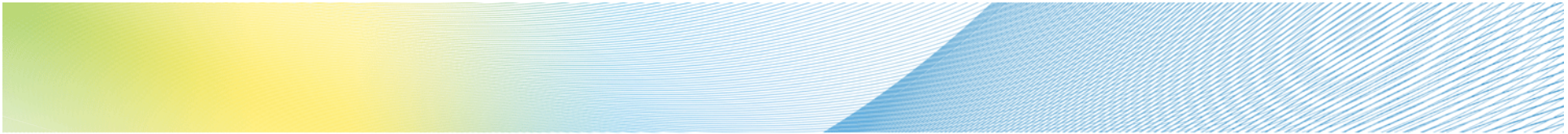




LSE Growth Commission
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Measuring Material Well-being

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1. Background

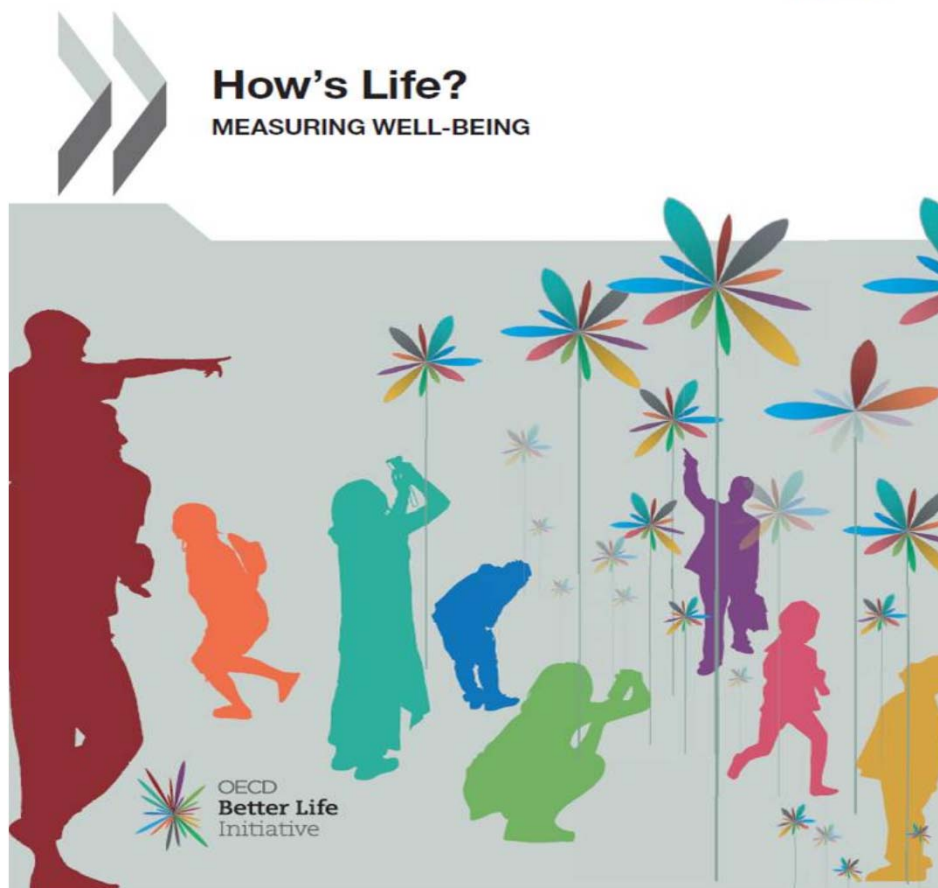
OECD work on well-being covers 3 dimensions

- 1. Material well-being:** mainly national accounts-related measures
- 2. Quality of life:**
 - i) Health status;
 - ii) Work and life balance;
 - iii) Education and skills;
 - iv) Civic engagement and governance;
 - v) Social connections;
 - vi) Environmental quality;
 - vii) Personal security;
 - viii) Subjective well-being
- 3. Sustainability** (Environment, human capital)

OECD approach

1. **Multi-dimensional**
2. Focus on **households** and individuals
3. Focus on **outcomes**
4. **Distributions** important

OECD report



- The report paints a picture of people's lives in OECD countries and other major economies, based on a dashboard of indicators
- It will be updated every 2 years





2. Measures of material well-being

Upfront, a word on GDP...

GDP is a good measure for monitoring macro-economic activity

- Needed for macro-economic policies,
- Output , capacity utilisation
- Competitiveness
- Demand for jobs
- Productivity
- ...in short, for the supply-side of the

A word on GDP... (cont'd)

- Needs to be supplemented but not supplanted by other measures
- ‘GDP and beyond’ rather than ‘Beyond GDP’



2 a. Total economy

Better use of existing national accounts measures (1)

- **Total Economy:**
 - **Income** rather than production
 - **National rather domestic:** account for income payments in and out of the country, e.g. remittances
 - **Net rather than gross:** account for
 - Depreciation of fixed assets
 - Depletion of natural resources (mineral & energy resources, soil, timber, water, aquatic resources)
 - **Real measures rather than volumes:** deflate with consumption price index

