

Well-being: from measurement to policy

The OECD approach



Martine Durand
OECD Chief Statistician

Centre for the Study of Living Standards, 6 November 2014

- 1. Measuring well-being : why and how?, the OECD Better Life Initiative**
- 2. Key findings of *How's Life? 2013* for Canada**
- 3. Policy use: analysing policy trade-offs and synergies, the OECD Inclusive Growth project**
- 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***

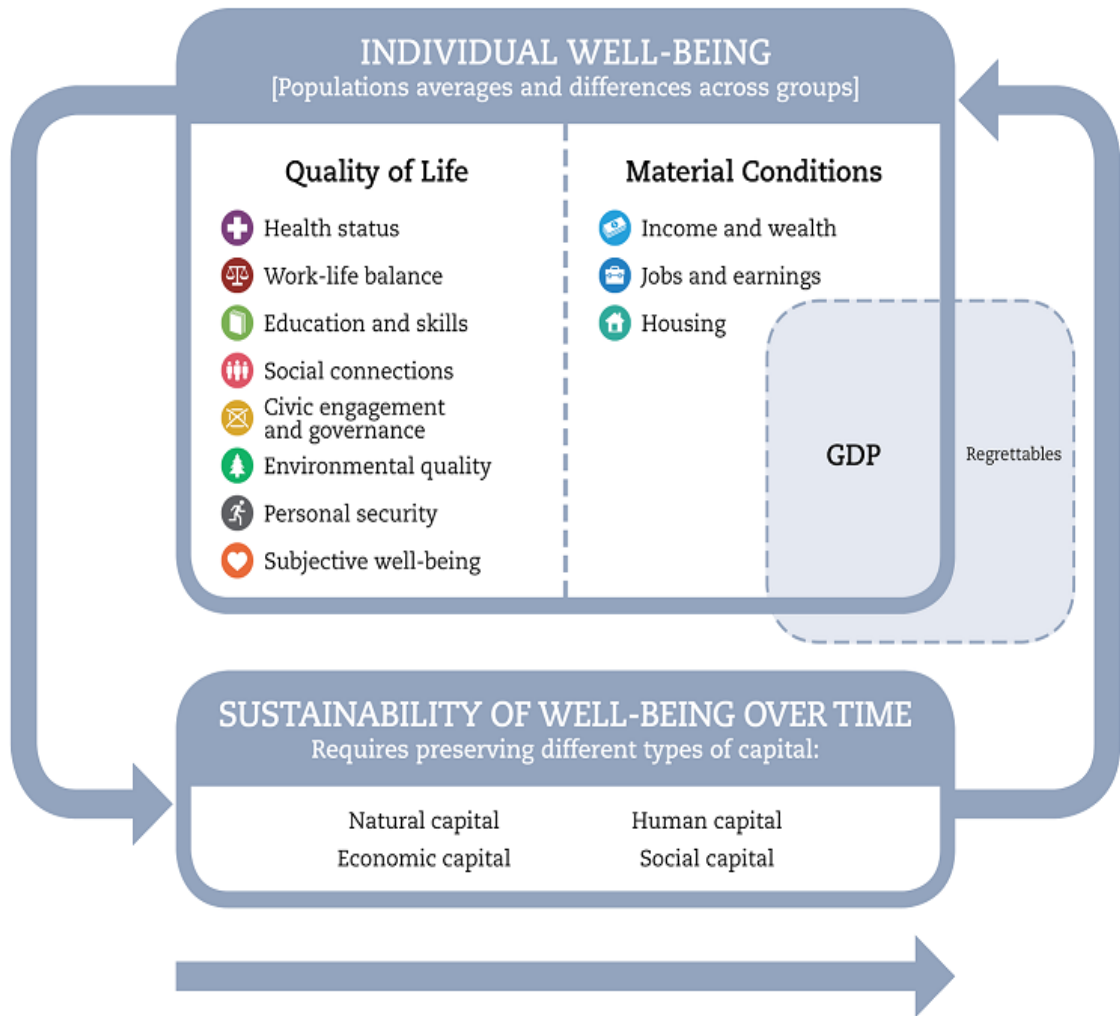
Measuring well-being: why?

4

- **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

6

- **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

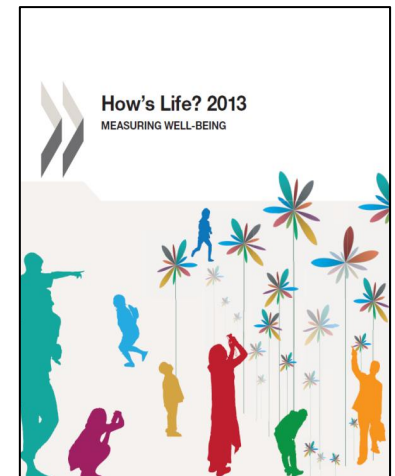
- official or established sources; non-official place-holders
- comparable/standardized definitions
- maximum country-coverage
- recurrent data collection
- can be disaggregated by population group

Reporting methodology

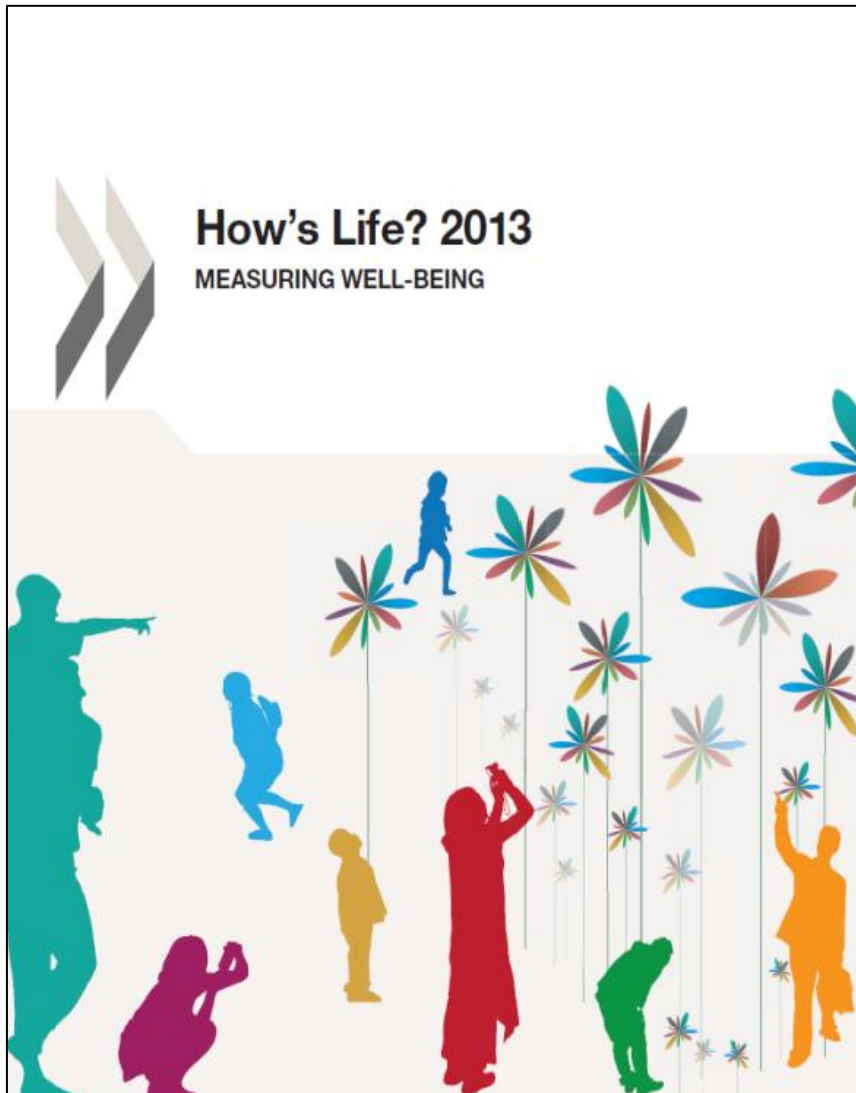
- Dashboard of 25 headline indicators + secondary indicators
- Levels, trends, average & inequalities



7



Digging deeper: How's Life? 2013



How's Life at a glance

The human costs of the financial crisis

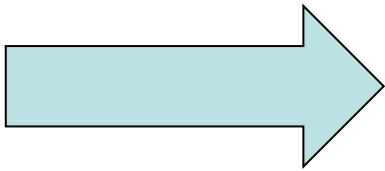
Gender gaps in well-being

Job quality: Well-being in the workplace

Measuring sustainability of well-being over time

Part 2

How's life in Canada?



Key findings of *How's Life? 2013*

How does Canada compare?

