

The OECD Better Life Initiative: How's Life? and the Measurement of Well-being

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THE OECD BETTER LIFE INITIATIVE: *HOW'S LIFE?* AND THE MEASUREMENT OF WELL-BEING

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Preliminary, Not to Be Quoted

Abstract

This paper presents the OECD framework for defining and measuring well-being developed as part of the *OECD Better Life Initiative* launched in 2011. The first pillar of the *Better Life Initiative* is a report entitled *How's Life?* which measures well-being in OECD and partner countries by looking at eleven dimensions that matter to people's lives. These dimensions pertain to both material conditions and quality of life. The framework also recognises the importance of considering the sustainability of current well-being, i.e. the capacity of key assets to generate well-being over time. This framework builds on previous OECD work and various conceptual and empirical approaches of well-being. The selection of indicators under each dimension has relied on international standards on measurement, and has been made in consultation with OECD experts and National Statistical Offices of OECD member countries. A distinction is made between headline indicators, i.e. indicators that are deemed to be of sufficiently good quality which can be used for monitoring well-being over time and across countries, and secondary indicators that provide complementary evidence. The paper also discusses the pros and cons of various approaches for presenting and disseminating the *How's Life?* information on multidimensional well-being to different audiences -- including the *OECD Better Life Index*, the second pillar of the *OECD Better Life Initiative*, which consists of an interactive web tool that allows users to compare countries' performance based on their own preferences of what matters most to them in terms of well-being. The paper ends with a discussion on progress made in developing measures of well-being and outlines the statistical agenda ahead to improve existing indicators and develop new ones.

Introduction

Are our lives getting better, and if they are, how do we know? How can we measure improvements in well-being, not just economic growth? Is well-being shared fairly among different groups in society, such as the youth and the elderly, men and women, and how can we be sure that actions to achieve better lives today are not undermining tomorrow's well-being? The question of how to measure well-being and societal progress is one that the OECD has been addressing for more than a decade, resulting in the *OECD Better Life Initiative* in 2011. The *Better Life Initiative* focuses on the aspects of life that matter to people and that, together, shape their lives. It comprises a regularly updated set and an analysis of well-being indicators, published in *How's Life?* and an interactive web application, the *Better Life Index* (see below). It also includes a number of methodological and research projects to improve the information base towards a better understanding of well-being trends and their drivers.¹

While work on well-being and progress originated in academic and policy circles, measuring well-being is now a prominent item on the agenda of many statistical offices. This reflects the wide-spread recognition that well-being statistics are critical for informing policy-making on a regular and systematic basis on a range of aspects that matter to the life of ordinary people. Over the past few years, many countries have launched their own initiatives to measure well-being (see www.wikiprogress.org for a comprehensive rolling review of existing initiatives).

Several of these initiatives were presented at a series of OECD regional conferences and the 4th OECD World Forum on Statistics, Knowledge and Policy that took place in New Delhi in October 2012. The large and increasing number of such initiatives demonstrates the interest globally for indicators and analysis that go beyond GDP. They also show a strong convergence in conceptual frameworks and indicators used (see Annex 1).

A framework for measuring well-being

Figure 1 presents the conceptual framework used by the OECD to define and measure well-being in its *Better Life Initiative* (see Box 1 for more details). The framework distinguishes between current and future well-being. *Current well-being* is measured in terms of outcomes achieved in the two broad domains: material living conditions (income and wealth, jobs and earnings, housing conditions) and quality of life (health status, work-life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security and life satisfaction). *Future well-being* is assessed by looking at some of the key resources that drive well-being over time and that are persistently affected by today's actions: these drivers can be measured through indicators of different types of 'capital'.

Building on best practices for measuring well-being and progress, the recommendations from the Stiglitz-Sen-Fitoussi report², as well as on consultations with international experts and with National Statistical

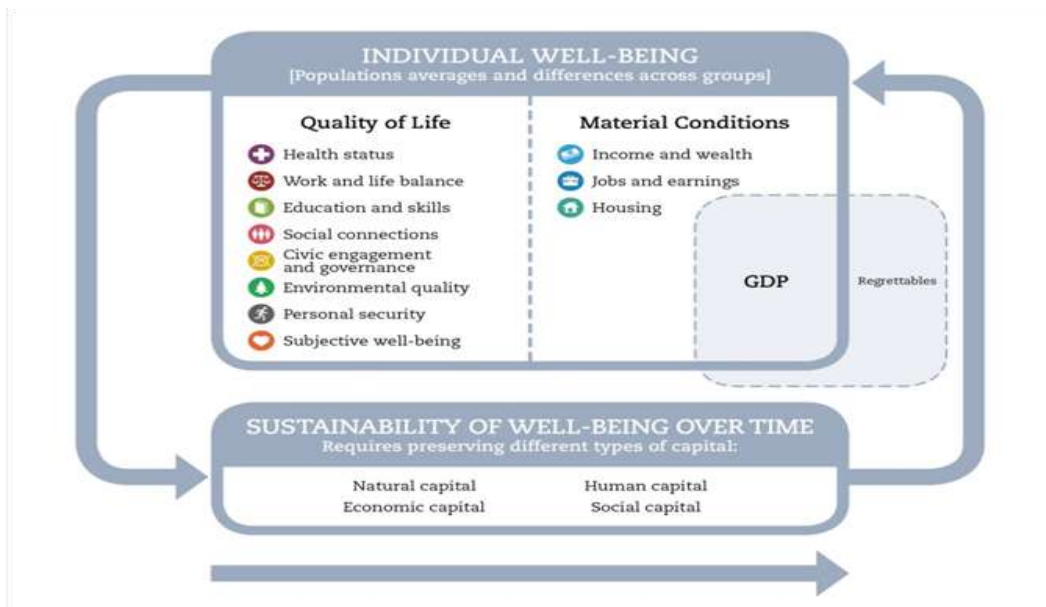
¹ More information on these projects can be found at www.oecd.org/progress.

