

EURO MED WEALTH LSED RESEARCH GROUP

Seminar on “Indicators alternative to GDP for measuring well-being and social progress”.

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From GDP to Well-being

- “The debate on the misuse of GDP as an indicator of well-being is almost as old as GDP itself” (Saltelli, Jesinghaus and Munda 2007)
- “The welfare of a nation can scarcely be inferred from a measurement of national income” (Kuznet 1934)
- Nevertheless, GDP has been used as proxy of well-being and as «polar star» for policy making.
 - During the post-war period its growth associated to better life conditions.
- Worsening environmental conditions → the debate on GDP starts green in the '70s (Social indicators movement in the '60s)

From GDP to Well-being

- Academic works have shown GDP shortcomings in measuring well-being.
 1. Does not reflect income distribution
 2. Does not include important parts of economic activity (house work, voluntary work, informal sector)
 3. Does not count the “negative externalities” (environmental damages, military expenditures, deforestation etc..)
 4. It includes defensive and reparatory expenditures (water softening, traffic accidents, paradox destruction-reconstruction”)

From GDP to Well-being

- First attempts to build alternative measures
 - Measure of Economic Well-Being (MEW) 1972 by William Nordhaus and James Tobin
 - Japanese Net National Welfare (NNW) indicator in 1973
 - the Economic Aspects of Welfare index (EAW) index of Zolatas in 1981
 - the ISEW indicator of Daly and Cobb in 1989 and the UN's human development index, or HDI, in 1990
- Based on neoclassical welfare economics and use as the starting point the System of National Accounts (SNA).
- Inclusion of nonmarket commodities, positive and negative, to yield an aggregated macroindicator in monetary terms

Measuring well-being

- Attempts concerned mainly with methodological issues (for a review on indicators and methodologies see Gadrey and Jany-Catrice (2003), Stiglitz Sen and Fitoussi (2008))
 - Aggregate or not?
 - Selection of variables (environmental, social...)
 - Weighting system (Delphi, focus group budget allocation)
 - Aggregation methodology
- Three ways to face this questions
 - Top-Down
 - Bottom-up
 - Hybrid approach

Measuring well-being

EXPERT LED - TOP DOWN APPROACH

- Human Development Index (UNDP 1990); Index of Economic Well-Being Osberg and Sharpe (2002); Index of Human Well-being by R. Prescott-Allen (2001); OECD, Handbook on constructing composite indicators: methodology and user guide. (Nardo et al, 2005); Commission on the Measurement of Economic Performance and social Progress 2009

SHORTCOMINGS

- While it provides systematic framework for guiding the search of indicators, the final choice of indicators might be biased by background, knowledge and experience of the investigator (Bossel, 1999) --> May miss critical sustainable and social justice issues at the local level and may fail to measure what is important local to communities (Reed et al, 2006) --> Need of participatory process

Measuring well-being

COMMUNITY BASED - BOTTOM UP

<http://www.communityindicators.net/projects>

Valentin and Spangerberg 2000

WEAKNESSES

“Community participation may become detrimental if people fall prey to the same beliefs and values (and behaviours) that have lead to the current globally unsustainable (and unfair) positions” (Reed et al, 2006)

HOW TO (PARTIALLY) OVERCOME SUCH LIMITATIONS?

AGENDA 21 CHAPTER 27 “Non-governmental organizations play a vital role in the shaping and implementation of participatory democracy...and possess well-established and diverse expertise and capacity in fields which will be of particular importance to the implementation and review of environmentally sound and socially responsible sustainable development.”

Latest development

- 2004 – Palermo – OECD World Forum on Key Indicators. Statistics, Knowledge and Policy + Global Project on measuring the progress of societies.
- 2007 – Bruxelles – Beyond GDP (Barroso: “*it is time to go beyond GDP*”)
- 2008 – Special Commission on the measurement of economic performance and social progress (Sen-Stiglitz-Fitoussi)
- 2009 – Bruxelles – EC communication “GDP and beyond : measuring progress in a changing world
- 2009 - G20 Summit of Pittsburg new Framework for a sustainable balanced growth

Latest development

- 2010 - European sponsorship group on “Measuring progress, well-being and sustainable development” co-chaired by Eurostat and FR-INSEE Directors General, with the participation of 16 Member States, OECD and UNECE
- 2010 - DGINS “Sophia Memorandum” list of improvements that NSI should adopt (household perspective, distributional aspects...)
- 2010 - HDR includes a chapter on other key dimensions (very close to the Stiglitz ones) non included in those within the HDI
- 2010 - CAE and GCEE Report “Monitoring economic performance, quality of life and sustainability”. Focus on the trade-off between comprehensiveness and accuracy on one side and regular, timely and digestively reporting
- 2011 - OECD Better Life initiative Compendium of well-being indicators

Granting legitimacy to wellbeing and sustainability indicators through public deliberation and civil society engagement.