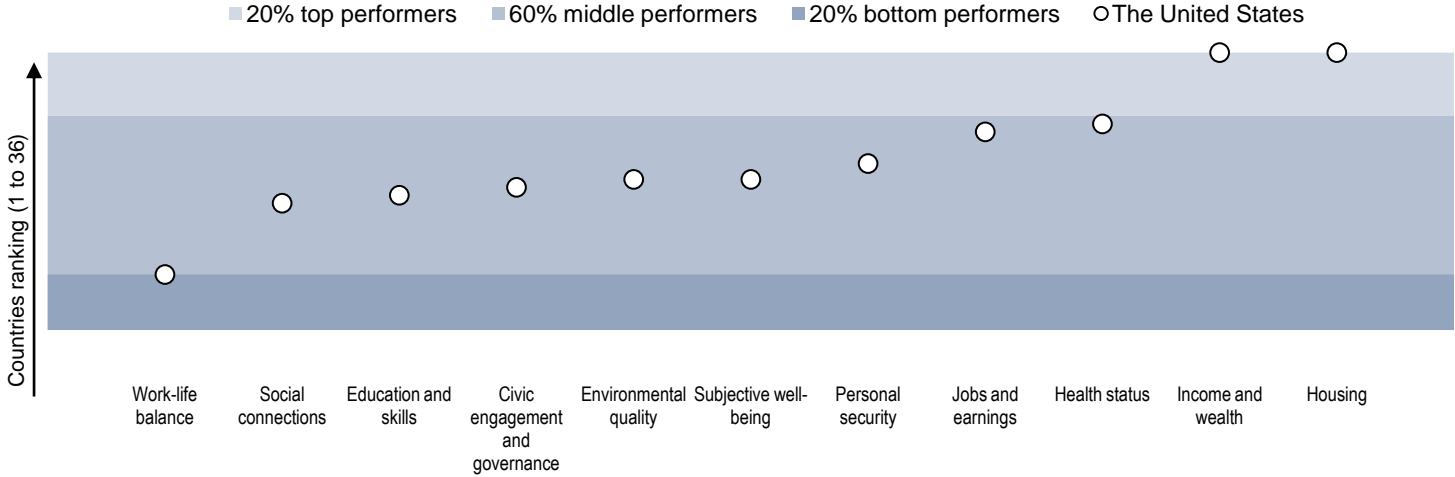
10

Canada is among the 20% top performers among OECD countries when all well-being dimensions are considered

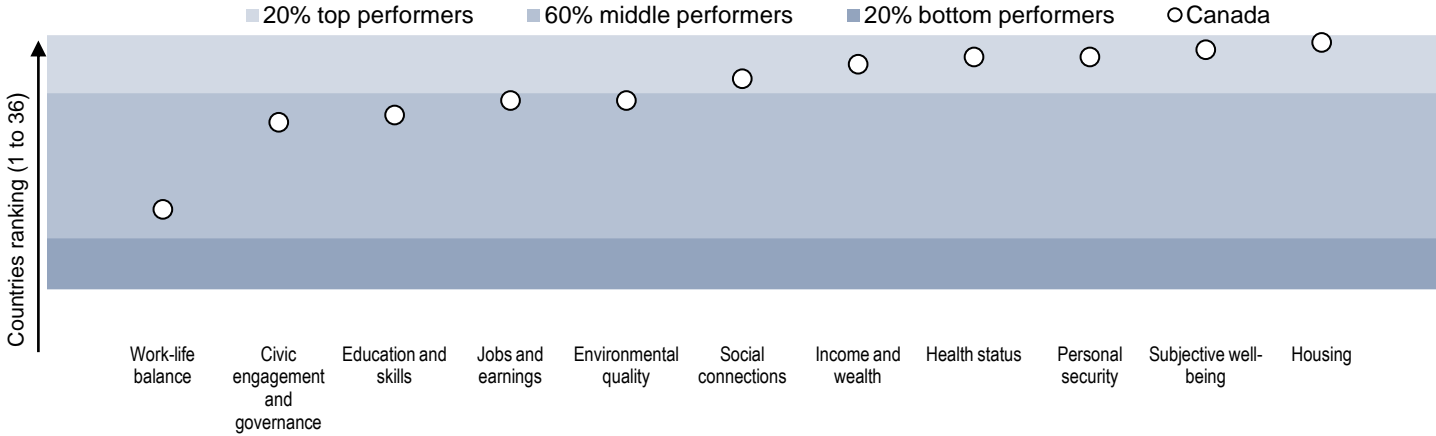
Top 20% performers	Australia	Canada	Denmark	Norway	
	Sweden	Switzerland	United States		
60% middle performers	Austria	Belgium	Czech Republic	Finland	France
	Germany	Iceland	Ireland	Israel	Italy
	Japan	Korea	Luxembourg	Netherlands	New Zealand
	Poland	Slovak Republic	Slovenia	Spain	United Kingdom
20% bottom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

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

Canada is in the top 20% for 6 out of 11 dimensions of well-being...

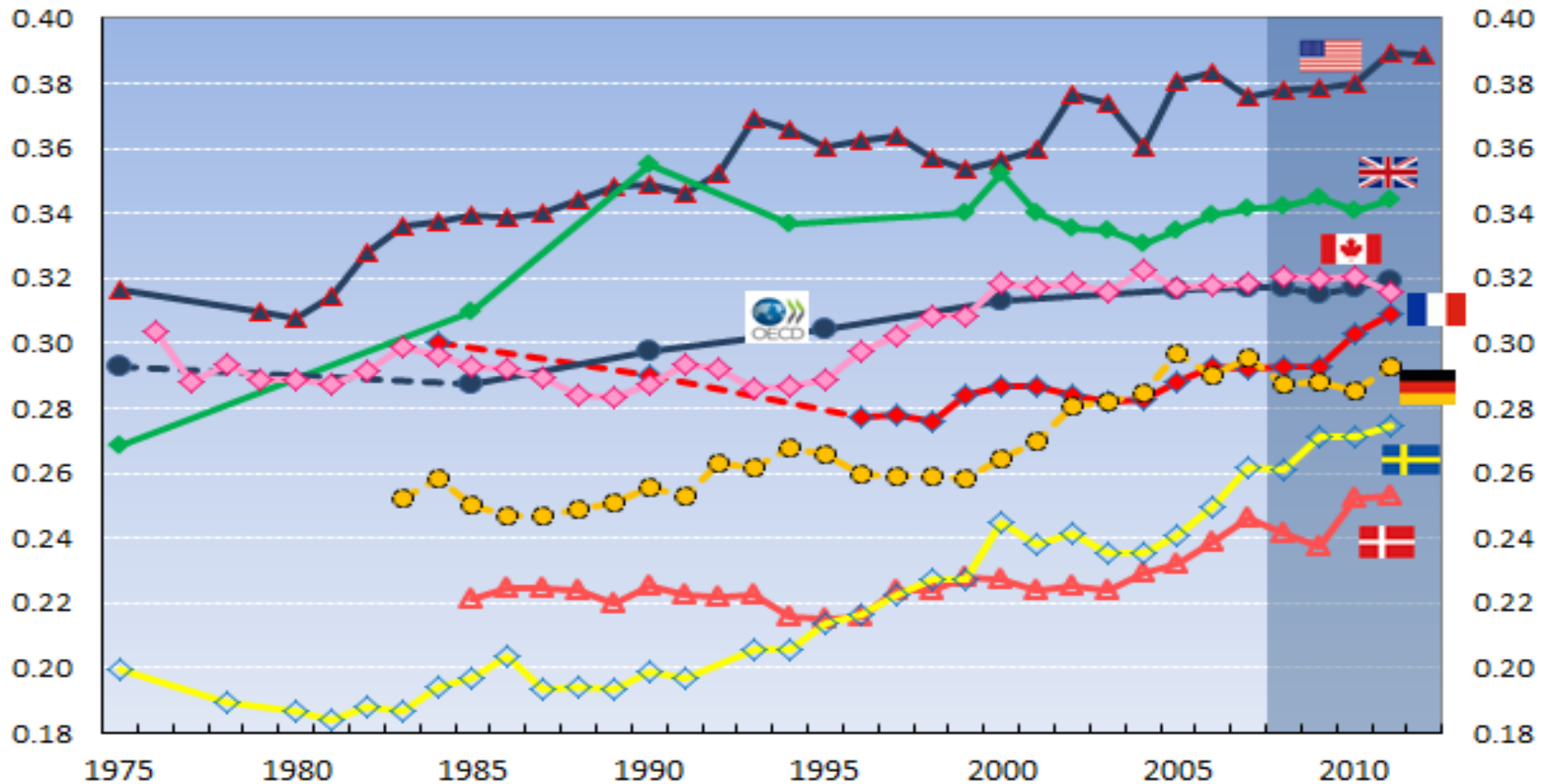


Canada



... in terms of income inequalities...