² In 2008, Former French President Nicolas Sarkozy established the Commission on the Measurement of Economic Performance and Social Progress chaired and coordinated by Professors Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi. In September 2009 the Commission published a report that included around 30 recommendations on how to improve measures of well-being and progress (Stiglitz et al., 2009). *How's Life?* draws on many of these recommendations.

Offices represented in the OECD Committee on Statistics, the OECD well-being framework for measuring current well-being has four distinctive features:

- First, it focuses on **people** (i.e. individuals and households), their situation and how they relate to others in the community where they live and work. Focusing on people, rather than on the economy, is important as there may be differences between the economy-wide assessment of a country and the well-being experiences of individuals and households.
- Second, it concentrates on well-being **outcomes** as opposed to well-being inputs or outputs as outcomes provide the best direct information on people's lives. For instance it focuses on people's satisfaction with water rather than how much has been spent on providing clean water or how many miles of water pipe have been laid.
- Third, it considers the **distribution** of well-being in the population alongside average achievements, in particular disparities across age groups, gender and individuals' socio-economic backgrounds.
- Lastly, it looks at both **objective** and **subjective** aspects of well-being, as personal experiences and assessments of life circumstances provide important supplementary information to more objective measures of these circumstances.

Figure 1. The OECD well-being conceptual framework



Source: OECD (2011), How's Life? Measuring Well-Being, OECD Publishing,

Box 1. Conceptual underpinnings of the OECD well-being framework

From a normative perspective, the OECD well-being framework builds on the capabilities approach proposed by Sen, 1985 (see also Alkire and Sarwar, 2009, Anand et al., 2009 and Anand et al., 2011). This approach is based on a multidimensional definition of well-being where both what people do, such as having a good job or expressing their political voice (their functioning) and people's freedom to choose that functioning (their capabilities) matter. The capabilities approach differs from so-called 'welfarist approaches', which focus solely on well-being achievements, irrespective of the conditions under which outcomes are achieved (i.e. ignoring the set of opportunities given to each person to achieve those outcomes).

The OECD well-being framework stresses that functionings and capabilities matter to the same degree, recognising the importance of individual agency and freedom in choosing the life one wants to live. For instance the OECD framework encompasses education, health and social connections as these dimensions are instrumental to choosing a good life. According to this perspective, increasing well-being means expanding the opportunities that people have to live their life according to their objectives and values.

The OECD framework constitutes one way to operationalise the capabilities approach and make it measurable through indicators that can be collected and used by policy-makers and National Statistical Offices to monitor well-being conditions in the population and their evolution over time. Operationalising the framework means firstly, selecting a list of basic and universal functionings and capabilities and, second, identifying the specific indicators measuring each of them. In terms of functionings and capabilities, the OECD defines well-being in the domains of material living conditions and quality of life, in line with a large body of literature and research (e.g. Stiglitz et al., 2009 for a review; Sen, 1998; Nussbaum, 2011).

From a conceptual perspective, the OECD approach is similar to that developed by the UNDP for its Human Development Index (HDI). However, the OECD approach expands the scope of the HDI, as it encompasses additional dimensions to the three considered by the UNDP (i.e. income, health and education), whose focus has traditionally been on developing countries.

Source: adapted from Boarini R. and Mira D'Ercole (2013), "Going Beyond GDP: an OECD perspective", Fiscal Studies Special Issue on Well-Being, September 2013

As mentioned above, material living conditions and quality of life are broken down into eleven *dimensions*, namely: income and wealth; jobs and earnings; housing; health; work- life balance; education; social connections; civic engagement; environmental conditions; personal security; and subjective well-being. The rationale for selecting these dimensions is as follows:

- **income and wealth** measure the economic resources that people can use today or in the future to satisfy various human needs and wants and that protect against vulnerabilities and risks of various types;
- both the **availability** and **quality of jobs** are relevant for people's well-being, not only because quality jobs increase people's command over resources but also because these jobs offer the opportunity to fulfil one's own ambitions, to develop skills and abilities, to feel useful to society and to build self-esteem;
- access to **housing** and the quality of housing satisfy people's basic needs. Beyond their intrinsic importance, they are also important determinants of health and subjective well-being, as well as of social connections and access to jobs and public services;

- physical and mental **health** is important in itself for people's well-being but also for allowing them to perform a range of personal and social activities that also contribute to their well-being;
- **education** and skills can be seen as both a basic need and an aspiration of all humans, as well as being instrumental to achieve many other economic and non-economic well-being outcomes;
- **work-life balance** is important for people's well-being in terms of family life; more generally, the amount of time that people can devote to leisure, personal care and to other non-work activities help individuals remain healthy and productive;
- **civic engagement** matters, as having political voice in the society where people live allows them to have a say in political decisions that affect their lives and to contribute to deliberations that shape the well-being of communities; similarly, **good governance** is needed to translate people's voice into policies that support their aspirations for a good life;
- **social connections** are valuable in themselves as many people report that the most pleasurable activities are performed with others; but they are also instrumental to achieve a number of other important goals such as finding a job, or support in case of need;
- the quality of the natural **environment** where people live and work is important in its own right but it also matters for people's health and their ability to undertake a number of activities (e.g. raising children, social life, etc.);
- for the same reasons, living in a **secure environment**, i.e. where the risks of being robbed or assaulted are low, is important to generate well-being;
- Finally, besides objective aspects of living conditions and quality of life, it is crucial to consider how people feel about their life and experience – their **subjective well-being**.

