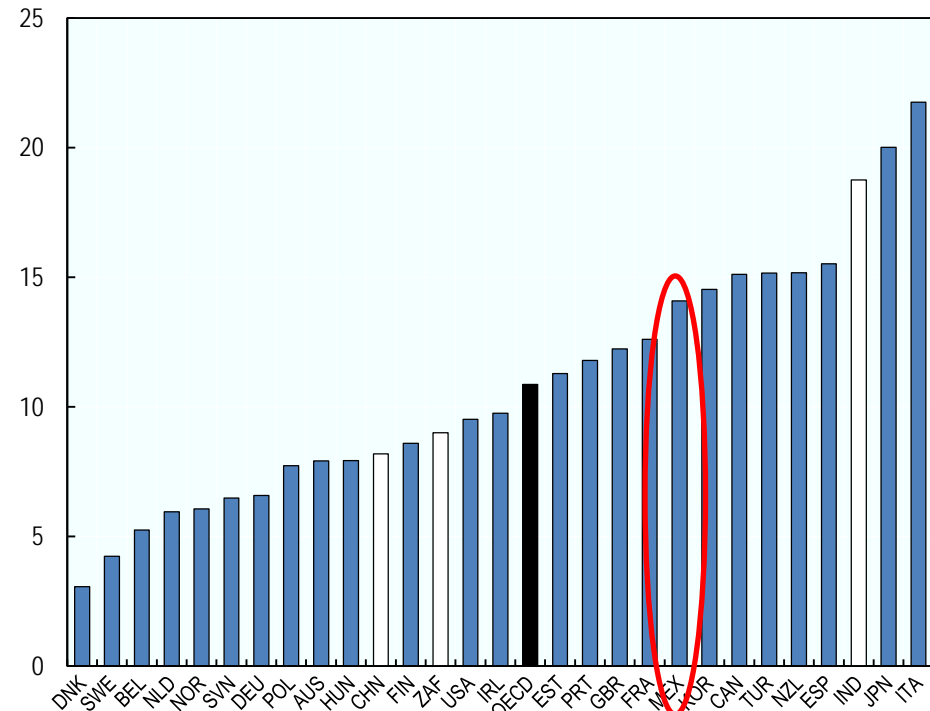
Source: OECD Employment Database



But women confronted with double day burden

Gender time gaps
(Women minus Men)

■ Number of weekly hours of unpaid work



Source: OECD calculations based on national time-use surveys

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**

The Better Life Index



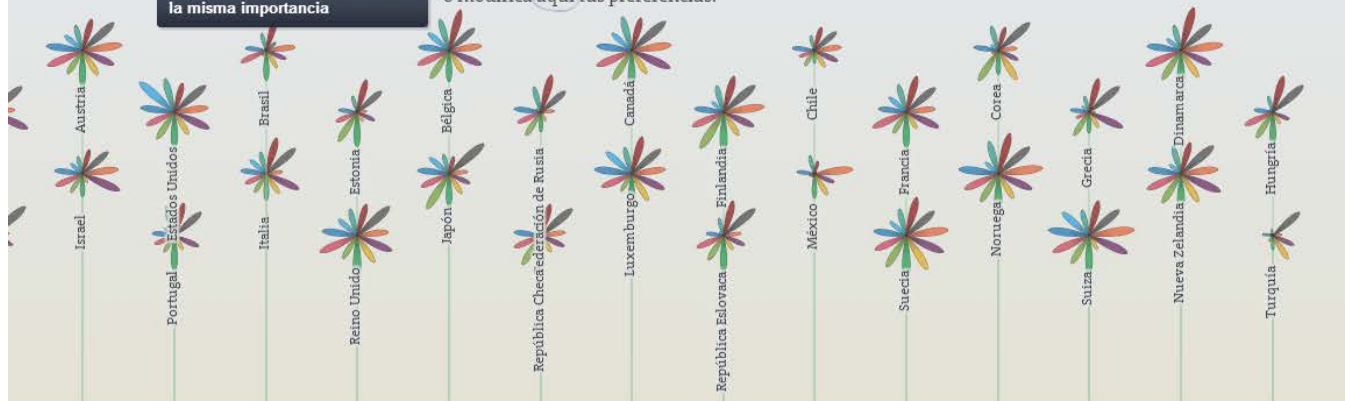
Crea tu propio Índice para una Vida Mejor

¿Cuál es el secreto de una vida mejor: buena educación, aire limpio, una casa confortable, dinero? Descubre cómo va tu país en los temas que te interesan.

[Ayuda](#)

Empieza dando a todos los temas la misma importancia

o modifica aquí tus preferencias.



Crea tu Índice para una Vida Mejor

Asigna un valor a los temas según la importancia que tienen para ti:

	Vivienda	<input type="range"/>
	Ingresos	<input type="range"/>
	Empleo	<input type="range"/>
	Comunidad	<input type="range"/>
	Educación	<input type="range"/>
	Medio ambiente	<input type="range"/>
	Compromiso cívico	<input type="range"/>
	Salud	<input type="range"/>
	Satisfacción	<input type="range"/>
	Seguridad	<input type="range"/>
	Balance vida-trabajo	<input type="range"/>

[Restablecer](#) [Ayuda](#)

[Diferencias de género](#)

[Compara tu Índice](#)

[Comparte tu Índice](#)

¿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 Blog [→ Archivo](#)

Education for well-being: Online discussion

We know education is an essential component of well-being, so what makes an education that promotes well-being? Join the online discussion.

Más información [→ Archivo](#)

Feb 10, 2014

How's Life report measures human cost of the crisis

[→ more ...](#)

The Better Life Index



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Index

Countries

Topics

About

Create Your Better Life Index

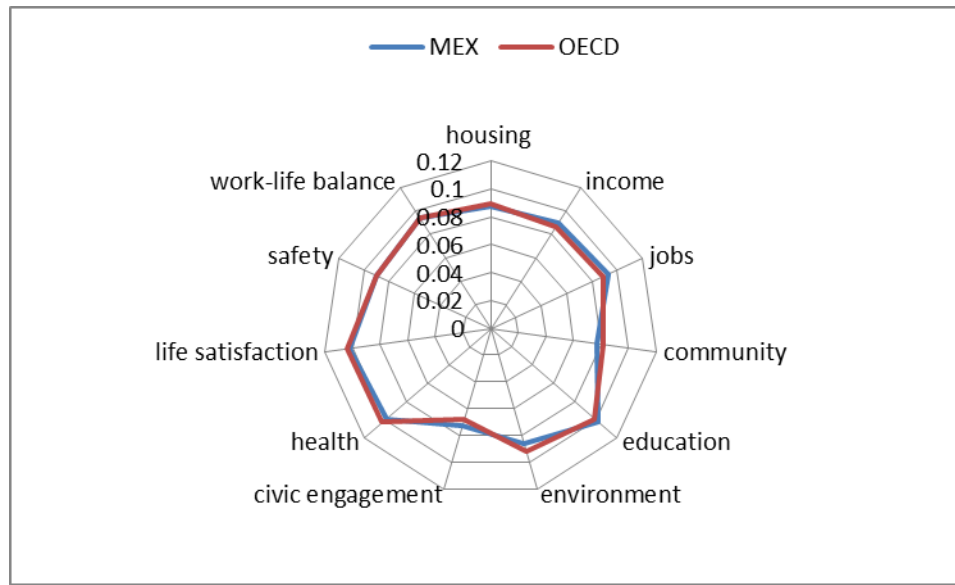
Rate the topics according to their importance to you:

Housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jobs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Civic Engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Life Satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Work-Life Balance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Display countries alphabetically | **by rank**

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

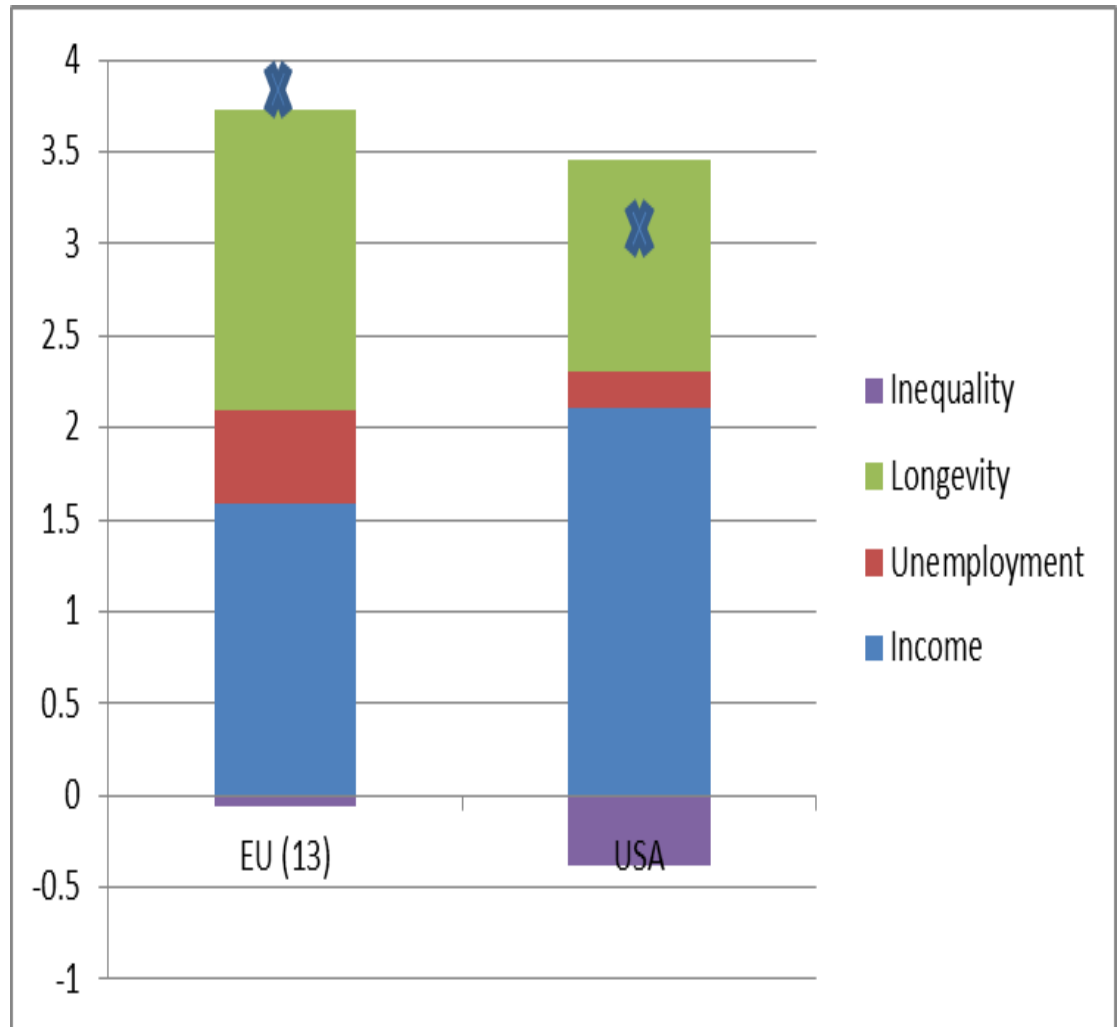
Computing multi-dimensional living standards