Income inequalities have increased and reach the OECD average



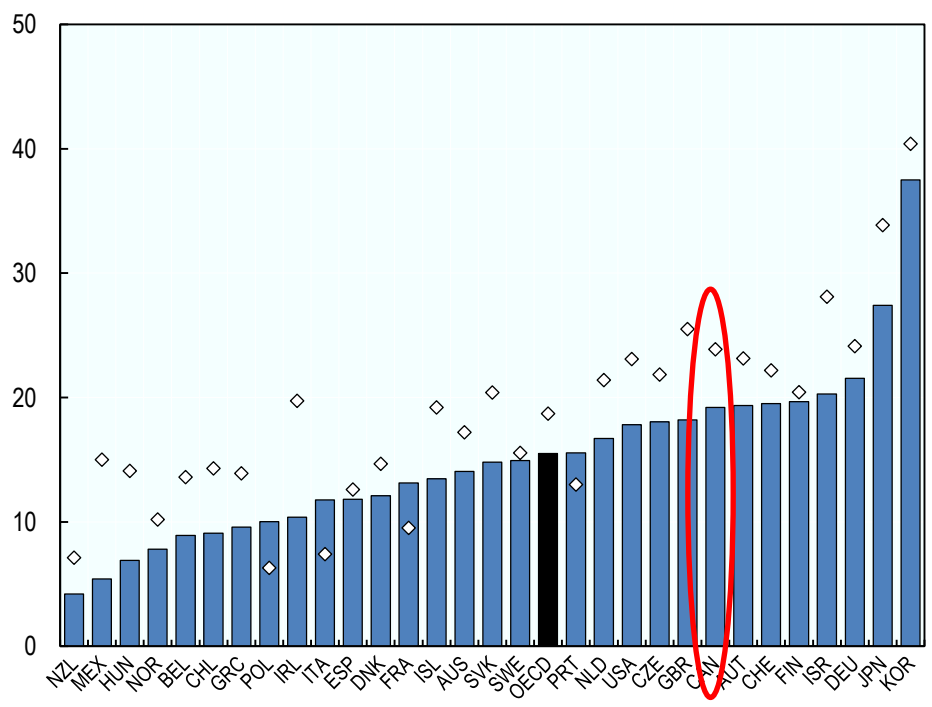
... and in terms of gender well-being inequalities



Gender wage gaps have narrowed but are still large

Gender wage gaps
(Men minus Women/Men)

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



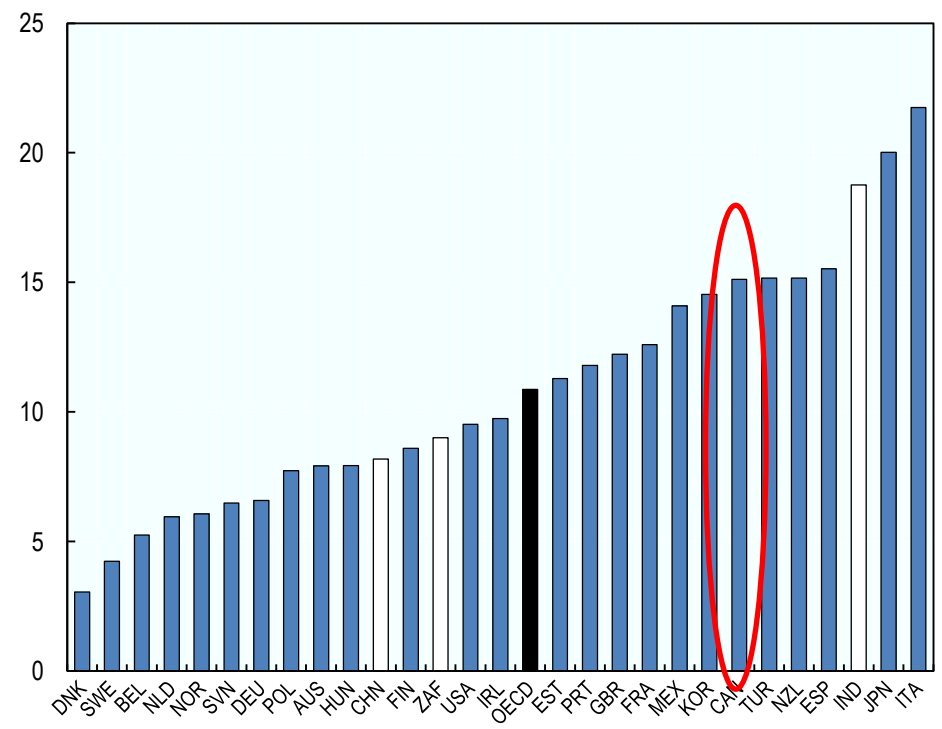
Source: OECD Employment Database



Women are 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

Engaging people in the well-being debate: the Better Life Index



English Español Français Русский Deutsch contact us oecd.org

Index

Countries ▾

Topics ▾

FAQ

Create Your Better Life Index

What is your recipe for a better life — a good education, clean air, nice home, money?
See how your country measures up on the topics important to you. [Help](#)

Start with all topics rated equally or set your own preferences [here](#).



Create Your Better Life Index

Rate the topics according to their importance to you:

Housing	Slider
Income	Slider
Jobs	Slider
Community	Slider
Education	Slider
Environment	Slider
Civic Engagement	Slider
Health	Slider
Life Satisfaction	Slider
Safety	Slider
Work-Life Balance	Slider

Reset Help

Gender differences

Compare your index

Share your index

How's life?

There is more to life than the cold numbers of GDP and economic statistics – This Index allows you to compare well-being across countries, based on 11 topics the OECD has identified as essential, in the areas of

[Better Life Blog](#) → Archive

Happiness pays

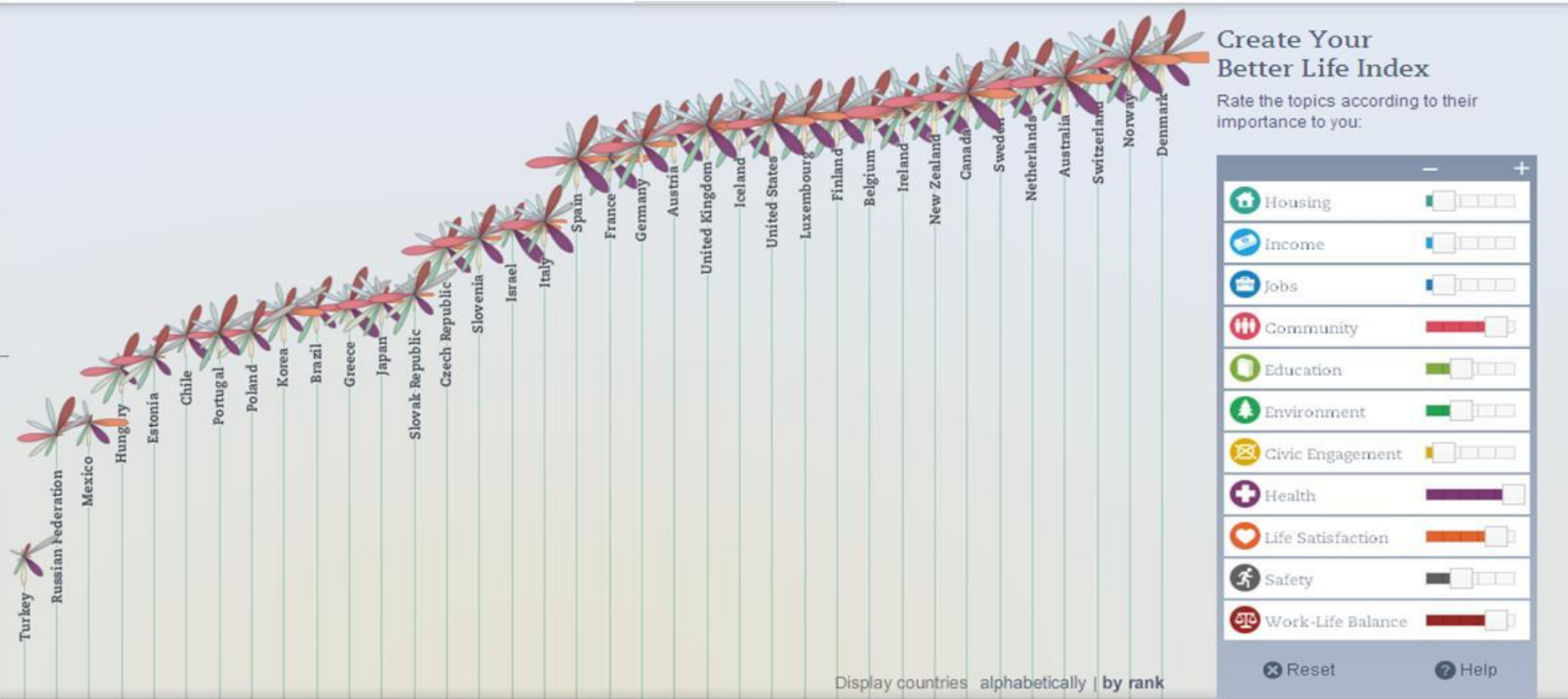
For World Happiness Day our guest author suggests that money can't buy you happiness but happiness may get you more money.

[Find Out More](#) → Archive

Mar 19, 2014
**Society at a Glance 2014:
OECD Social Indicators**

→ more ...