Wellbeing and democracy

The pursuit of wellbeing is directly connected to the actual exercise of fundamental human rights which find in democratic constitutions a specific recognition and guarantee [Sen 1982; Sen 2000; Nussbaum 2001]

It exists, yet, a crisis of democratic legitimacy whose symptoms are:

- declining credibility of representative institutions;
- the crisis of the system of political parties;
- the seizure of political power by representatives without any more contacts with their electors and the progressive distance between people and political elite;
- *a widespread impression of opacity;*

Legitimacy and deliberation - 1

Statistical information, in order to be followed by political action, needs to have a certain degree of legitimacy.

A legitimate decision does not represent everyone's will, but stems from everyone's deliberation.

Manin 1987

Legitimacy and deliberation - 2

Public deliberation: process of exchange of information and opinions among a public facing a common decision.

- It represents the unavoidable discursive dimension through which collective preferences are formed and expressed, [Bohman and Rehg 1997; Elster 1998].
- If aimed at the reaching of a free and reasoned agreement, it can generate legitimate and binding norms [Habermas 1985].

Conditions for public deliberation

- Equality of participants to the deliberative exchange.
- Inclusion of all those are involved in the application of the normes to be deliberated.
- The free, public and peer introduction and expression of interests.
- The pursuit of discursive agreement.
- The orientation towards public good.

Legitimacy of public decisions cannot be exclusively produced and ensured by formal institutions (the state) but it has to be based on **civil society contribution** [Habermas 2001b; Benhabib 1996; Bohman 1996].

Civil society

- Civil society is the third sphere with respect to state and market: instead of power and money it aims at **social solidarity**, which can only be achieved through discursive agreement.
- **Actors:** informal groups (neighbourhood, self-help, consumption) associations and committees, NGOs, groups of interests, cooperatives, foundations, social, political and cultural movements.

Civil society

Civil society is characterised by the ability to make possible a:

- pluralistic participation and
- a free, open and inclusive deliberation

leading to a reflexive, informed and demanding public opinion [Putnam 2000; Edwards 2004]

It is here that democratic ideals may find a practical realization

The political dimension

Civil society is therefore essential for granting whole democratic legitimacy to public decisions.

The specific contribution of CSOs to the definitions of development and wellbeing perspectives is a purely **political contribution** which links the participatory and the cognitive dimensions (the activist and the expert – the protest and the proposal. [*Pianta 2001; Marcon 2004; 2005*].

Civil society and indicators

- Indicators developed by civil society organizations
- Community indicators
- National civil society consultations

Wellbeing indicators developed by civil society

- Basic Capabilities Index - *Social Watch*
- *(Un)Happy Planet Index, National Accounts of Wellbeing - NEF*
- *Genuine Progress Indicator - Redifining Progress*
- *PIQ - Symbola*
- *The Gender Equity and Quality of Life Index*
- *The Center for Partnership Studies*

+

Numerous specific indicators such as:

- *The Child Development Index --- Save the Children*
- *Corruption Perception Index - Transparency International*
- *Gender Equity Index – Social Watch*

Community indicators

- PEKEA - Rennes, France
- Valen;n Spangerberg 2000, Iserlohn (G) case study
- Bogotá Como Vamos, Colombia
- Applied Survey Research (ASR) in USA e Israele
- USA: A. Atkisson et al. (eds.), The community handbook: Measuring progress toward healthy and sustainable communities, (San Francisco: Redefining Progress, 1997)

National consultation

- Canadian Index of Wellbeing
- Measure of Australia's Progress and MAP 2.0
- Measures of National Well-being in UK
- Benessere Equo e Sostenibile in Italy
- QUARS --- Italia

Granting legitimacy

- Now we have hundreds of indicators based on different models (social - subjective wellbeing, sustainability, progress, development...), based on different methodology for the selection of indicators, based on different aggregation methodology
- The switch towards different measures is rather a cultural/democratic process than a pure methodological challenge
- Concept of well-being concerns values and preferences of a society that through democratic process can push policy makers towards a change of indicators
- Statistical information needs a certain degree of legitimacy from citizens in order to be followed by policy makers.
- Legitimacy becomes a key issue

Motivations

- How to grant legitimacy?
 - Political process --> NAP or MDGs
 - Community based approach
- Agenda21 chapter 7 “Non-governmental organizations ...possess well-established and diverse expertise and capacity in fields which will be of particular importance to the implementation and review of environmentally sound and socially responsible sustainable development.”

