

“A NEW APPROACH TO THE MEASUREMENT OF SOCIAL WELL-BEING: AN APPLICATION TO KENYA”

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ABSTRACT

The World Development Report (UNDP, 1996), and several other studies measure wellbeing on the basis of arbitrary welfare weights. To correct this anomaly this study constructs a theoretically consistent social welfare index that takes into account the level and distribution of income as well as the basic needs requirement of the population of a region. Using data obtained from the Kenya Welfare Monitoring Surveys, we apply a probit model to the estimation of an abbreviated social welfare function. Since welfare is not observable, it is proxied with a measurable variable (child survival rate) at the household level.

The probit index turns out to be a good approximation to an abbreviated social welfare index. The resultant weights indicate the contribution of the various factors to household welfare. That is, they are the ones used to weight the arguments of the welfare function. These weights are optimal in the sense that they are the ones that maximize the wellbeing of the household given its environment. Moreover, the weights are consistent and non-arbitrary because they reflect a household's preference orderings of the arguments of the welfare function.