Your Better Life Index, an example



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

Reset

Help

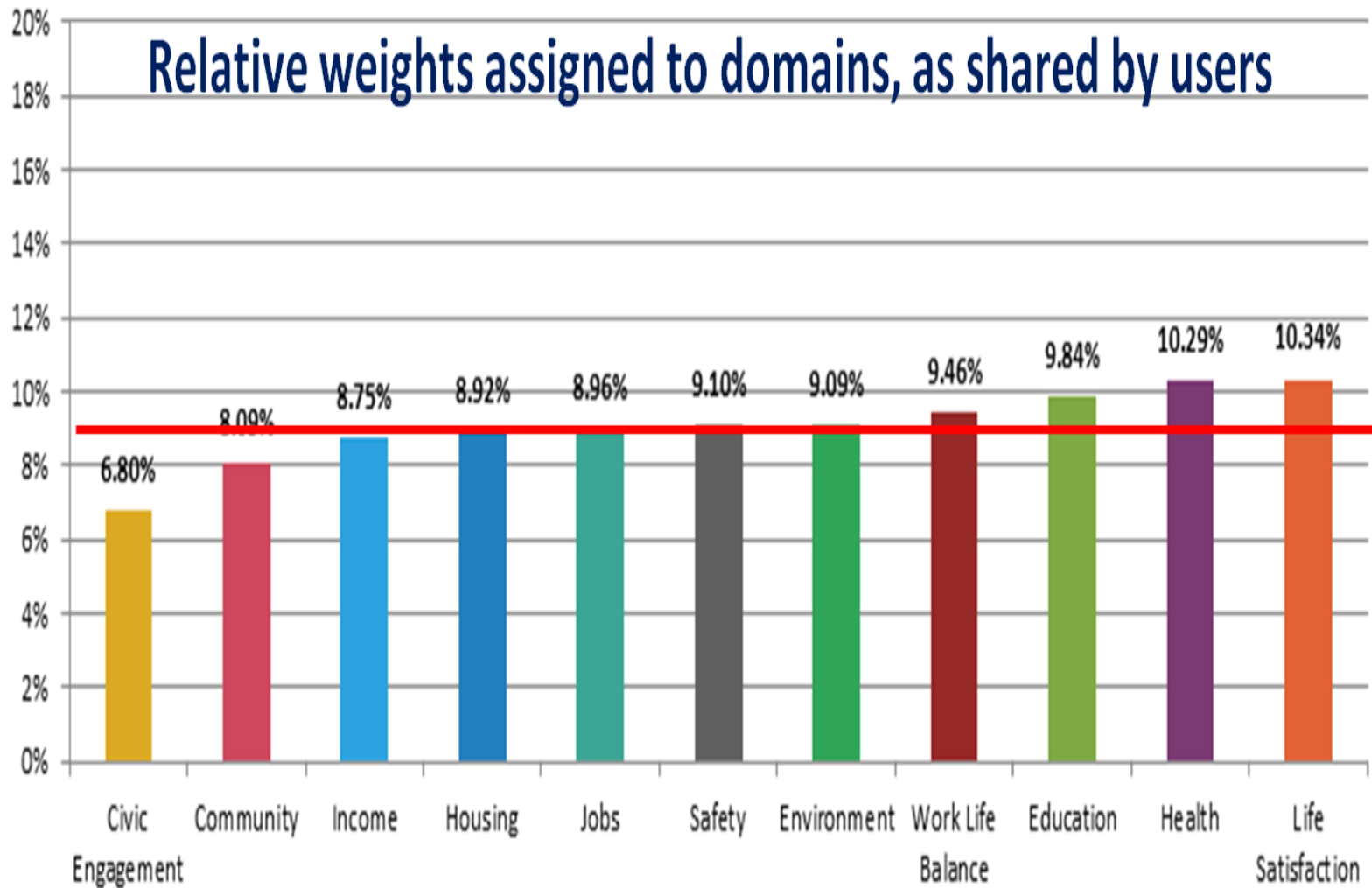
Compare men and women

Compare your index

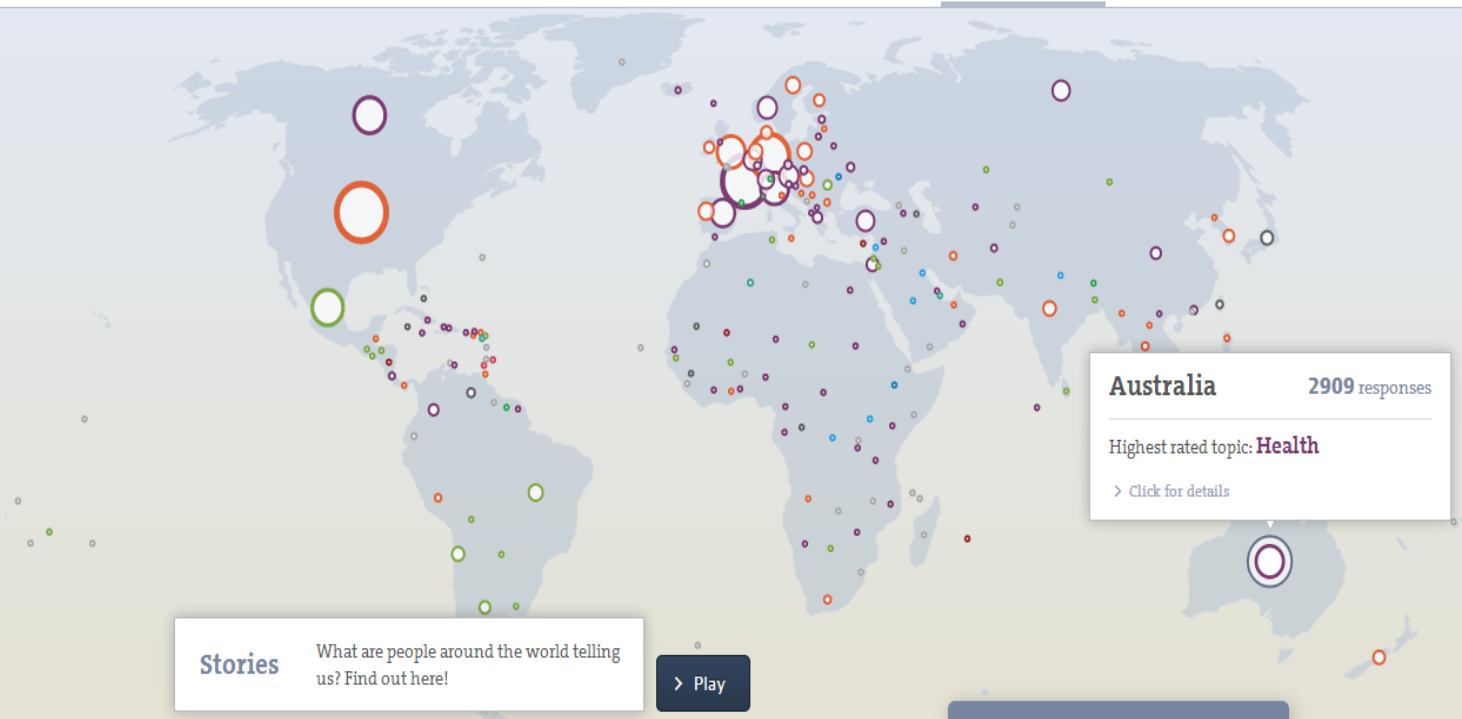
Share your index

How's life?

What do the 4 million+ BLI users tell us??



And in Canada?



What matters most to people around the world?

What about you?

Create your Better Life Index and tell us what matters to you.

[Create your index](#)

