Measuring Progress Beyond GDP

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Martine Durand
Former OECD Chief Statistician, Member of the French Statistics Authority
Why going beyond GDP

Building back better after COVID requires a new compass

- Risk to focus too much again on GDP to judge countries’ performance and social and human progress, despite longstanding limitations
- GDP: imperfect measure of production and aggregate income derived from productive activities
- Not a measure of welfare or well-being (e.g. lack of distributional aspects and quality of life dimensions that matter to people and communities)
- Ignores sustainability (resources that underpin future well-being, e.g. depletion of environmental resources)

➢ Disconnect between economic growth and people’s and communities’ perceptions of their own living conditions today and tomorrow

➢ Leading to loss of trust in governments and institutions

➢ Need more than just one number; produce a dashboard of indicators
Three distinct but connected spheres

• **Production** - economic performance at aggregate level
• **Well-being** - the economic and non-economic outcomes that matter most to people
• **Sustainability** – the capacity to generate well-being outcomes over time

➢ Basic features of this three-tier framework can be found in Stiglitz-Sen-Fitoussi 2009 report and its successor Stiglitz-Fitoussi-Durand 2018 report

➢ Digitalisation is a cross-cutting phenomenon that affects all three spheres and their measurement, so not treated as a sphere in itself.

➢ Similarly, other mega-trends such as globalisation not considered as separate spheres
Defining the contour of a new compass to assess well-being and progress

- Within the production sphere, improving GDP measurement by addressing longstanding limitations
  - Scope of assets included in production process (e.g. environmental and digital assets; treatment of education and health)
  - Unpaid household production/work (e.g. care and digital services)
  - Size of digital economy (e.g. ‘free’ services, value of data, digital trade)
  - Globalised production (e.g. cross-border operations of MNEs, including intellectual property products)
  - Informality (included in GDP but underestimated in countries where it is high)

- Well-being beyond the production sphere, measuring what matters to people
  - Material conditions and quality of life (income, work and job quality, housing, health, skills, work-life balance, environmental quality, safety, social connections, civic engagement, subjective well-being, etc.)
  - Inequalities and deprivations in well-being outcomes across population

- Sustainability, measuring resources for future well-being
  - Economic, human, natural and social capital stocks (e.g. produced fixed assets, skills, protected areas, trust) and flows (depletion and investment)
  - Risks (e.g. debt levels, CO2 emissions, threatened species, obesity, corruption) and resilience factors (e.g. renewables, gender parity)
The OECD well-being framework

**Current Well-Being**
- Income and Wealth
- Work and Job Quality
- Housing
- Health
- Knowledge and Skills
- Environment Quality

**Subjective Well-being**
- Safety
- Work-life Balance
- Social Connections
- Civil Engagement

**Inclusion**
- Inequalities between top and bottom performers
- Deprivations

**Sustainability**
- Natural Capital
- Human Capital
- Social Capital

- Economic Capital

- Stocks
- Flows
- Risk factors
- Resilience

➢ Links with SDGS

• Focuses on people (i.e. individuals and households), their situation and how they relate to others in the community where they live and work.

• Concentrates on both current well-being outcomes and the resources underpinning well-being in the future (sustainability).

• Considers vertical and horizontal inequalities across well-being dimensions.

• Looks at both objective and subjective aspects of well-being.
Where do we stand and challenges ahead

➢ Need to balance improvements in GDP vs. investing in well-being and sustainability indicators
   • Ultimately depends on the importance attached to GDP and related mismeasurement issues in public debate and decision-making
   • Many improvements to GDP on agenda of UN Statistical Commission (e.g. ISWGNA (SNA revision, DNA), SEEA implementation) but will take time
   • ~ 50% OECD countries and a number of developing countries have developed statistical well-being frameworks; countries are investing in SDG indicators but much remains to be done
   • Some progress but a lot of unresolved issues in the measurement of sustainability

➢ New indicators of progress are not enough, need to be used in policy design, monitoring and evaluation ...
   • Improved diagnosis only a first step
   • Very few countries have developed new tools, models and policy frameworks even as indicators are available (e.g. well-being, green or gender budgeting; well-being cost-benefit analyses; systems and integrated approaches to policy-making)