The QUARS

The QUARS - Sbilanciamoci!

- Sbilanciamoci!
 - Civil society campaign involving 46 Italian associations, NGOs and networks
 - Working on public policies, globalisation, peace, human rights, environment, fair trade, ethical finance
 - Focus on Italian budgetary policies, arguing for social and environmental priorities
 - Advocacy
 - Research activities
 - Lobby
 - Political and cultural animation

The QUARS - Sbilanciamoci!

- Sbilanciamoci! And well-being indicators
 - Make public opinion and politicians familiar with a consolidate idea (**raising awareness**)
 - Foster **legitimacy** through a bottom-up process
 - Turn CSOs **knowledge into statistics**
 - Identify and monitor **key variables** for sustainable well-being
- Consultation of CSO's allows to
 - Identify model of well-being (Formative approach (Coltman et al 2008))
 - Identify key variables and indicators for the italian context
 - Access to unofficial and unconventional data
 - Turn CSOs' knowledge into statistics

The QUARS - Methodology

- 1st phase: the framework (composite methodology and definition on macroareas)
- 2nd phase: the variables (choice of variables and indicators - lack of conventional and unconv data at regional level e.g. income distribution fair trade)
- 3rd phase: the equilibrium between indicators within each macroarea (implicit weighting system. we wanted to restrict the subjective component of the construction of our index to the choice of relevant variables. Each indicator weights 1 within each macro area.)

The QUARS - Methodolgy

- The aggregation method consists in the average of normalized values
- The indicators are aggregated into macro-indicators. The average of the macro-indicators is the QUARS.
 - Relative values
 - Robust towards outliers
 - Quite easy to communicate

The QUARS - Dimensions

1. **Environment:** environmental impact and good practices
2. **Economy and labour:** working condition and income distribution
3. **Rights and citizenship:** social inclusion and basic rights
4. **Equal opportunity:** women participation to economic and political life + services
5. **Education and culture:** level of education, quality of structures, access to cultural events
6. **Health:** quality and efficiency of the services, general health of population
7. **Participation:** citizens' participation to social and political life

The QUARS - Variables

ENVIROMENT	Population density	ISTAT
	Air pollution	ISTAT
	Water and soil pollution	ISTAT
	EcoMafia	LEGAMBIENTE
	Differentiated waste collection	ISTAT
	Renewable energy	ISTAT
	Protected areas	ISTAT
	EcoManagement	LEGAMBIENTE
	Organic farming	AIAB
	Sustainable mobility	ISTAT
ECONOMY	Job precariousness	SBILANCIAMOCI!
	Unemployment	ISTAT
	Income inequality	ISTAT
	Relative Poverty	ISTAT
RIGHTS AND CITIZENSHIP	Housing	MINISTERO INTERNI
	Access to basic services	ISTAT
	Social assistance	NUOVO WELFARE
	Disabled people LM participation	ISTAT
	Migrants Integration	SBILANCIAMOCI!
	School dropouts	ISTAT

The QUARS - Variables

HEALTH	House health care	ISTAT
	Cancer screening	ISTAT
	Waiting lists	CITTADINANZATTIVA
	Hospital migrations	ISTAT
	Public health system satisfaction	SBILANCIAMOCI!
	Avoidable mortality	ERA
EDUCATION AND CULTURE	School Infrastructure	LEGAMBIENTE
	High school participation	ISTAT
	Education level	MIUR
	Third Education mobility	ISTAT
	Public libraries	ISTAT
	Theater and music	ISTAT
EQUAL OPPORTUNITIES	Consulting rooms	MINISTERO SALUTE
	Labor market participation	ISTAT
	Presence in politics	SBILANCIAMOCI!
	Kindergarten	ISTAT
PARTICIPATION	Civil Society	ISTAT
	Voluntary association	ISTAT
	Ombudsman	SBILANCIAMOCI!
	Newspaper diffusion	AUDIPRESS
	Participation to election	MINISTERO INTERNI

THE QUARS - Results

- Results: www.sbilanciamoci.org

REGIONE	QUARS
Trentino-Alto Adige	0.75
Emilia-Romagna	0.56
Friuli-Venezia Giulia	0.51
Toscana	0.45
Valle d'Aosta	0.39
Umbria	0.37
Marche	0.36
Lombardia	0.35
Veneto	0.34
Piemonte	0.25
Liguria	0.17
Lazio	0.01
Abruzzo	-0,06
Sardegna	-0,18
Basilicata	-0,44
Molise	-0,44
Calabria	-1,76
Puglia	-1,78
Sicilia	-1,89
Campania	-1,96