Part 3

Policy use: analysing policy trade-offs and synergies



The OECD's project on *Inclusive Growth*

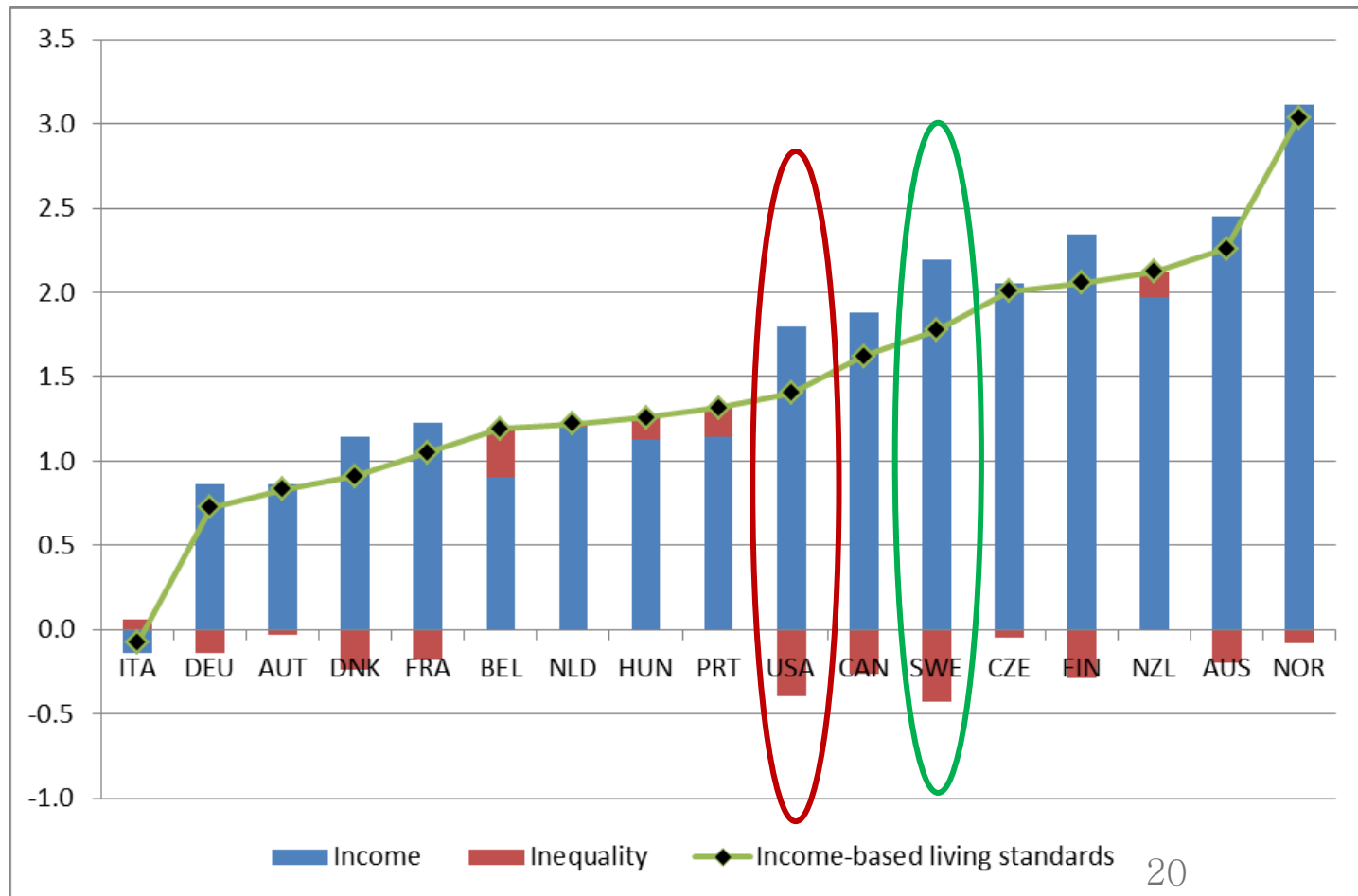
Inclusive Growth: Developing a measure of Multidimensional Living Standards (1)

- Applying well-being framework to develop an overall measure needed to quantify and analyse policy trade-offs
- Start with combining income levels and income inequalities : the income-based measure of living standards
 - Measure of average household income corrected for deviation of target group from the average
 - Target group: median, bottom 10%,...a normative choice

Simplest case: Income-based measure of Living Standards

Growth in real disposable income of median household

Average annual percentage change, 1995-2012



Inclusive Growth: Developing a measure of Multidimensional Living Standards (2)

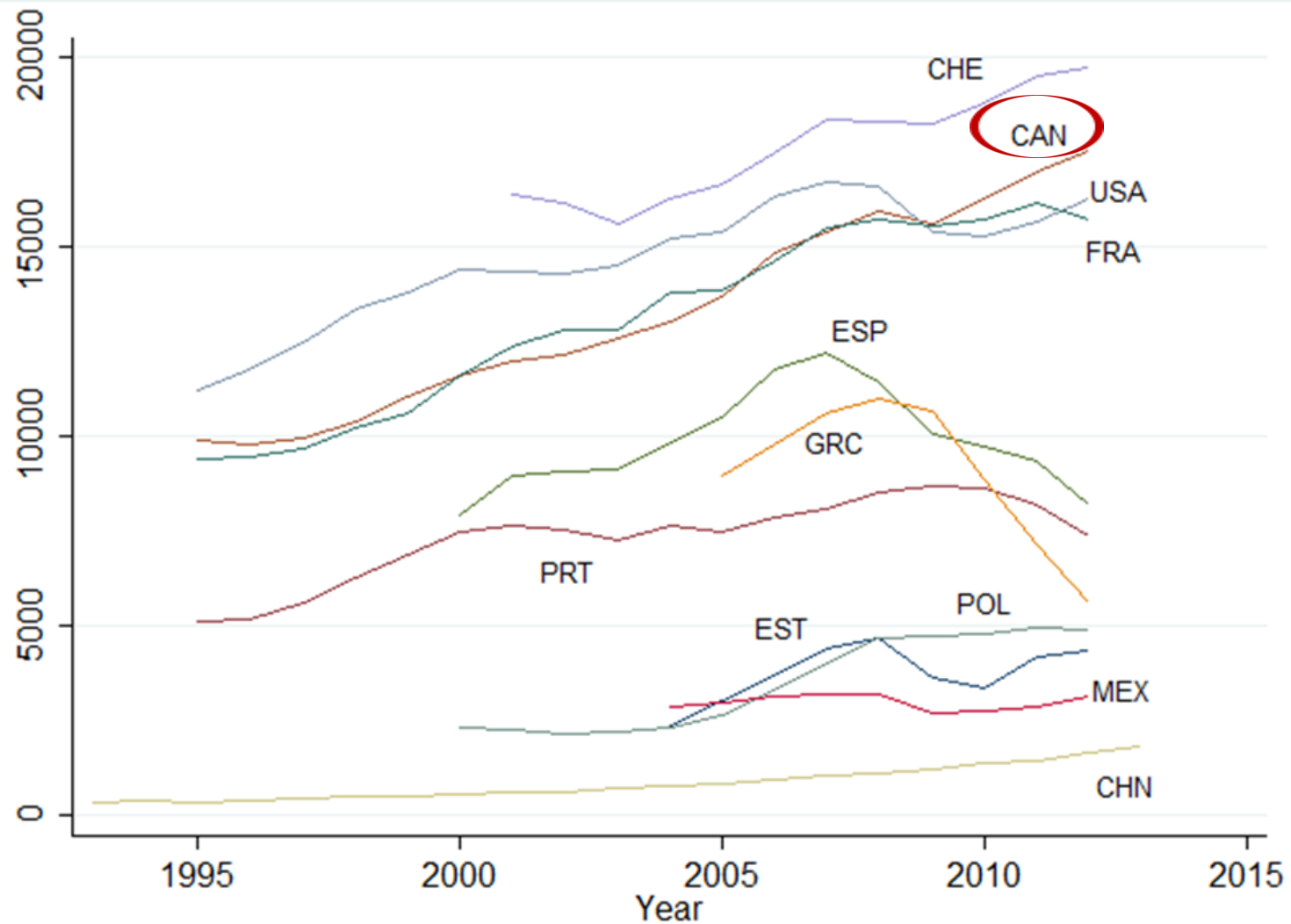
- But our work on well-being tells us to go **beyond income**
- 2 most important factors for people's life assessment in addition to income:
 - **Jobs** (low risk of unemployment)
 - **Health**
- Measure of **Multi-dimensional Living Standards** adjusts income-based measure for risk of unemployment and life expectancy
 - equivalent income method : life satisfaction equation used to estimate the « equivalent income » losses associated with unemployment and the gap in life expectancy relative to the top OECD performer.
- Target group: **median income household**



Indicators for Inclusive Growth

- **Income:** Household real disposable income
- **Jobs:** unemployment
 - strong determinant of subjective life satisfaction
 - 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