- **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*

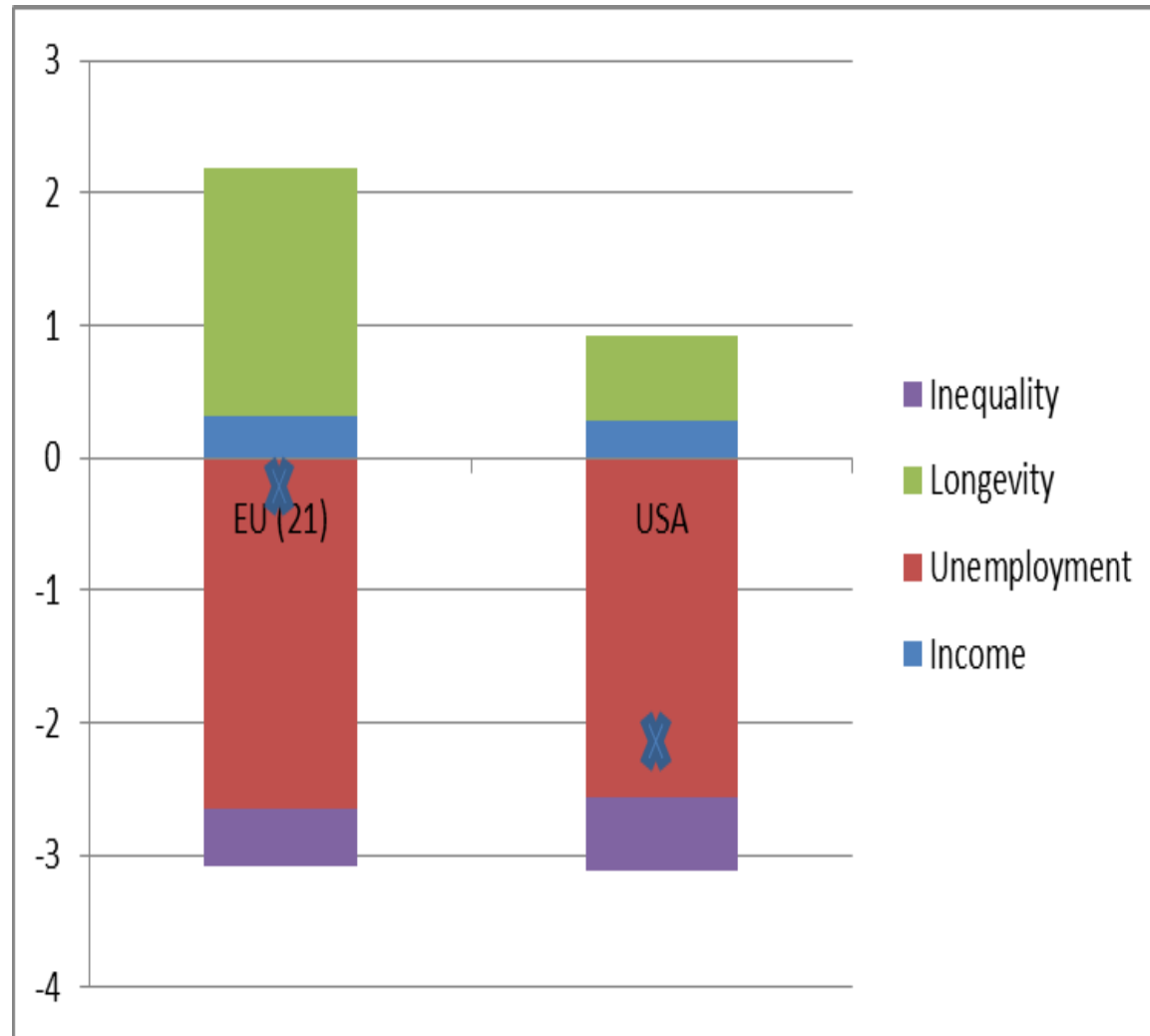


EU and US during the crisis 2007-2011

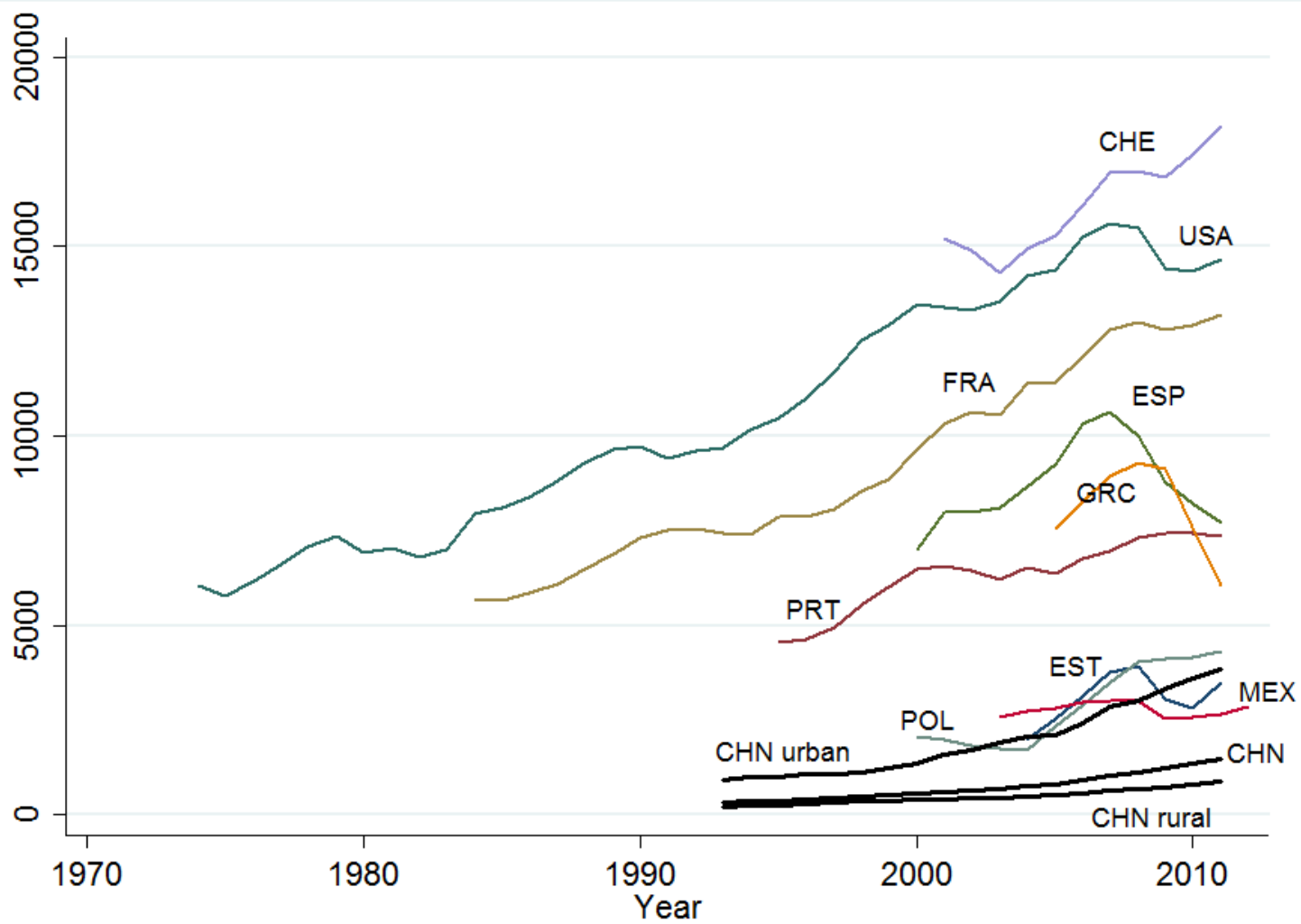
Similar effects in EU and US due to the crisis, drop in multidimensional living standards (X) :

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

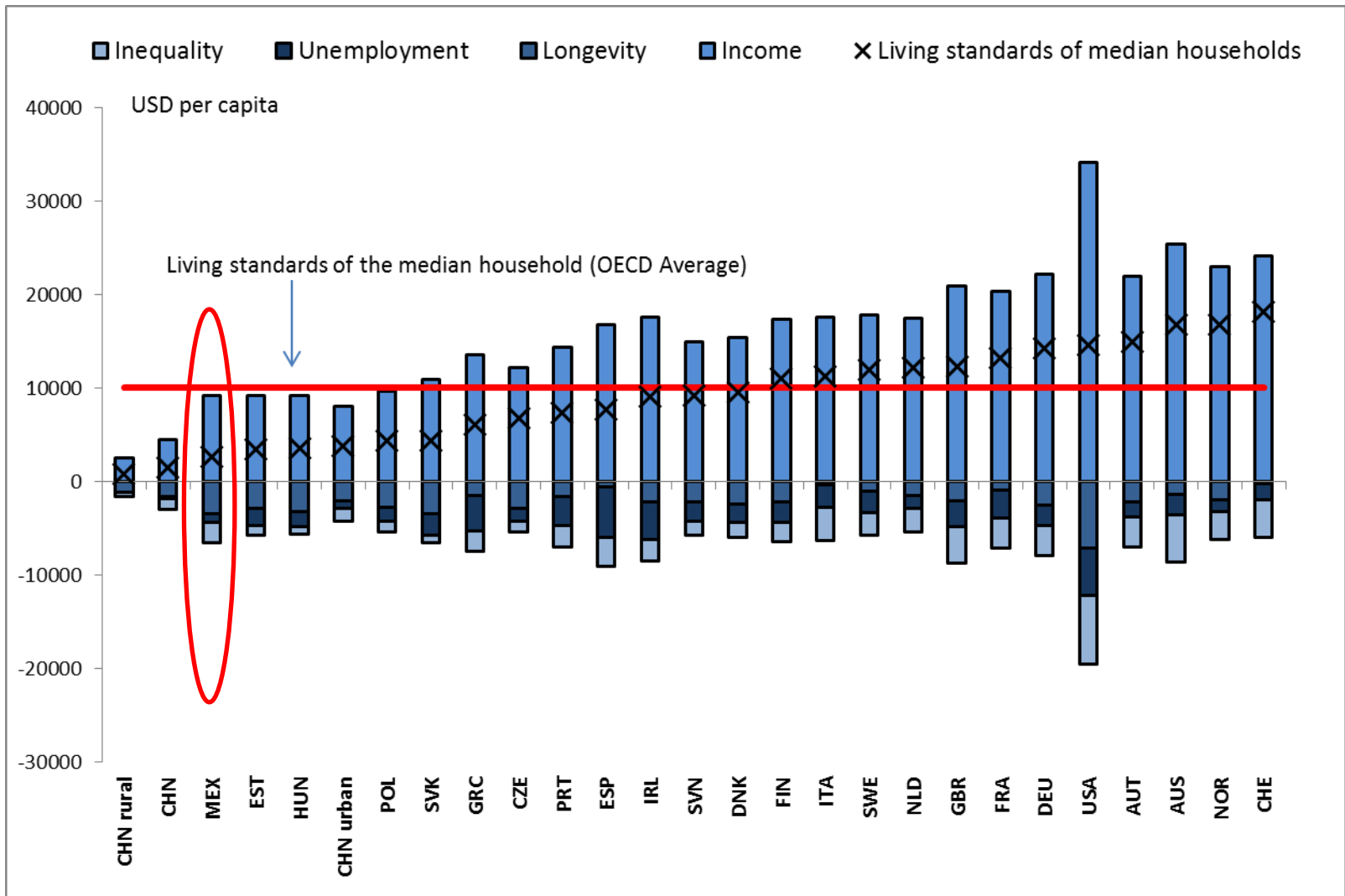
But note : continued differences in the evolution of longevity