The eleven dimensions described above can be considered as universal, *i.e.* as possibly relevant to people living in all societies. However, their relative importance will vary across individuals and countries. People living in different countries and communities may attach varying importance to different dimensions, reflecting their own priorities. In addition, countries may adjust this framework to better reflect the well-being of their population (e.g. some dimensions may be merged or relabelled or complemented with additional country-specific dimensions - e.g. Italy includes culture as one of 12 dimensions included in its national well-being indicator BES (Benessere Equo sostenibile) (www.misuredelbenessere.it/). More importantly, the selection of indicators used to monitor achievements in these dimensions may also differ to reflect specific country conditions, history and challenges. In other terms, the framework proposed above is not meant to be a straitjacket for countries willing to pursue their own national initiatives in this field. Rather it should be viewed as a framework that provides a benchmark for meaningful international comparisons.

Selecting Indicators

The OECD well-being framework shown in Figure 1 has guided the selection of indicators. Critical criteria considered for the selection of indicators have been the following:

- they should capture well-being achievements at the individual or household level;
- they should measure well-being outcomes, rather than means of achieving them;
- they should allow disaggregation, so as to assess the well-being of different population groups; and iv)
- they should gauge the joint distributions of achievements, e.g. whether a person with a disadvantage in one dimension also experiences poor outcomes in another.

The headline indicators have also been chosen so as to fulfil standard statistical requirements, such as:

- face validity, i.e. they should offer an intuitive measure of the concept at hand);
- focus on summary outcomes rather than to more specific components;
- being amenable to change and sensitive to policy interventions; being comparable across countries;
- being commonly used and accepted as well-being measures within the statistical and academic communities;
- providing large country coverage; and
- being based on data collection that are fairly frequent and timely (see OECD 2011 for more details on these criteria).

The first edition of *How's Life?* in 2011 distinguished between *headline indicators*, i.e. indicators that are deemed to be of sufficiently good quality and can be used for monitoring well-being over time and across countries, and *secondary indicators* that provide complementary evidence (e.g. indicators covering more specific aspects of the dimension at hand, with more limited country coverage, or based on sources that were deemed to be less reliable than in the case of headline indicators). In 2011, headline indicators for each dimension included:

- **Income and Wealth:** Household net adjusted disposable income per person; Household net financial wealth per person
- **Jobs and Earnings:** Employment rate; Long-term unemployment rate; Average annual earnings per employee
- **Housing Conditions:** Number of rooms per person; Dwellings lacking basic facilities

- **Health Status:** Life expectancy at birth; Self-reported health status
- **Work-life balance:** Employees working very long hours; Time devoted to leisure and personal care
- **Education and Skills:** Educational attainment; Students' cognitive skills
- **Social Connections:** Social network support
- **Civic Engagement and Governance:** Voter turn-out; Consultation on rule-making
- **Environmental Quality:** Air quality
- **Personal Security:** Intentional homicides; Self-reported victimisation
- **Subjective Well-Being:** Life satisfaction

Five new headline indicators will be included in the 2013 edition of *How's Life?* (to be published in October) to complement or improve the indicators used in 2011:

- *Housing costs* as a measure of affordability of housing.
- *Education expectancy* as a measure of the educational opportunities for children who are in school today.
- *Satisfaction with water quality*, as a measure of people's satisfaction with one specific aspect of the environment (i.e. water) that is not captured by the headline indicator measuring air quality.
- *Short job tenure* as a measure of employment security and stability.
- *Adult competencies* as a measure of the cognitive skills of the adult population.

The headline indicators used in *How's Life?* meet, to different degrees, a number of quality criteria, such as conceptual and policy relevance, quality of the underlying data, comparability of the concepts and survey questions used, and frequency of compilation. The selection has been made in consultation with OECD experts and National Statistical Offices of OECD countries. While the set of selected indicators represent, in the view of the OECD, the best current available proxies for outcomes in the eleven dimensions of well-being, these indicators do not necessarily meet all the criteria above. In particular, in those cases where existing official data are deemed to be not fully comparable across countries, *How's Life?* uses data from non-official sources. These non-official sources have well-known limitations in terms of sample size, sampling frames, mode of data collection, etc.; they have the advantage, however, of covering a wide range of countries and of relying on a harmonised questionnaire applied in a large number of countries.³ The indicators based on non-official sources have to be considered as “place holders” until better and more

³ For instance the Gallup World Poll, or the European Social Survey.

comparable official statistics in these fields are developed. Results based on these non-official data have to be interpreted with caution.

Assessing well-being through a dashboard of indicators

The definition of well-being adopted by the OECD is multi-dimensional. Traditionally, multidimensional concepts have been assessed either through a set of indicators (dashboard), or through a composite or synthetic index. Composite indices are however often criticised for the loss of information that goes with them, as well as for arbitrary assumptions in the weighting that has to be applied to the different dimensions and their sub-elements to arrive at a single index figure (see Stiglitz et al., 2009, Fleurbaey 2009 for a review).

A further challenge with composite or synthetic indexes relates to the level at which aggregation takes place. Synthetic indices that aggregate well-being outcomes at the individual level are conceptually better than composites that aggregate country-level averages of well-being outcomes, as they allow to take into account the joint distribution of outcomes at individual level (e.g. whether people at the bottom of the income distribution also experience the lowest achievements in terms of health, skills, etc.) as well as weights based on individuals' preferences (see Schokkaert and Decanq 2013 for a discussion). However this type of synthetic indexes can only be constructed if individual-level data as well as country-level data are available from the same survey. Given the lack of such information for a majority of countries, *How's Life's?* does not construct a composite or synthetic index but rather presents a dashboard of twenty-four headline indicators.⁴

While the dashboard approach has the advantage of presenting separate information for each well-being dimension, making possible to assess which dimensions drive the overall well-being performance of countries, it comes with some costs, namely a more complex picture to communicate and an absence of information on interrelations across well-being outcomes.

To address some of these limitations, *How's life?* summarises the information from the 24 headline indicators (measuring average outcomes in the population⁵) using a "traffic light" convention (Table 1). Traffic lights show how countries compare on the 11 well-being dimensions. According to this approach, the top 20% of countries are given green lights, the middle 60% are given orange lights and the bottom 20% are given red lights.