Multi-dimensional living standards over time

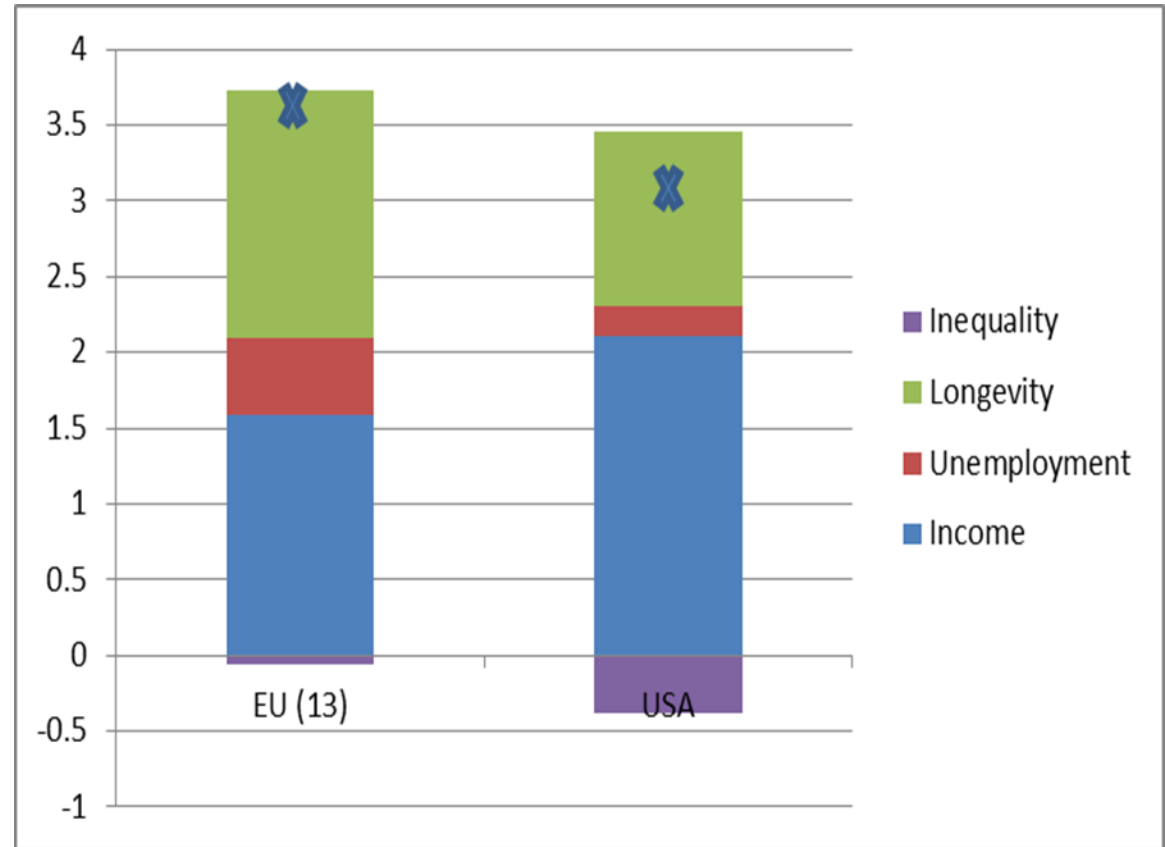


Decomposing growth in MLS:

Example - EU and US before the crisis 1995-2007

Decomposing growth of MLS 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*

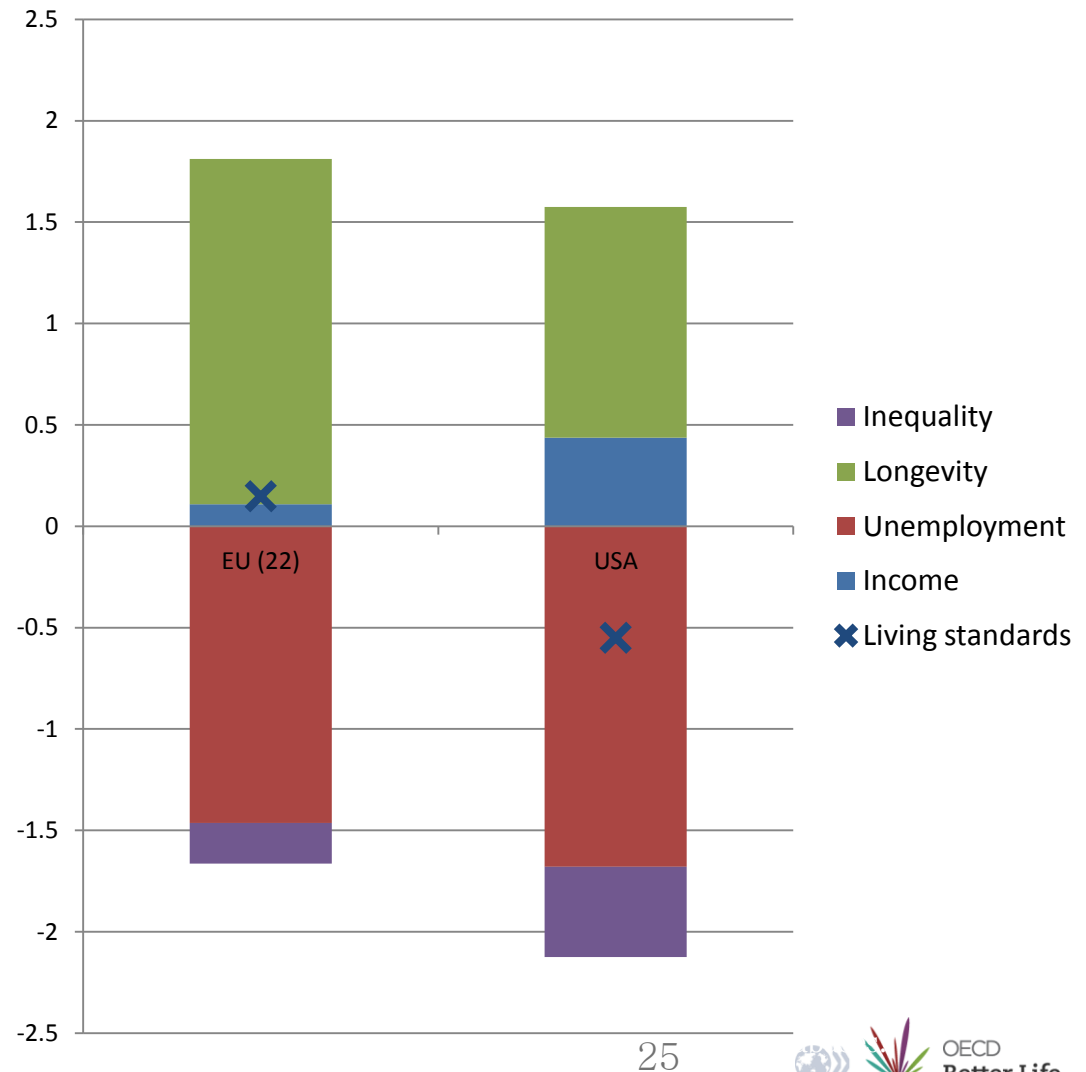


EU and US during the crisis 2007-2011

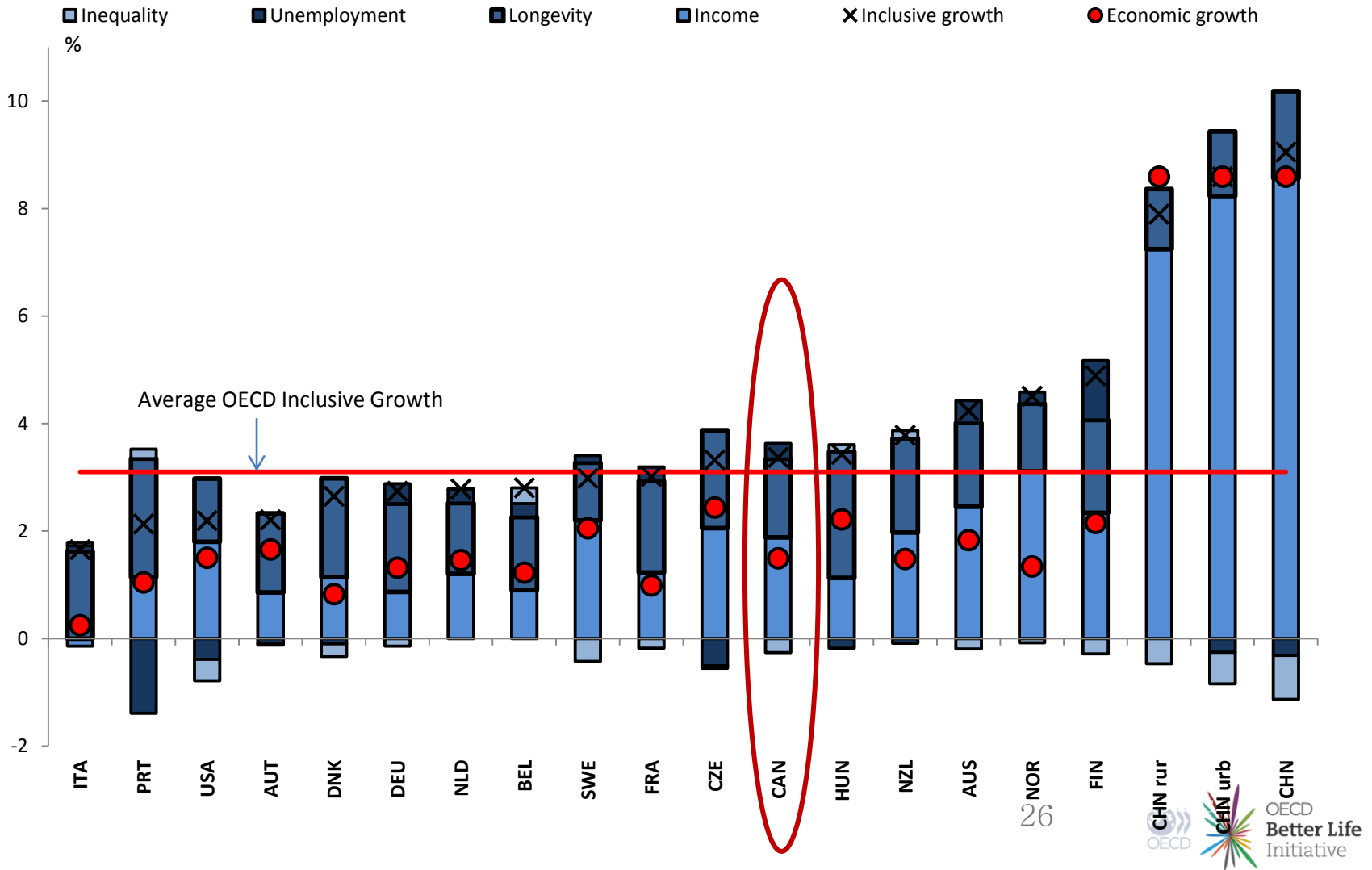
Similar effects in EU and US due to the crisis, drop in MLS (X) :