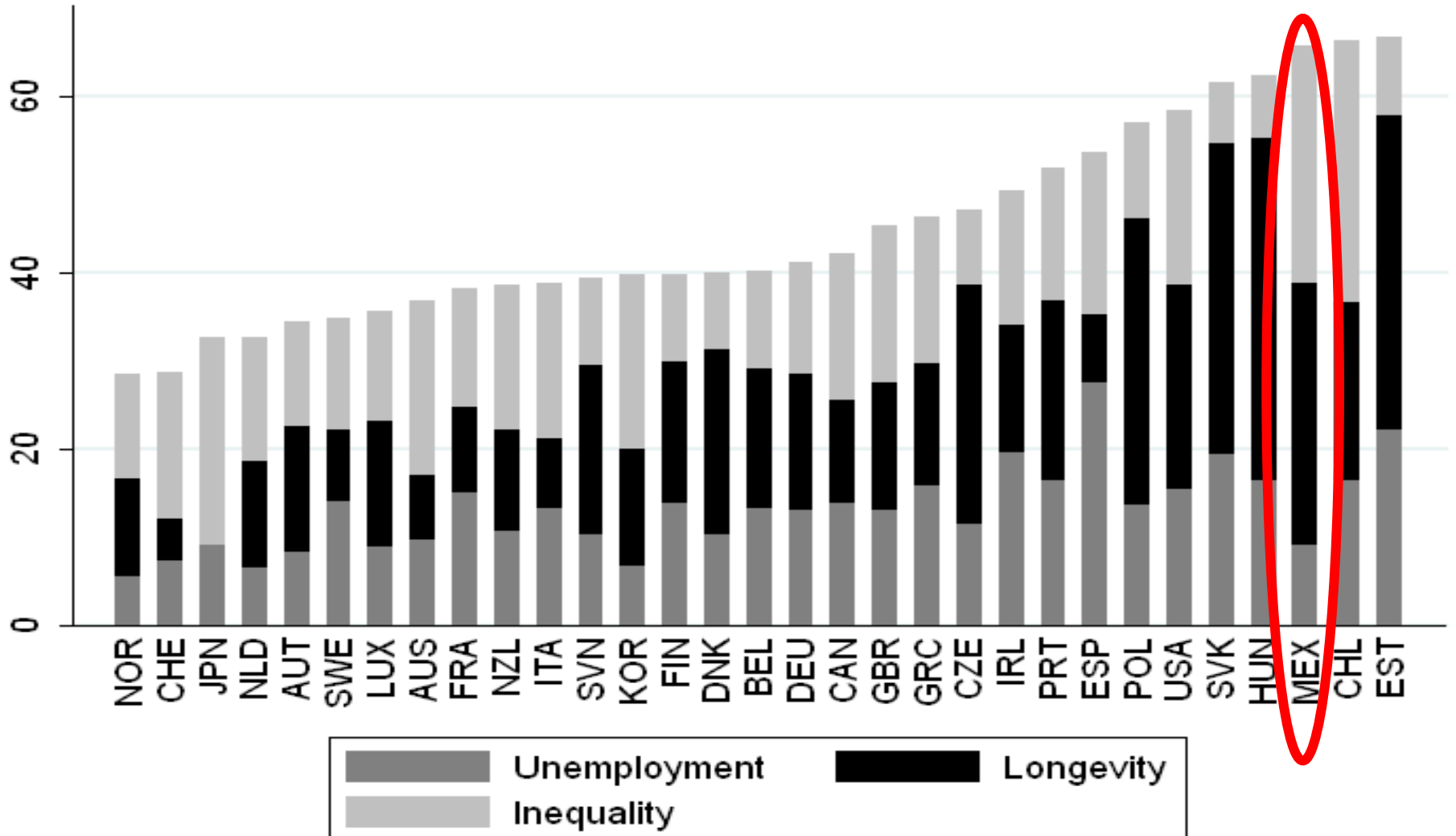
Multi-dimensional living standards over time



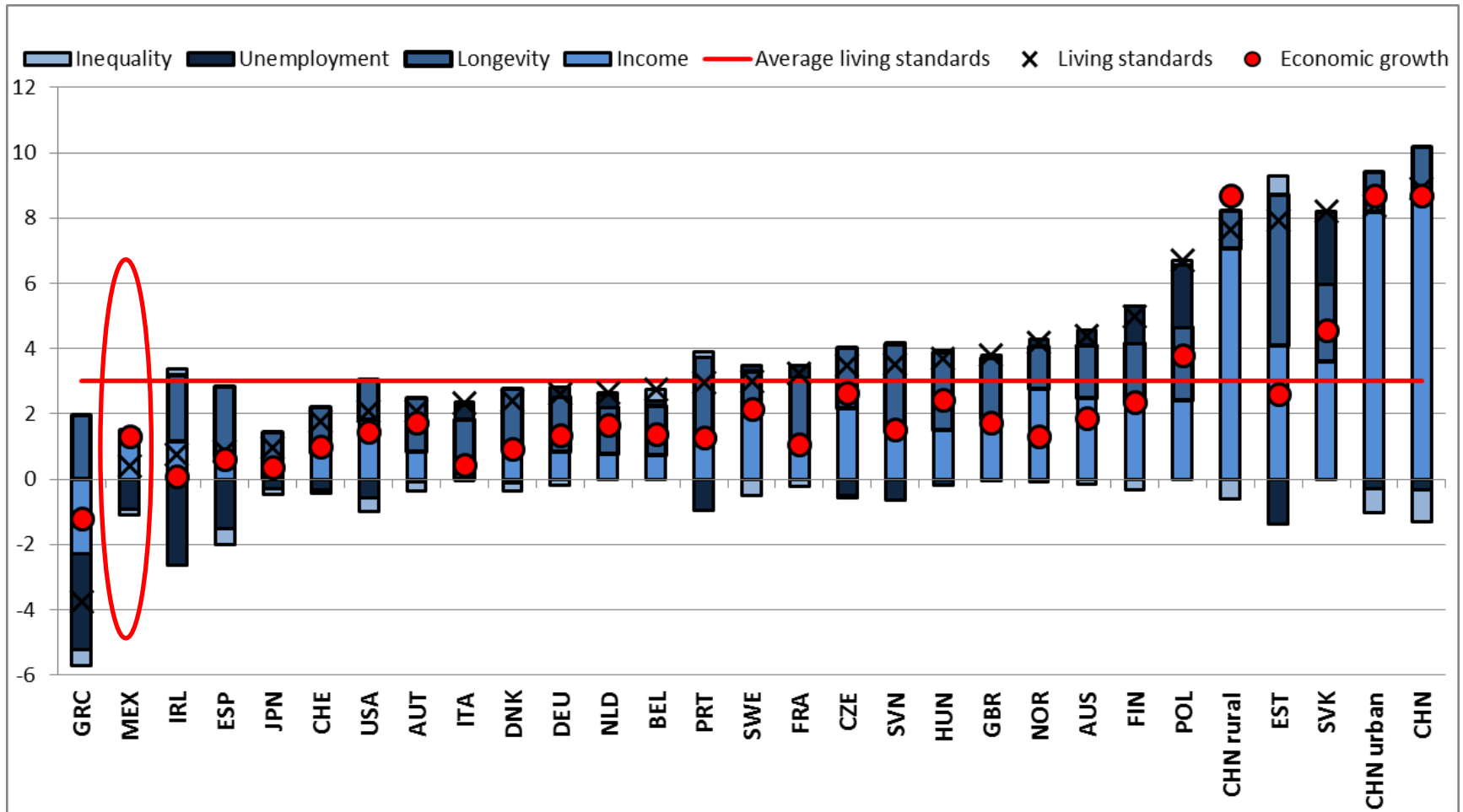
Multi-dimensional living Standards in Mexico 2011