⁴ While the Better Life Index (BLI, see below) addresses the issue of arbitrary weights by allowing users to create their own composite index by weighting the various dimensions according to which they consider more important for their well-being, the BLI is not reflective of the joint distribution of outcomes at individual level as it aggregates indicators at country level.

⁵ For the sake of simplicity the traffic light table is done based on the *How's Life?* headline indicators for the total population (e.g. educational attainment) or expressed on average terms (e.g. average household income). Therefore the traffic light reflects the distribution of well-being outcomes across the population to a very limited extent. *How's Life?* presents information on the distribution of outcomes for some of the indicators that can be broken down for specific groups of the population.

Table 1. An overview of headline well-being indicators

“Circles” denotes countries in the top two deciles, “diamonds” those in the bottom two deciles, “triangles” those in the six intermediate deciles

Years	Material Living Conditions										Quality of Life															
	Income and wealth		Jobs and earnings				Housing			Work and life balance		Health status		Education and skills				Social connections		Civic engagement and governance		Environmental quality		Personal security		Subjective well-being
	Household Net Adjusted Disposable Income	Household Net Financial Wealth	Employment rate	Personal earnings	Job Tenure	Long-term unemployment rate	Number of rooms per person	Housing expenditure	Dwellings without basic facilities	Employees working very long hours	Time non worked	Life expectancy at birth	Self-reported health	Educational attainment	Education expectancy	Students cognitive skills	Competences in the adult population	Social network support	Consultation on rule-making	Voter turn-out	Satisfaction with water quality	Air pollution	Reported homicides	Self-reported victimisation	Life Satisfaction	
	2010	2010	2011	2011	2011	2011	2011	2011	2011	2011	Around 2000	2011	2011	2010	2010	2009	2009	2012	2008	Around 2011	2012	2009	2010	2010	2012	
Australia	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Austria	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Belgium	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Brazil	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Canada	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Chile	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Czech Republic	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Denmark	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Estonia	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Finland	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
France	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Germany	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Greece	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Hungary	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Iceland	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Ireland	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Israel	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Italy	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Japan	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Korea	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Luxembourg	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Mexico	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Netherlands	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
New Zealand	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Norway	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Poland	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Portugal	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Russian federation	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Slovak Republic	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Slovenia	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Spain	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Sweden	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Switzerland	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Turkey	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
United Kingdom	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
United States	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲

Source: OECD calculations

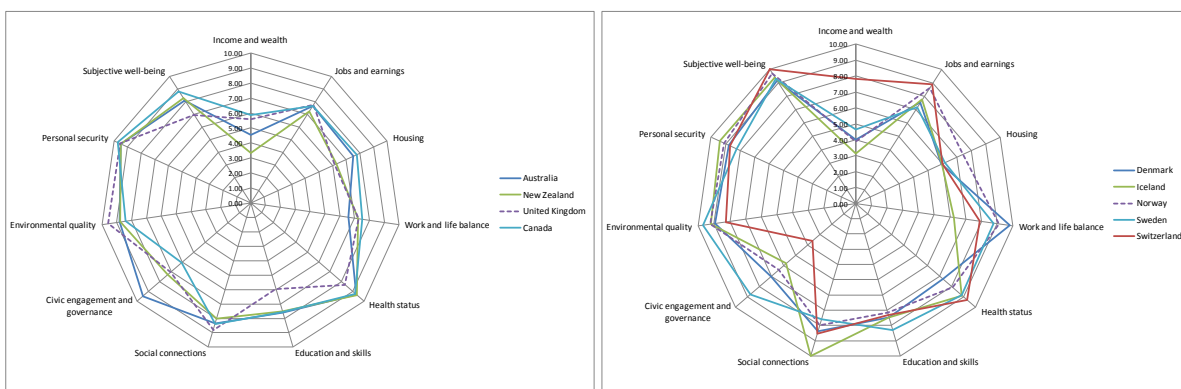
The traffic lights show that overall:

- Switzerland, Australia, Nordic European countries, as well as Canada, New Zealand and United Kingdom are among the top-performers.
- United States, Ireland, Luxembourg, Austria, Belgium, Finland, Germany, France, Japan, Korea, Spain, Czech Republic, Italy, Slovak Republic, Israel, Poland and Portugal display average performance.
- Turkey, Brazil, Mexico, Estonia, Hungary, Greece and Chile are among the countries with a relatively low performance.