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

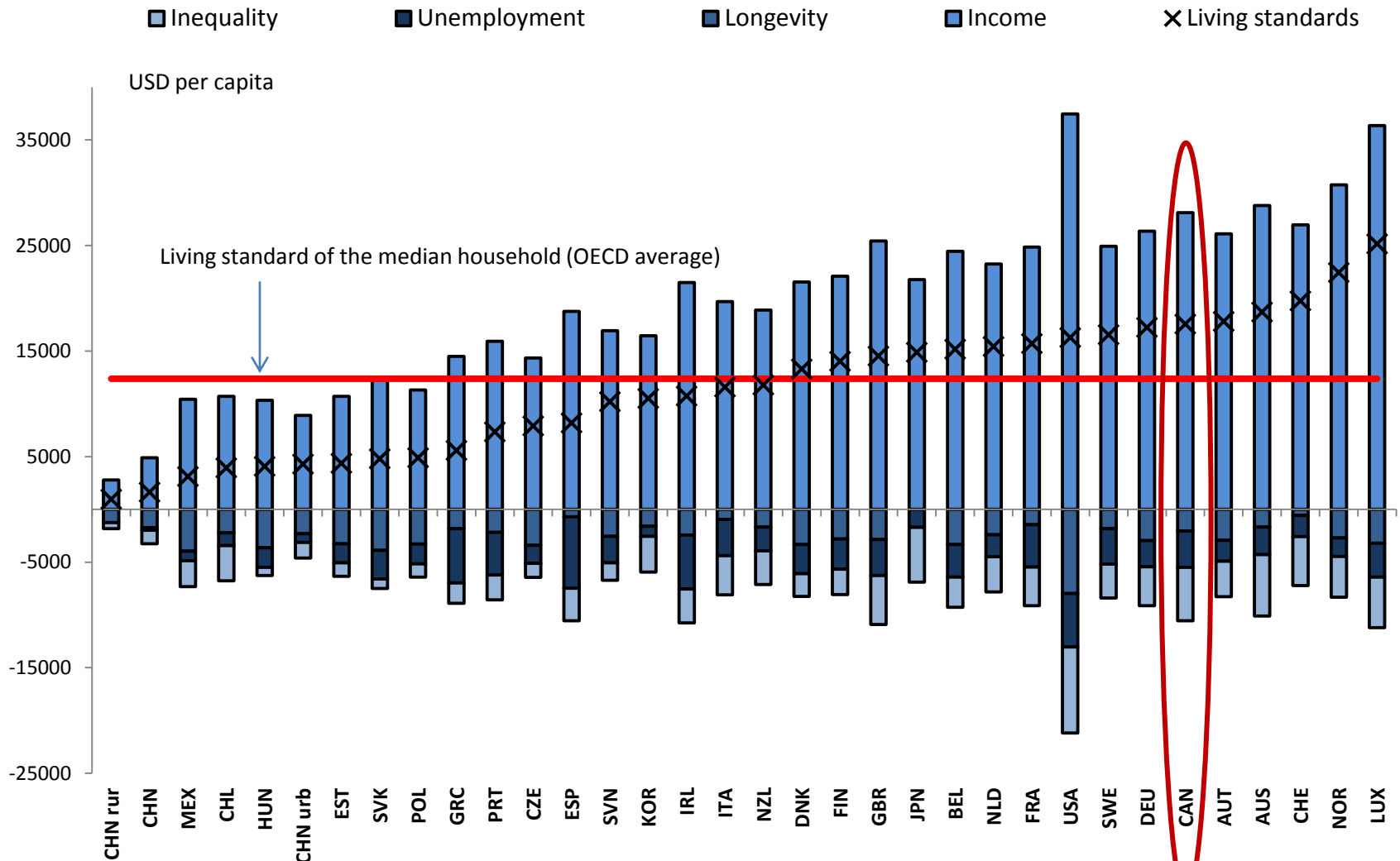
But note : continued differences in the evolution of longevity



An average performance for inclusive growth in Canada since 1995...



...but a high level of living standards in 2012



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
- Do **structural reforms** deliver stronger income and employment gains for households and at the lower or higher end of the distribution?
- For example:
 - **Easing job protection legislation** (e.g. reducing duration of unemployment benefits or stepping up job search and activation programs) **has important** (negative and positive, resp.) **distributional effects** (especially at the low end)
 - **Environmental regulation** affects productivity and income growth but also health outcomes – what is net effect on living standards?
- Vast **research agenda ahead** for the OECD

Inclusive Growth: what's next ?

- *Measurement agenda:*
 - Timeliness and completeness of data
 - Testing robustness of MLS measure
 - Health and Unemployment inequalities
- Adding *dimensions* : education, environment
- Key: quantifying *policy links*: work has started (ECO, ELS, other Directorates)
- *Country case studies* (first one: China, Nov 2014)

Part 4

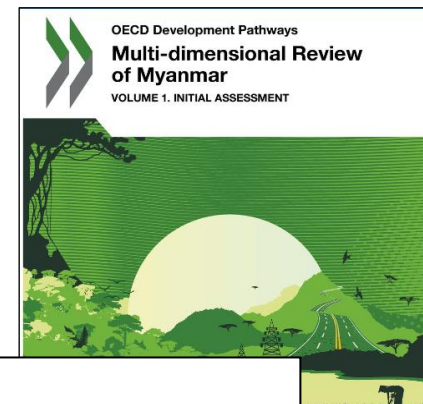
Embedding well-being into policy analysis



Country reviews; domain-specific policy analysis; OECD countries' experience

Application to country reviews and regions

- **Multi-dimensional Country Reviews:** well-being for development
- Well-being in **OECD Economic Surveys** (e.g. Austria 2013, US 2014, Italy, Mexico, forthcoming)
- Upcoming **Inclusive Growth Study for China** (Nov 2104)
- **Regional well-being online tool**, launched October 2014



Well-being perspective in sectoral policy areas

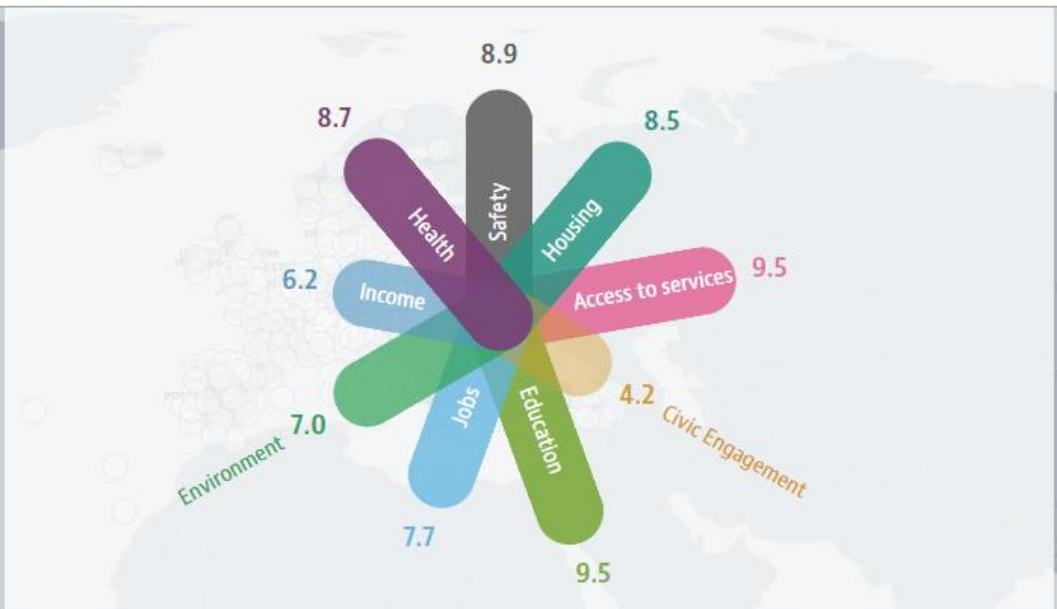
- ✓ **Ageing** policies
- ✓ **Family** policy: well-being and work-life balance
- ✓ **Job Quality**
- ✓ Revisited **Innovation** Strategy
- ✓ **Environment**, land use, **urban** and **regional** policies
- ✓ **Well-being outcomes of education**
- ✓ **Trust in Institutions**

OECD Regional Well-Being online tool



OECD countries / Canada

Ontario



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

Each region is measured in nine 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*



United Kingdom
South West England



United States
Utah



Germany
Schleswig-Holstein



Japan
Kansai region

Ontario's Strengths

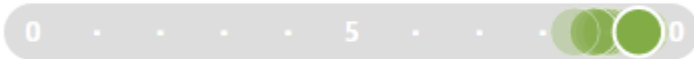
Education



Ontario reaches **9.5** / 10 points in **Education**.