Level comparisons: losses of multi-dimensional living standards



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

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

B=bad, G=good, N=neutral

Part 4

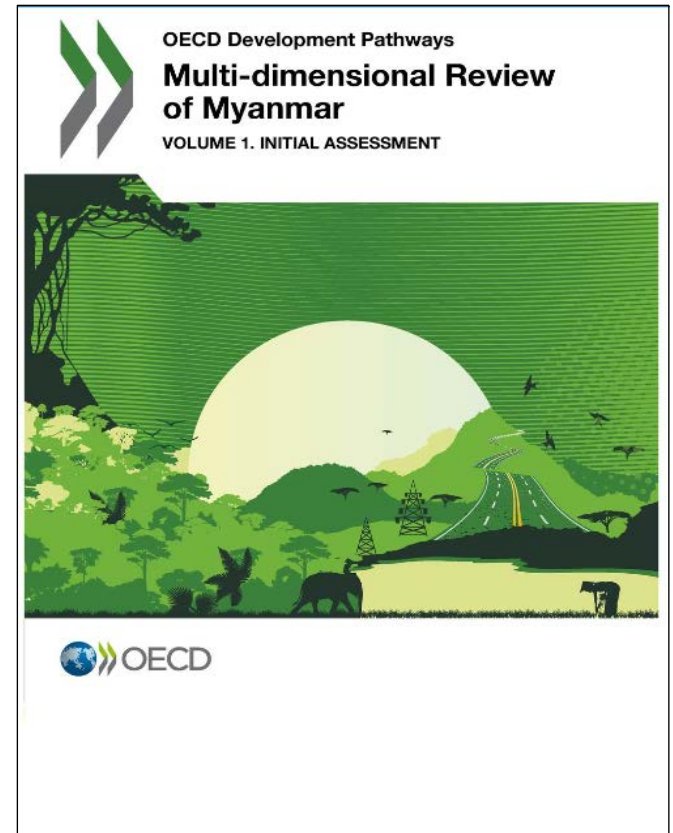
Embedding well-being into policy making



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

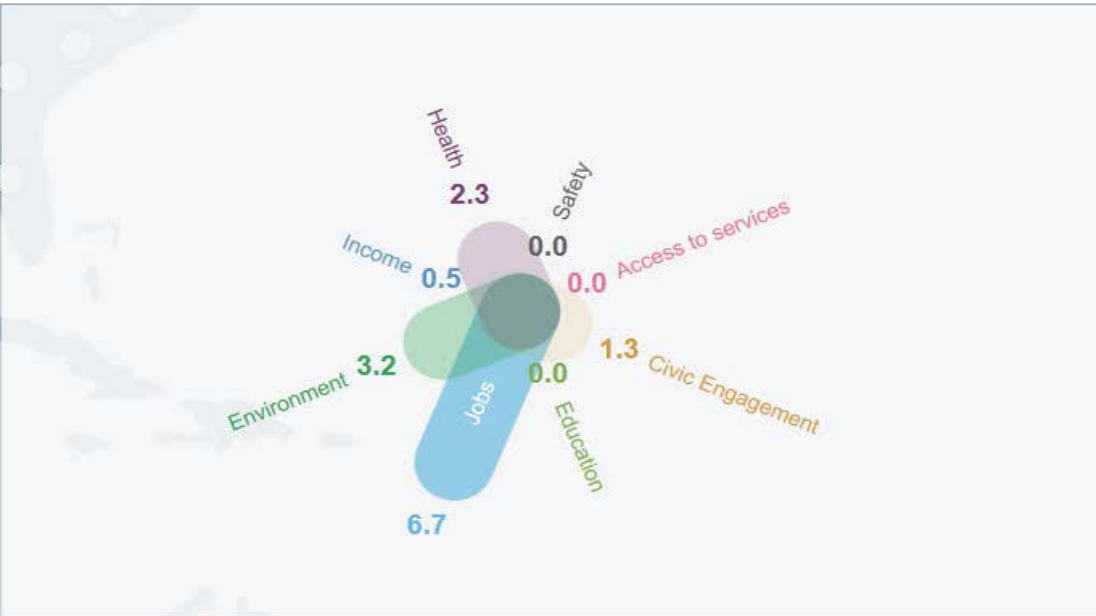


OECD Regional Well-Being online tool



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.

Help

Regions with similar well-being *in other countries*



Turkey
Southeastern
Anatolia - Middle



Chile
Aysén



Poland
Lubelskie



Portugal
Azores

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**.



Indicators

Mortality rate: **9.7** deaths per 1 000 people

Life expectancy: **74.8** years

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

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 %

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**.