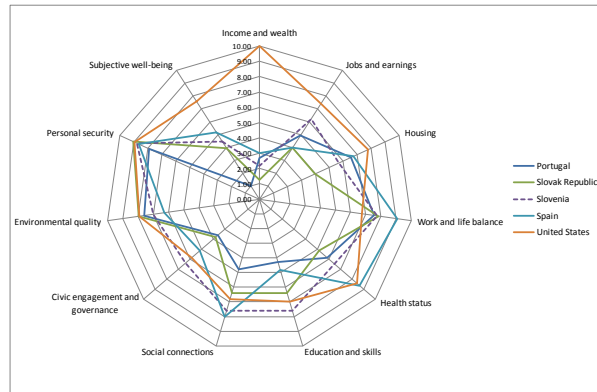
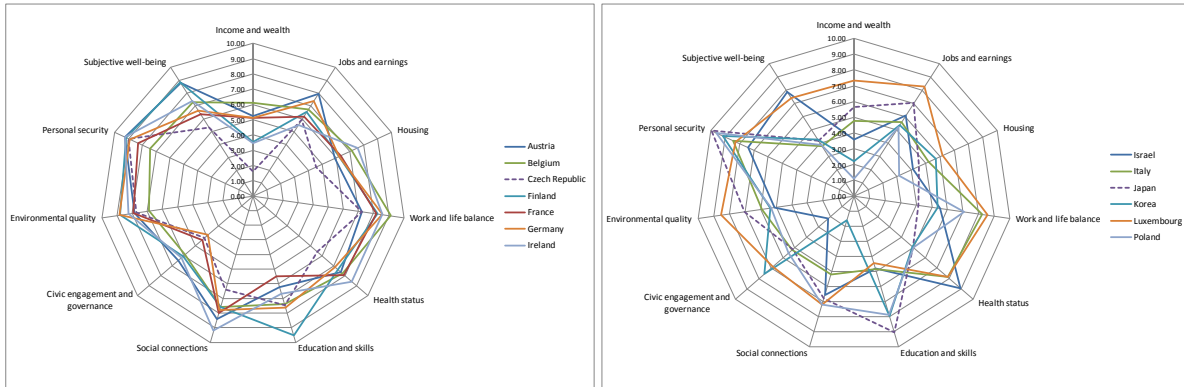
Well-being performance may be the result of various and often interrelated factors and in general countries display different strengths and weaknesses in the various well-being dimensions. Countries may achieve an equally good overall well-being performance by performing well (or not) in different dimensions, as shown by Figure 2. For instance Australia and Canada do very well overall, yet Australia does better than Canada in the civic engagement and governance dimension but less so in income and wealth and in work-life balance. Similarly, Nordic European countries are champions in work- life balance and health status, but do less well than Switzerland and Canada in terms of income and wealth. Countries with the same overall well-being performance (i.e. with more than one third of orange lights) can also differ in terms of performance in the various well-being dimensions. For instance, Germany appears to do better than France in education and skills but performs less well in health.

Figure 2. Strengths and weaknesses vary across countries

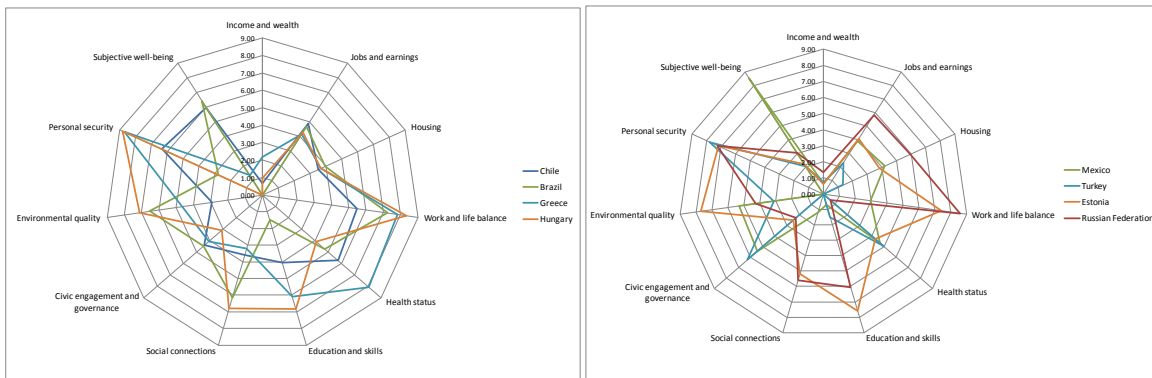
Countries with high overall well-being performance



Countries with moderate overall well-being performance



Countries with low overall well-being performance



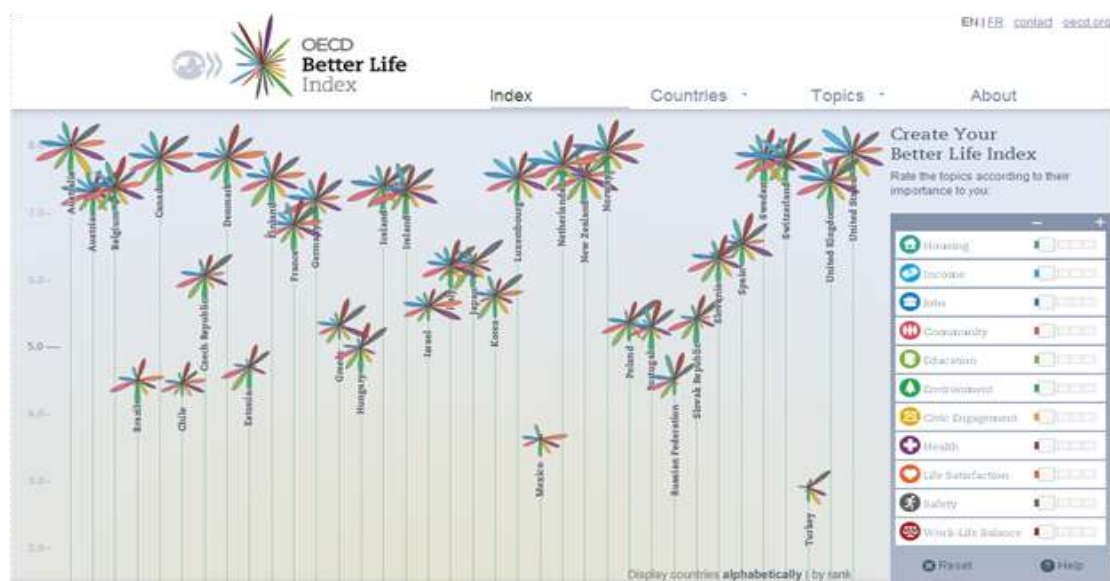
Note: These charts show normalised performance in the eleven well-being dimensions of *How's Life?*. Performance is calculated as simple average of the headline indicators included in each dimension and shown in Table 1.1. These values are then normalised with the ratio-scale transformation to re-express all values in a scale between 0 and 10.