➢ ... And by the private sector
   • Movement to redefine the role of the firm is gaining traction (notion of stakeholder vs. shareholder value)
   • Alignment of approach to measure business non-financial performance (proliferation of ESG ratings) and firms’ well-being and sustainability impact
Some illustrations
Many countries have developed well-being frameworks and dashboards. Here are some examples:

**Example 1: Selected National Well-being and Sustainability Frameworks**

- **Slovenia**
- **New-Zealand**
- **France**
- **Scotland**

Each country focuses on different aspects of well-being and sustainability, with unique indicators and priorities.
Example 2: EU-UNECLAC-OECD project

Well-Being and Sustainability Dashboard for LAC Region

- Adapting the OECD Well-Being framework to priorities of 11 countries from the LAC region: Argentina, Brazil, Chile, Colombia, Costa Rica, The Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay

- Covers same dimensions as original OECD framework but puts more emphasis on additional issues such as poverty, informality, child labour, support for democracy, impact of natural hazards, etc.

- Includes 30 ‘headline’ indicators and a number of secondary indicators

- Majority of indicators directly or indirectly linked to SDG targets (exceptions: social connections, subjective well-being)

http://oe.cd/how-s-life-in-latin-america

© OECD | 2021 How’s Life in Latin America? Measuring well-being for policy making: Key findings
From a long-term perspective, important gains in current well-being were made between 2000-19.

But some aspects stagnated or worsened.

**LAC 11 well-being gains ~2000-2019**
- Household final consumption expenditure per capita up 36%, cumulatively; GNI per capita up 47%
- Share of people below the **regional** poverty line, down from 34.5% to 21.3%
- Households with **access to drinking water**, up from 64 to 71%; internet access, up from 32% to 50%
- Life expectancy up 3.7 years (to 76.7 years); under-5s mortality down 49%; maternal mortality down 30%
- Secondary educational attainment up from 34% to 46%; tertiary up from 12% to 19%
- Reading skills at age 15 (PISA mean score) up from 404 to 419
- Homicides down 24%, crime victimisation down from 43% to 25%
- Mean average exposure to fine particulate matter air pollution ($PM_{2.5}$), down 9%
- Share of people with low life satisfaction down from 24% to 19%

**Current well-being: gains and losses in LAC 11 2000-2019**

**Little change ~2000-2019**
- Informal employment (down 1.4% to 56.7%)
- Feeling safe walking alone at night (stable)*
- Road deaths (down 1%)
- Social support (stable)*
- Voter turnout (stable)

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**LAC 11 well-being losses ~2000-2019**
- Employment down from 67.5% to 66.4%*
- Unemployment up from 6.5% to 7.7%*
- Time-related underemployment up from 8.4% to 9.1%*
- Suicide mortality up 5%
- Share satisfied with health care – down from 55% to 49%*
- Share voicing opinion to an official – down from 21% to 17%*
- Share feeling that the **State is captured by the elite** up from 74% to 81%*
Example 3: Beyond-GDP Dashboard covering the three Spheres: the OECD post-COVID19 recovery dashboard

- Covers simultaneously four dimensions, with clear demarcation of cyclical and structural indicators
- Timeliness: Nine indicators at quarterly, monthly or weekly level
- Disaggregation: Gender (6 indicators), top/bottom sectors (GDP growth), top/bottom regions (broadband coverage), institutional sectors (liabilities)

How robust is the economic recovery?
1. GDP growth → By sectors
2. Total hours worked
3. Household income
4. Business dynamism
5. Health risks → By gender

Does recovery create more equal opportunities for all?
1. Income inequality
2. Labour underutilisation → By gender
3. Young people out of job or training → By gender
4. Financial insecurity → By gender
5. Life satisfaction → By gender

Is the recovery climate-proof?
1. GHG emissions
2. Renewable energy share
3. Material consumption
4. Natural land cover
5. Exposure to outdoor air pollution

What it takes to withstand the crisis and prepare for future challenges?
1. Liabilities by institutional sector → By government, households, non-financial institutions
2. Investment
3. Broadband coverage → By regions
4. Trust in government → By gender
5. COVID-19 vaccination coverage