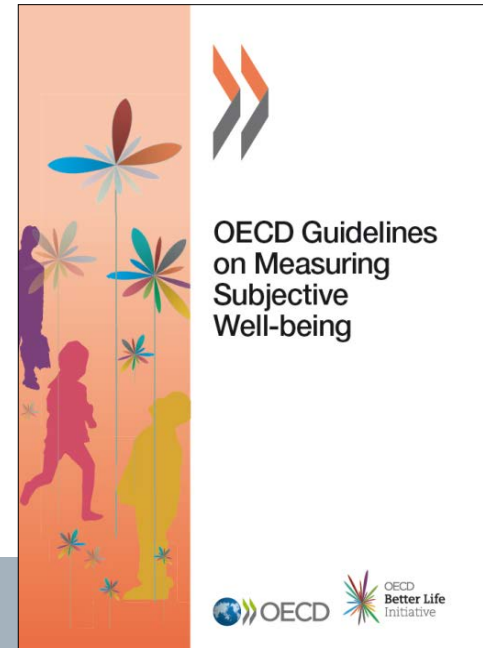


Indicators

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)
- Legatum Commission Report (2014): **Well-Being and Policy** (*O'Donnell, Deaton, Durand, Halpern & Layard*)



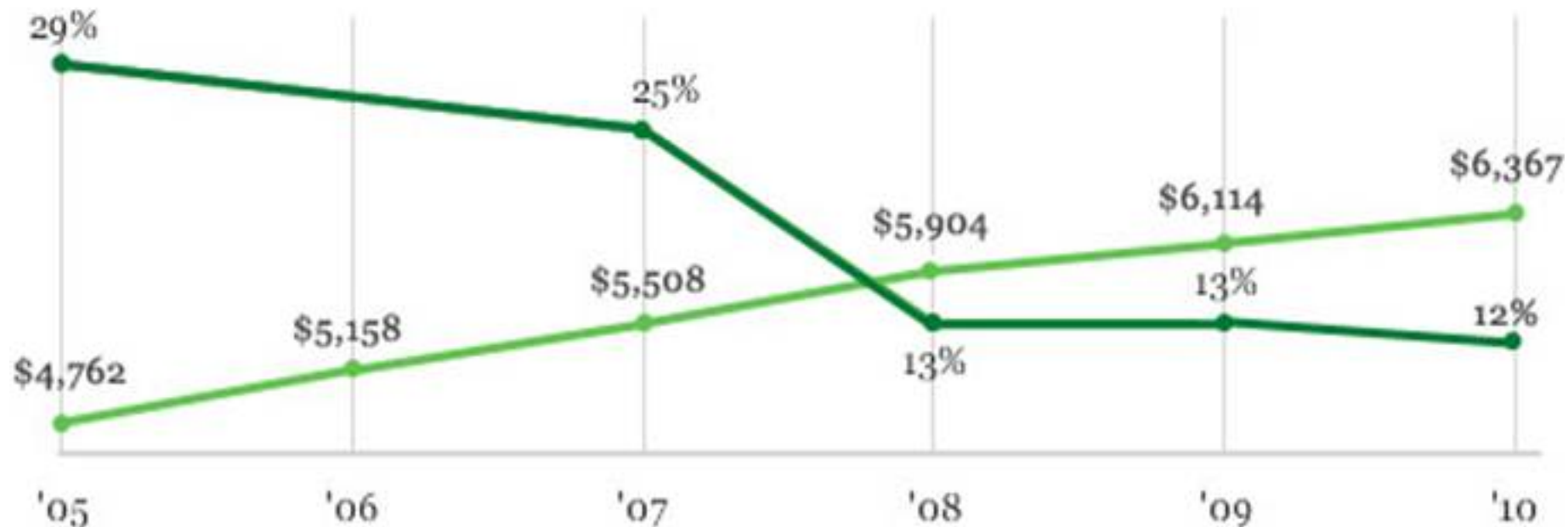
Policy uses of SWB measures

- **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)

■ Thriving ■ 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

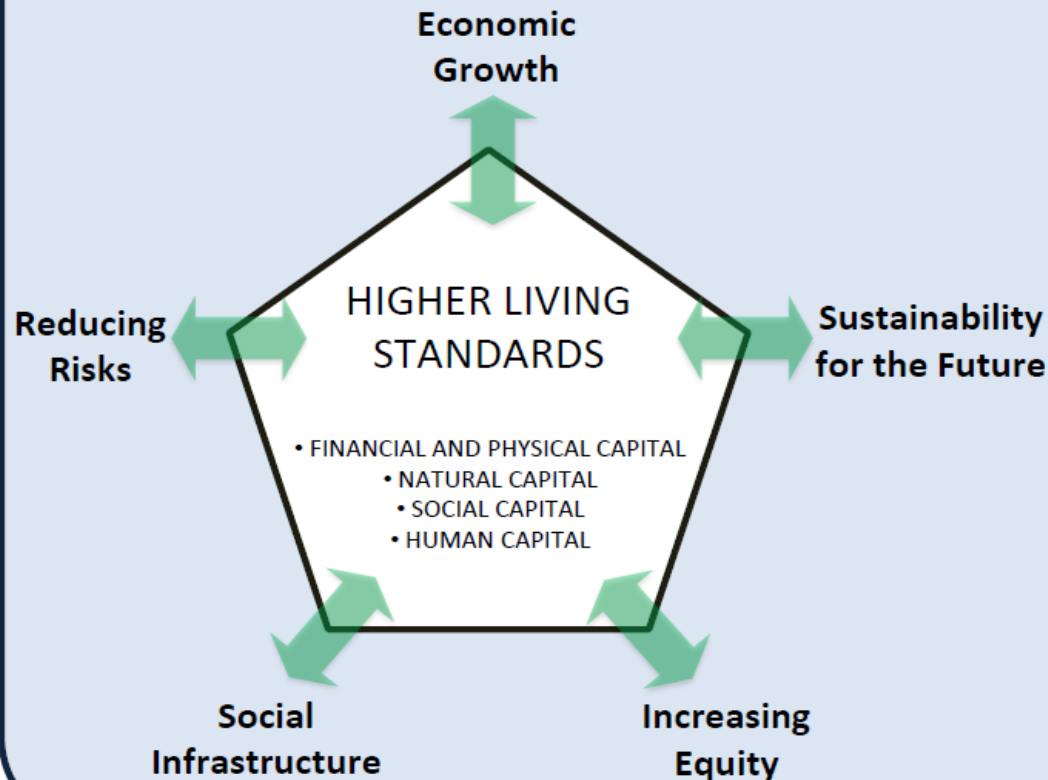
Event	Valuation (€)
Employment to Unemployment	-27000
Single to married	7000
Married to separated	-13000
Married to divorced	n.s.
Married to widowed	-16000
Health excellent to health fair	-14000
Reduction in risk of terrorism for Paris to the level of the rest of France	2500
Noise pollution (HH income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