Source: OECD calculations

Disseminating results to, and interacting with, the public: The OECD Better Life Index

The *Better Life Index* (BLI) has been designed to disseminate the results of *How's Life?* to a wide audience and to involve people in the discussion on well-being and, through this process, to learn what matters the most to them. The *Better Life Index* (Figure 2) is an interactive tool that allows users to set their own weights on the eleven dimension of the OECD well-being framework. The web application allows users to see how countries' average achievements compare based on one's own personal priorities in life, and to share one's index and choices of weights with other people in their networks and with the OECD.

Figure 2. The OECD Better Life Index web application

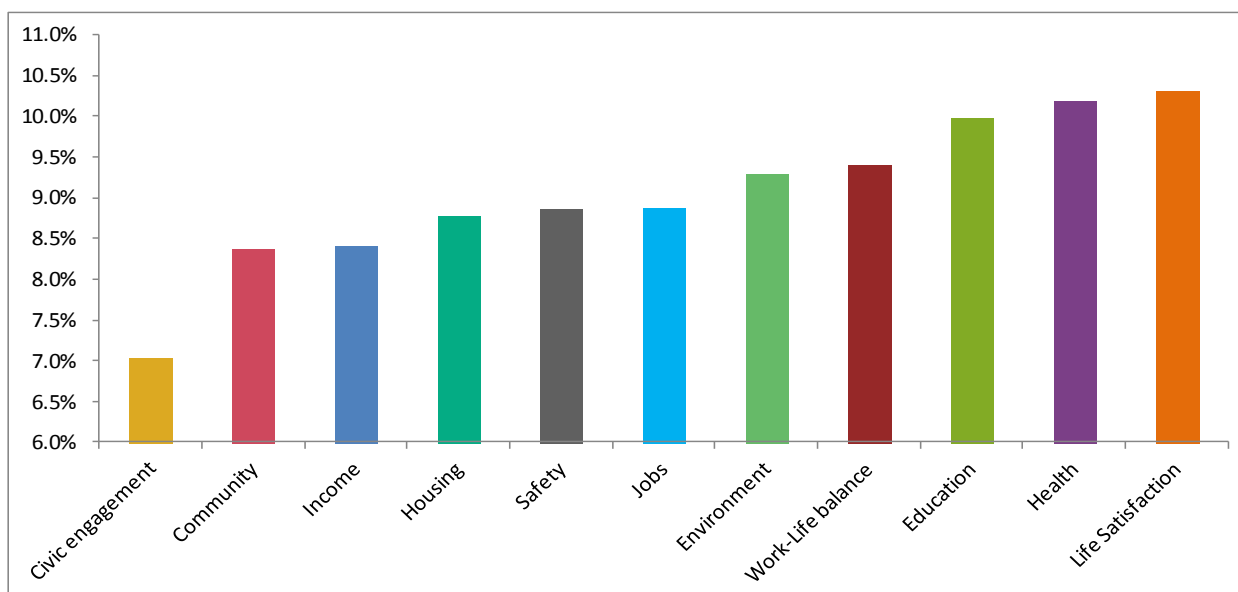


Note: The screenshot shows the BLI visualisation. Countries are represented by flowers with eleven petals, corresponding to the eleven well-being dimensions (see Figure 1.2). Users can rate these dimensions by using the control panel in the right-hand side of the screen. When dimensions are rated, flowers change size to reflect the importance attributed by users. At the same time, countries move up (down) if they perform well or (poorly) in the dimension of well-being that users rate the highest. Source: The OECD Better Life Index, www.betterlifeindex.org.

Since its launch in May 2011, the BLI has been visited by more than 2.5 million people from all over the world. Around 42 000 indices have been shared with the OECD. The information gathered from these users, shows that on average what matters most to them is life satisfaction, health and education (Figure 3).

Figure 3. Feedback from users of OECD Better Life Index, May 2013

weights



Source: The OECD Better Life Index, www.betterlifeindex.org

The *How's Life?* Statistical Agenda: progress since 2011

1. An important goal of *How's Life?* is to identify priorities for the statistical agenda ahead, and to track progress over time with respect to this agenda. The first edition of *How's Life?* had identified a number of issues to tackle for developing better metrics in each of the well-being dimensions. While many of the challenges identified in 2011 still remain, significant progress has been achieved in some of them. In particular:

- **Income and wealth:** In June 2013, the OECD released internationally agreed [Guidelines for producing Micro Statistics on Household Wealth](#), which address the common conceptual, definitional and practical problems that countries face in producing such statistics, and aim to improve the comparability of the currently available country data. A companion report proposes a framework to support the [Joint Analysis of Micro-Statistics on Household Income, Consumption and Wealth](#) as three separate but interrelated dimensions of people's economic well-being. In addition, an OECD-Eurostat Expert Group to measure Disparities in a National Account framework (EG DNA) launched in 2011, recently completed an in-depth comparison of various components of household income, consumption and wealth between micro and macro sources, and developed a set of experimental household accounts providing information on the

distribution of income, consumption and saving among types of households that are consistent with National Accounts' totals.