This puts the region in position **2** / 10 regions in Canada.



Compared across all OECD regions, the region is in the **top 13%** in **Education**.

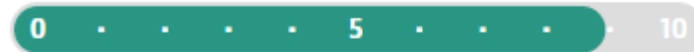


Indicators

Share of labour force with at least secondary education: **90.1** %

Housing

Ontario reaches **8.5** / 10 points in **Housing**.



This puts the region in position **8** / 13 regions in Canada.



Compared across all OECD regions, the region is in the **top 14%** in **Housing**.



Indicators

Numbers of rooms per person: **2.4** rooms per person

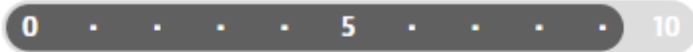
...plus access to services and health

...and scope for improvement

Safety



Ontario reaches **8.9** / 10 points in **Safety**.



This puts the region in position **5** / 13 regions in Canada.



Compared across all OECD regions, the region is in the **top 45%** in **Safety**.



Indicators

Homicide rate: **1.3** homicides per 100 000 people

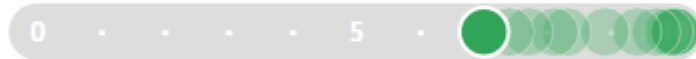
Environment



Ontario reaches **7.0** / 10 points in **Environment**.



This puts the region in position **13** / 13 regions in Canada.



Compared across all OECD regions, the region is in the **top 35%** in **Environment**.



Indicators

Air pollution (PM2.5 level): **8.9** $\mu\text{g}/\text{m}^3$

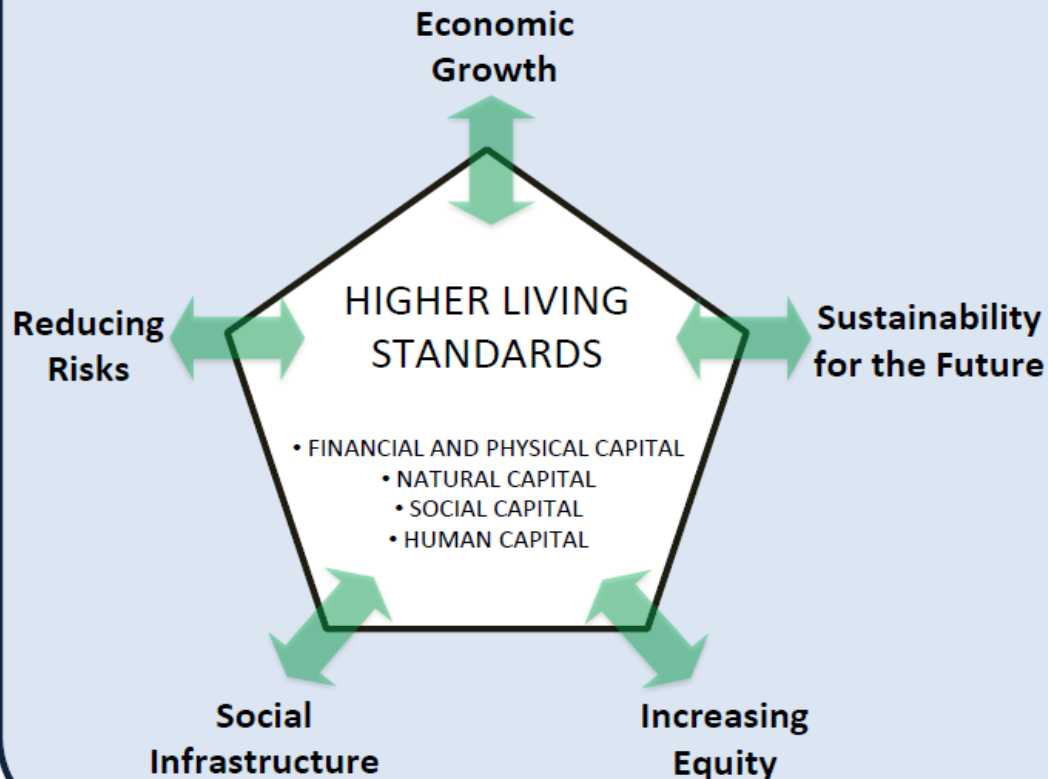
Experience in OECD countries

- Embedding well-being into **policy design**
 - **New-Zealand**
 - **Israel**
 - **United Kingdom**

Well-being as a framework for policy design in New-Zealand

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

Wellbeing indicators as part of the strategy process

Wellbeing indicators as
analysis and measurement
tool

**Vision and
overarching
goals**



Options

**Emphasis
and focus for
the term of
office**

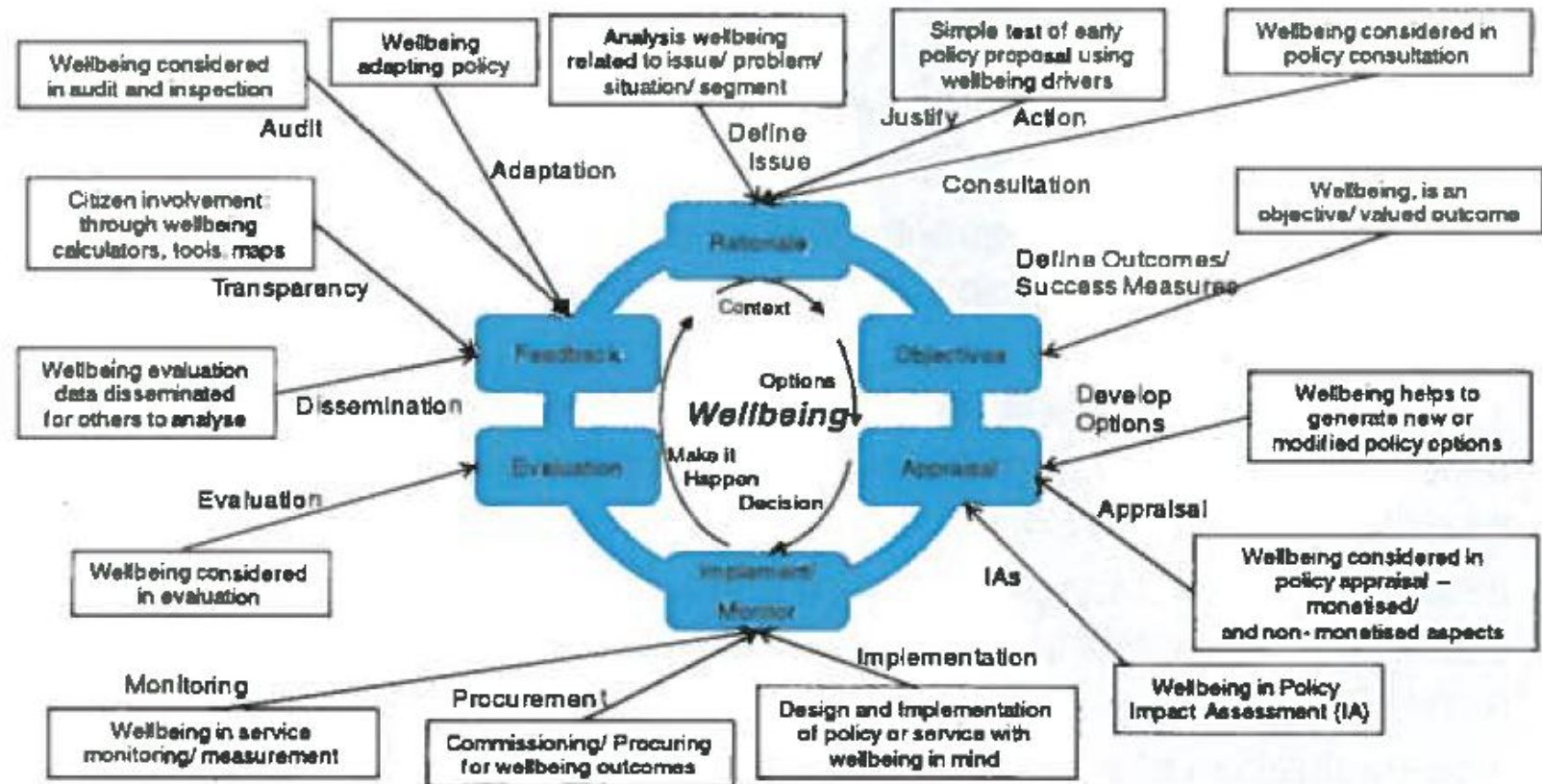
**Detailed
planning
and
allocation of
funds**

**Implement
ation**



Well-being as a framework for policy design and assessment : the New UK vision

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

More information at:

Websites:

www.oecd.org/measuringprogress

www.oecd.org/howslife

www.oecdbetterlifeindex.org

<http://www.oecd.org/inclusive-growth/>