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

Assess the impact of policy across
key living standards dimensions



- 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

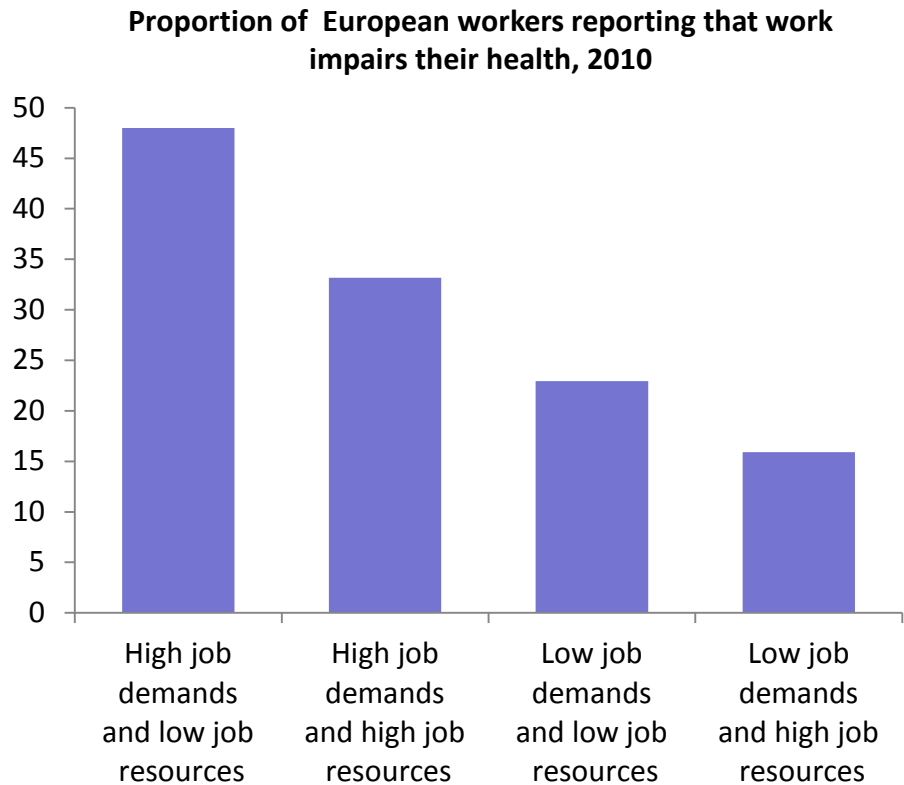
www.oecd.org/howslife

www.oecdbetterlifeindex.org

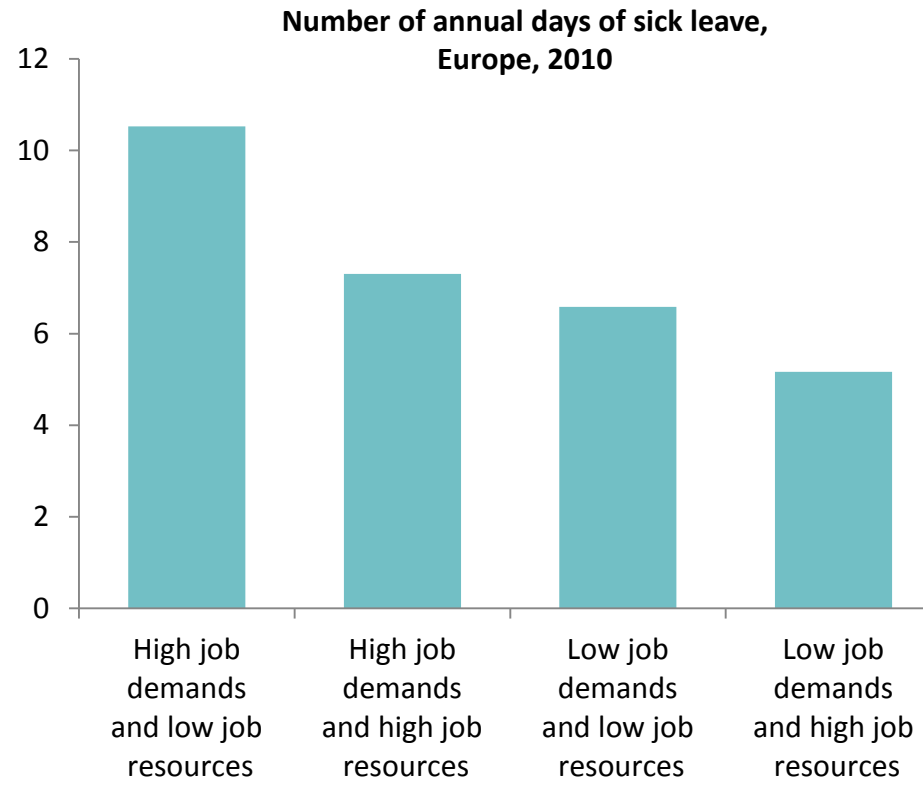
Supporting slides

Job strain is bad for workers and employers

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



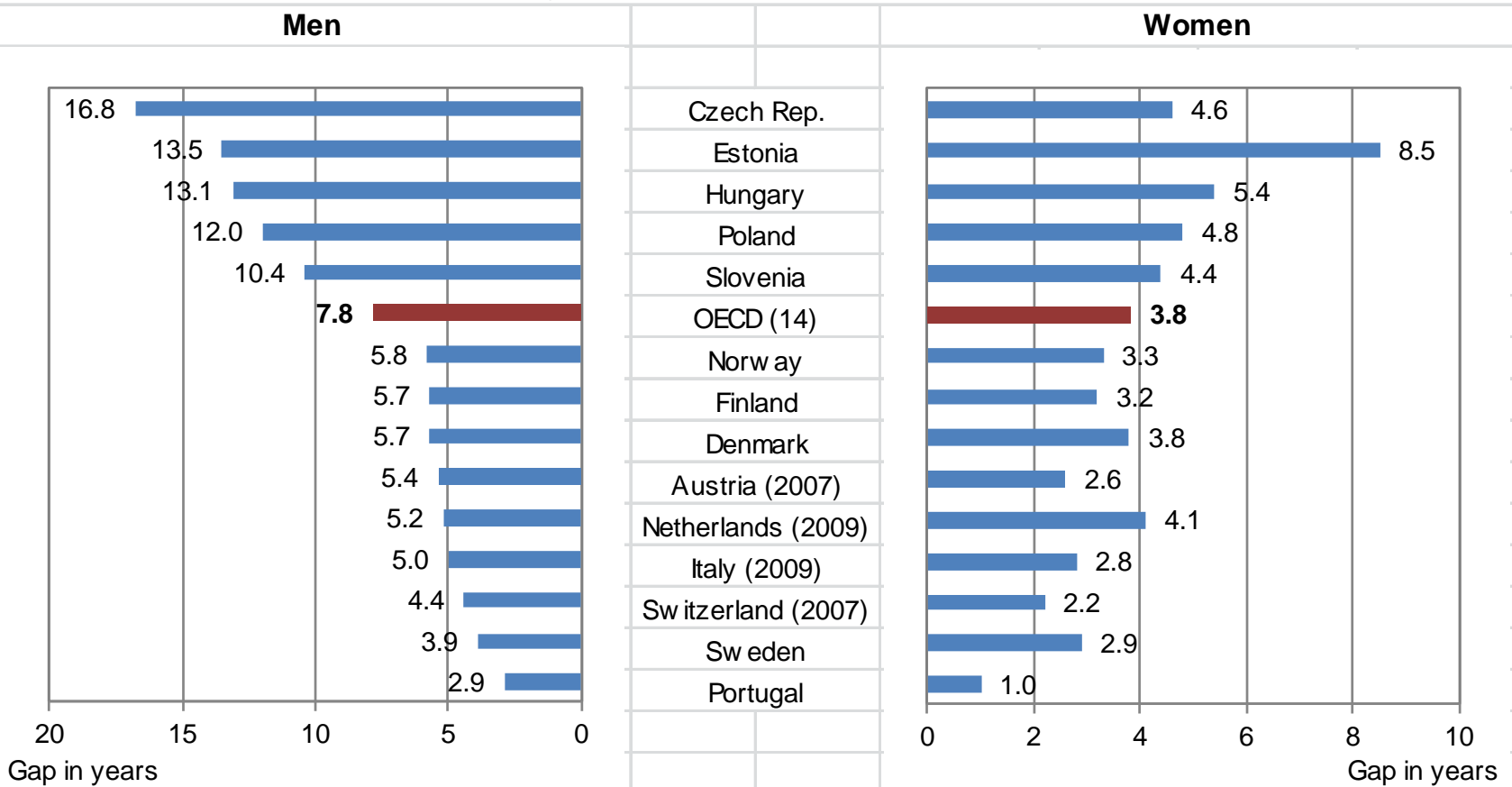
More strained workers take more sick leave



Source: OECD calculations on the European Survey on Working Conditions

Inequality in life expectancy

Gap in life expectancy at age 30 by sex and educational level, 2010 (or nearest year)



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.