- **Jobs and earnings:** The recent release of the ILO Manual on concepts and definitions of *Decent Work* indicators (ILO, 2012) marks a significant step forward in the statistical agenda on employment quality. The manual provides a detailed description of indicators to be developed for monitoring the progress made in the implementation of the ILO *Decent Work* Agenda, as well as methodological and practical guidelines for producing and using these indicators. Similarly, the UNECE, in collaboration with Eurostat and the ILO, is developing operational guidelines for measuring the various dimensions included in its framework for *Measuring Quality of Employment* (UNECE, 2010). However, despite these conceptual and methodological advancements, no internationally comparable database on employment quality exists yet. Chapter 5 describes the challenges of measuring employment quality and a number of statistical gaps in this field. Another important initiative in the field of jobs and earnings is that undertaken by the ILO to revise the ICLS (International Conference of Labour Statisticians) standards. This revision, that will be completed at the end of 2013, will lead to better measures of unpaid work and of marginal attachment to the labour force.
- **Health Status:** The UNECE-WHO-Eurostat City taskforce on measuring health status (known as the Budapest Initiative) and the Washington Group on disability statistics reached an agreement on a limited set of (six) questions to measure “functioning”. This may become the basis for international comparisons of morbidity and allow to study the links between morbidity and broader quality of life issues. These questions have been recommended by the UN statistical commission for use in the context of the 2020 population censuses, but implementation will have to be promoted and monitored if they are to provide a common benchmark for comparable measures of people’s health status. In addition, a European Health Interview Survey (EHIS) will be carried out in 2014 in the EU: this will provide harmonised survey data at national and at EU level on perceived health status and disability, health determinants and health care (including unmet needs).
- **Education:** The new Programme for the International Assessment of Adult Competencies (PIAAC) carried out by the OECD collects a set of comparable data that will assist governments in assessing, monitoring and analysing the level and distribution of skills among the adult population, as well as the use of skills in different contexts. This new survey represents a major advancement in measuring skills but also in providing together the information needed to understand what drives their accumulation and how skills affect people’s well-being more widely.
- **Work-life balance:** A Task Force on Time Use Surveys was established by the Conference of European Statisticians (CES) in November 2010, with the objective to develop guidelines and compilations of best practices to help countries carrying out time use surveys, and to improve the comparability of their results. These guidelines, released in June 2013, focus on areas where the statistical community has expressed a particular need for further guidance, including: i) policy relevance of time use surveys; ii) availability and comparability of key statistical measures of time use; iii) periodicity of time use surveys; iv) the use of light and full-scale time use diaries; and v) activity classification.

- **Environmental quality:** The System of Environmental-Economic Accounts (SEEA), a joint undertaking of an international taskforce which included the UN Statistical Division, Eurostat, the OECD, the IMF, the World Bank and several National Statistical Offices, has been endorsed as International Statistical Standards by the United Nations Statistical Commission in 2012. SEEA proposes a systemic approach to account for the linkages between the environment and the economy, and for addressing some of the socioeconomic aspects of this relationship.⁶
- **Subjective well-being:** In March 2013, the OECD released a set of [Guidelines on Measuring Subjective Well-Being](#). The Guidelines provide recommendations on collecting, publishing, and analysing subjective well-being data. The Guidelines also outline how measures of subjective well-being can be relevant for policy-making, and why national statistical agencies have a critical role to play in enhancing the usefulness of existing measures. The Guidelines also include prototype survey modules on subjective well-being that national and international agencies can use in their households surveys. Also in 2013 an ad-hoc module of the EU-SILC (EU Statistics on Living Conditions and Income) on subjective well-being was carried out on the topic of subjective-well-being in the EU: this will provide harmonised survey data at EU level and at EU country national level (and for most countries also at sub-national level) on a number of subjective variables related to overall life experience. These subjective well-being variables will be collected at the same time than an information on governance and basic rights, material living conditions, mental health, productive and values activities, leisure and social interactions, natural and living environment, economic and physical safety, making it possible to study the joint distribution of achievements in all these various dimensions.

Conclusions

2. This paper has presented the OECD well-being framework that underpins the *Better Life Initiative*, noting the consultation with OECD countries and international experts in designing it. The paper has also introduced the well-being indicators, highlighting the criteria behind their selection and how they will evolve over time. The indicators are presented in the form of “traffic lights” that summarise countries’ overall well-being performance, as measured by the *How’s Life?* headline indicators. In conclusion, the chapter has discussed the statistical advancements made on measuring well-being since the previous edition of *How’s Life?* in 2011. Significant progress has been made especially in the areas of income and wealth, education, environmental quality of life and subjective well-being. In these areas, efforts should be sustained over time, especially as regards the implementation of the new measurement frameworks that ought to translate into a systematic collection of comparable metrics. In the other well-being areas, many statistical challenges still remain.

⁶ The SEEA central framework incorporates four set of accounts: i) flow accounts; ii) stock accounts; iii) activity/purpose accounts; and iv) accounts that adjust the SNA economic accounts to reflect the impact of economic activity on environment. Also see Chapter 6 on Measuring the Sustainability of Well-being.

ANNEX 1. RECENT NATIONAL INITIATIVES ON MEASURING WELL-BEING AND PROGRESS

While work on well-being and progress originated in academic or policy circles (e.g. Club de Rome, the OECD Global Project, etc.), the notion of well-being is now prominent on the agenda of many National Statistical Offices (NSOs). Selected recent projects undertaken by NSOs or governments include:

- **Australia:** The Australian Bureau of Statistics (ABS) published its first Measures of Australia's Progress (MAP) in 2002, with updates in 2010 and 2012. In 2011, ABS carried out an extensive community consultation (MAP 2.0) to improve MAP. This consultation involved individuals, community leaders and experts to provide guidance on the goals and aspirations of Australians. The feedback collected through a series of conferences, web-consultations and panels exposed some of the gaps in the picture provided by the indicators previously used in the MAP initiative, and led to the identification of “governance” as a new domain of progress. The outcomes of this consultation have subsequently been used by ABS to improve the statistical framework used to measure progress and the refreshed MAP will be released in November 2013.
- **Austria:** In 2012, Statistik Austria launched a new dataset (How’s Austria?) comprising 30 headline indicators in three areas: material wealth, quality of life and environmental sustainability. In the same year, the Ministry of Economy together with the Austrian Research Institute WIFO published a study (Mehr als Wachstum, “More than Growth”), which complemented the OECD How’s Life indicators set with additional indicators on domains identified as especially relevant by Austrian people. In interviews, Austrians were asked to rate the importance of indicators and dimensions for their own well-being, with the indicators aggregated accordingly to derive a composite index of Austrian well-being.
- **France:** Since the publication of the Stiglitz-Sen-Fitoussi Report, the French National Statistical Office (Institut national de la statistique et des études économiques, INSEE) has introduced quality of life variables in existing household surveys and has introduced a specific multi-modal survey on quality of life. This survey enabled, for the first time, joint measurement of all the objective and subjective quality of life dimensions recommended in the Stiglitz-Sen-Fitoussi Report (Stiglitz et al., 2009).
- **Italy:** In 2011 the Italian National Statistical Office (Istituto nazionale di statistica, ISTAT) and the National Council on the Economy and Labour (CNEL) established a joint “[Steering Group on the Measurement of Progress in Italian Society](#)”, including representatives from firms, trade unions and civil society. The Group developed a multi-dimensional framework for measuring “equitable and sustainable well-being” (BES - benessere equo e sostenibile), building on an open consultation with experts, the civil society and citizens (through surveys and on-line) to identify the dimensions of well-being that are most relevant for the Italian society. The Group published its report in 2013 and indicators will be systematically updated by ISTAT.