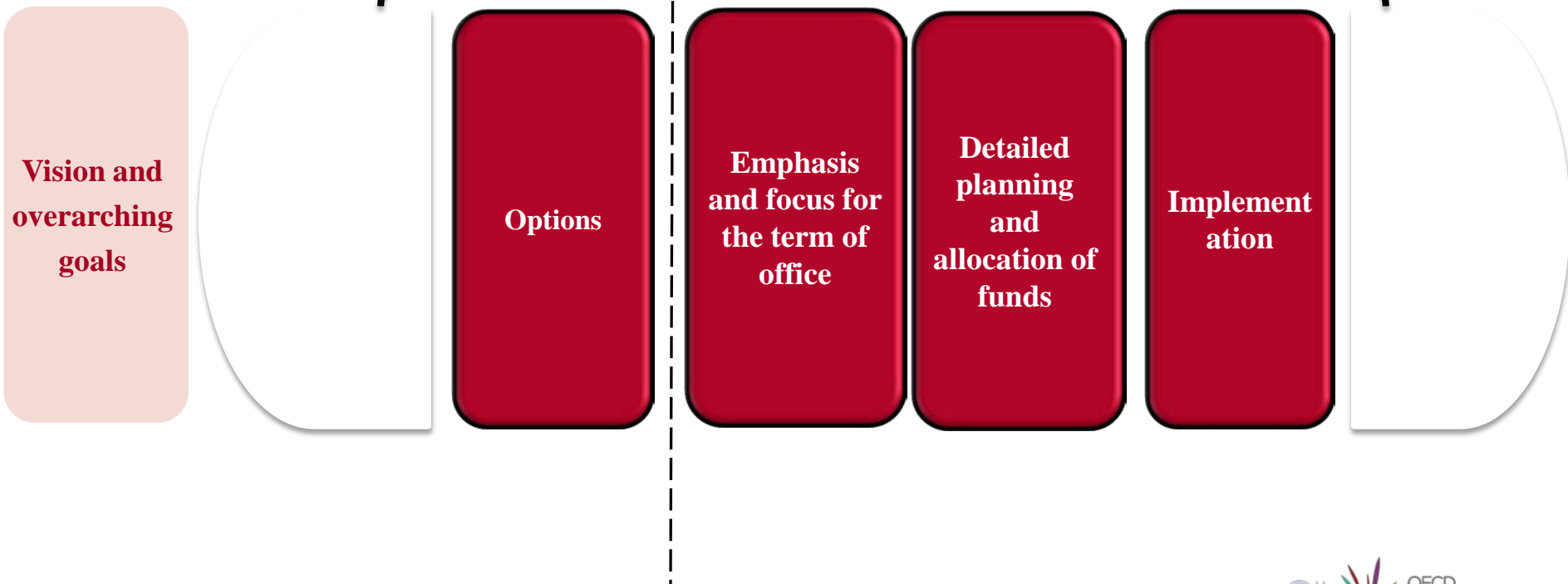
Source: Eurostat database complemented with national data for Austria, Netherlands and Switzerland.

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)**

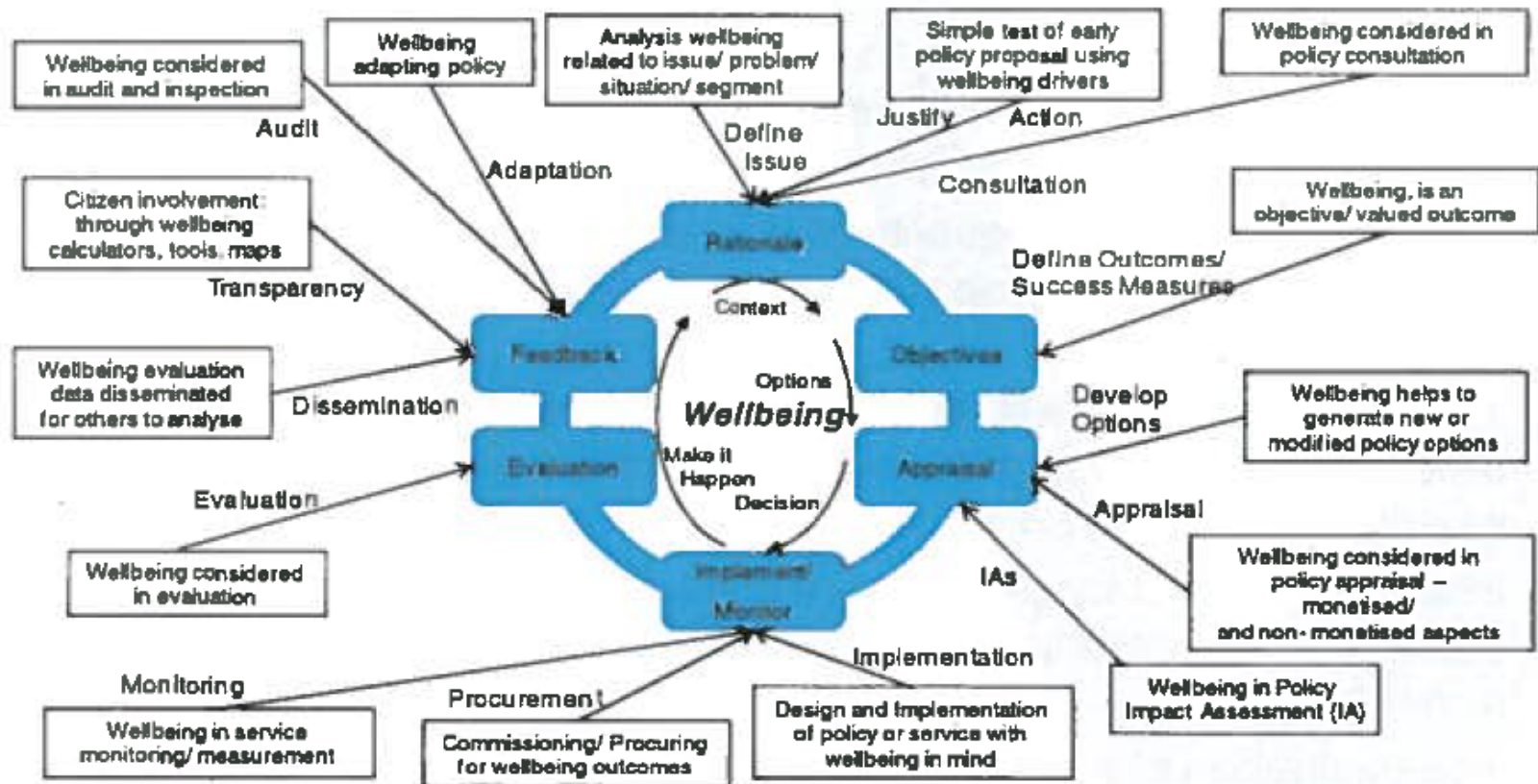
Wellbeing indicators as part of the strategy process

Well-being indicators as
analysis and measurement
tool



Well-being and public policy: The United Kingdom

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

...and other examples

➤ 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)