- **Mexico:** the national statistical office of Mexico (Instituto Nacional de Estadística Geografía e Informática, INEGI) has developed better well-being statistics in three ways. First, by promoting discussions on the subject through seminars and conferences organised with many regional partners. Second, by including new questions on subjective well-being in a range of existing surveys (household income and expenditure survey, time use survey, consumer confidence and public perception survey). Third, by promoting the use of the new set of well-being indicators in policy-making.
- **Portugal:** Statistics Portugal (Instituto Nacional de Estatística) has recently started to develop a well-being index which will be released at the end of 2013. Since 2012 Statistics Portugal is also updating annually its 80 Sustainable Development Indicators.
- **United Kingdom:** in 2010 the UK Prime Minister invited the National Statistician to run a 'National Debate' asking citizens "What matters?". This initiative was run by the Office of National Statistics' (ONS) Measuring National Well-Being programme, which included setting up online and offline platforms to interact with people and organisations on the questions that could help measure the country's progress. More than 34,000 contributions were made, with initial findings from the national debate and consultation published in June 2011. In July 2012 the ONS released the first annual subjective well-being estimates and a revised set of domains and measures. In November 2012 the first annual report on 'Life in the UK - 2012' and the national well-being 'wheel' which included the well-being indicators were published. The ONS measures of national well-being combined with the Department for Environment, Food and Rural Affairs (DEFRA) Sustainable Development Indicators show what UK citizens value as a nation and the type of society they want to pass on to future generations. Scotland Performs measures and reports on progress of government in Scotland in creating a more successful country, with opportunities for all to flourish through increasing sustainable economic growth. Scotland Performs offers accountability based on national priorities set out in the National Performance Framework.

Many international initiatives have also been carried out at international level, for instance:

- At European level, the **European Statistical System Committee (ESSC)** has established a Sponsorship Group on Measuring Progress, Well-being and Sustainable Development that follows up on the recommendations from the "[GDP and Beyond Communications](#)" and the Stiglitz-Sen-Fitoussi Commission report. Building on some of the recommendations of the Sponsorship, the ESSC has further developed a set of [Quality of Life \(QoL\) indicators](#) for the EU. The indicators are seen as a first attempt in combining data from several sources for measuring Quality of Life in the EU and will be refined and complemented with additional indicators, as results from new ad-hoc modules in existing surveys become available (e.g. the module on subjective well-being in the EU-SILC 2013) and further methodological work is developed⁷.

⁷ For European countries see also http://epp.eurostat.ec.europa.eu/portal/page/portal/quality_life/links#5

- At the European Level the **EU's Europe 2020 Strategy** also establishes a number of targets for jobs and smart, sustainable and inclusive growth. These indicators are supported by [specific headline indicators](#) that allow monitoring progress in the strategy targets.
- **WHO/Euro** has created an expert group on measurement and target-setting for well-being in Europe. Its overarching aim is to provide advice on how to assist in setting targets on well-being, as a part of the overarching targets of the European Health 2020 policy.

Sources: Australian Bureau of Statistics, Measure of Progress Summary Indicators, [/www.abs.gov.au/AUSSTATS/abs@.nsf/mf/1370.0.55.001?opendocument#from-banner=LN](http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/1370.0.55.001?opendocument#from-banner=LN); The French National Statistical Office (Institut national de la statistique et des études économiques) (INSEE): http://www.insee.fr/fr/themes/document.asp?ref_id=ip1428; Statistik Austria, Statistics Austria, <http://www.statistik.at/>, How's Austria?, http://www.statistik.at/web_en/statistics/how_s_austria/index.html, Italian National Statistical Office (Istituto nazionale di statistica) (ISTAT) and the National Council on the Economy and Labour (CNEL), Steering Group on the Measurement of Progress in Italian Society, http://en.istat.it/salastampa/comunicati/non_calendario/20101227_00/Cnel_EN.pdf; Office of National Statistics, United Kingdom, Measuring National Well-being programme, www.ons.gov.uk/ons/guide-method/user-guidance/well-being/publications/measuring-what-matters-national-statistician-s-reflections-on-the-national-debate-on-measuring-national-well-being.pdf; National statistical office of Mexico (Instituto Nacional de Estadística Geografía e Informática) (INEGI) <http://www.inegi.org.mx/>; Statistics Portugal (Instituto Nacional de Estatística) http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_main, European Statistical System Committee (ESSC) European Commission, Beyond GDP, Measuring Progress and true wealth, and the well-being of nations, www.beyond-gdp.eu/, accessed 22 July 2013; Eurostat, Quality of Life Indicators, http://epp.eurostat.ec.europa.eu/portal/page/portal/quality_life/introduction, accessed 22 July 2013; World Health Organization, Europe, Measurement of and target-setting for well-being: an initiative by the WHO Regional Office for Europe www.euro.who.int/en/what-we-publish/abstracts/measurement-of-and-target-setting-for-well-being-an-initiative-by-the-who-regional-office-for-europe, accessed 22 July 2013.

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