→ **Real net national income, depletion-adjusted**

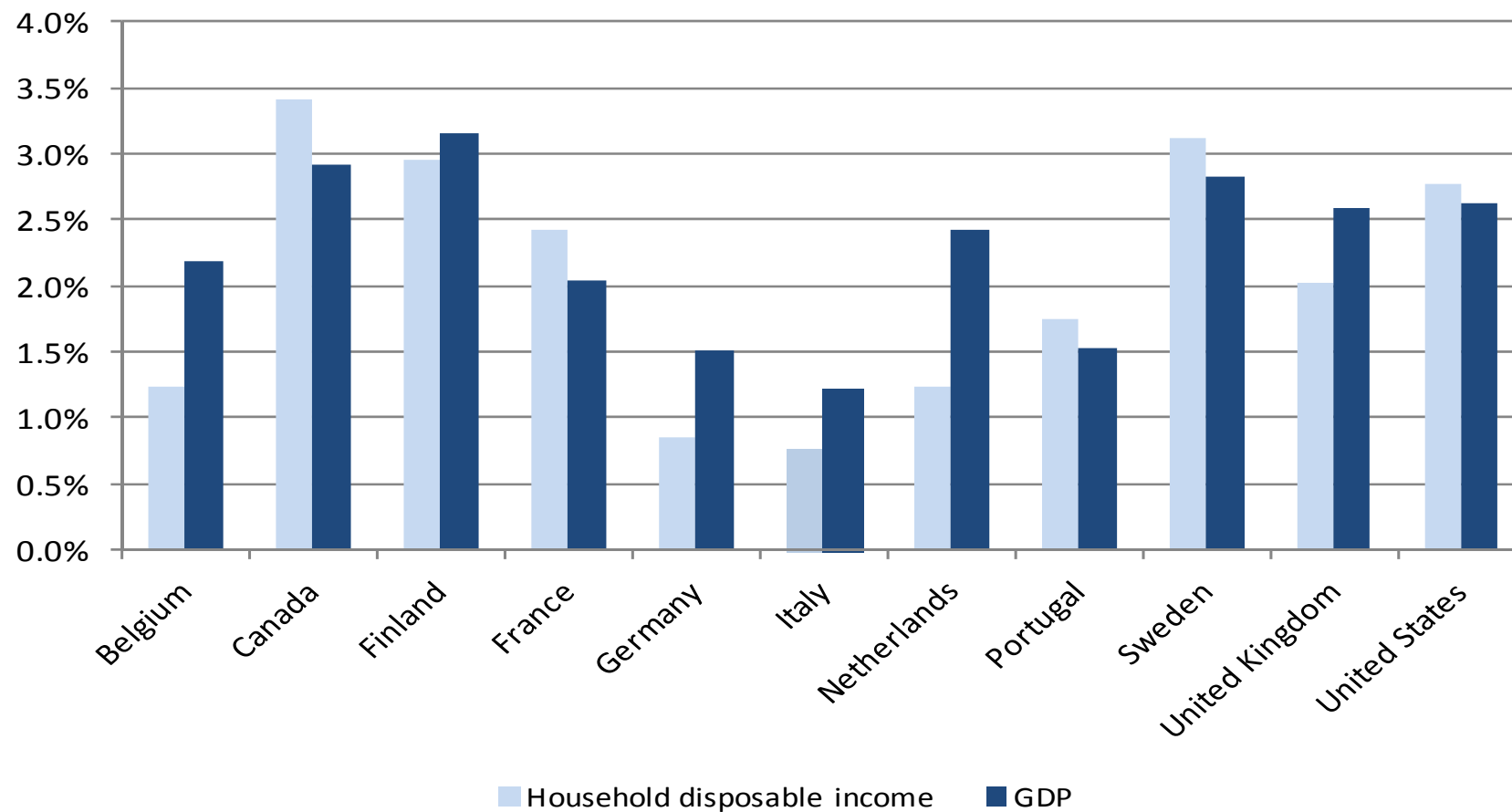
Needed: environmental information: OECD's work on green growth

- Implementation of new **System of Environment-Economic Accounts**
- **Green growth indicators:** includes index of natural resource use

→ **same statistical information as for depletion adjustment**

2 b. Households

Differences between GDP and household income growth within countries are often as large as cross-country differences in GDP growth (1998-2008)



Better use of existing national accounts measures (2)

- **Household sector:**

- **Disposable income:** capture monetary transfers, taxes and incomes received from and paid to abroad
- **Adjusted disposable income:** capture government services in kind (health, education, housing)
- **Real measures rather than volumes:** deflate with consumption price index
- **Add distributional information:** e.g. median income

→ **Real median adjusted disposable household income**

OECD Project

- Examine coherence of micro data on household income with national accounts
- Use micro-information on income distribution to disaggregate national accounts household sector
- 20 pilot countries
- First set of results end 2012
- Periodic publication afterwards

Example: Adjusted disposable HH income in France

per CU, in euro

	Q1	Q2	Q3	Q4	Q5	Q5/Q1	All households
Primary income	7 500	17 200	24 400	32 800	60 600	8,1	28 600
Contributions and taxes	-2 800	-6 600	-9 800	-13 500	-24 800		-11 500
Benefits and other transfers	5 400	5 800	6 400	7 500	14 200		7 800
Disposable income	10 100	16 400	21 000	26 800	50 000	5,0	24 900
Social transfers in kind	7 400	5 900	5 400	5 000	5 100	0,7	5 800
Adjusted disposable income (after social transfers in kind)	17 500	22 300	26 400	31 800	55 100	3,2	30 700
Consumption expenditure	9 900	15 400	19 800	24 400	33 100	3,3	20 600
Actual consumption	17 300	21 400	25 100	29 400	38 200	2,2	26 400
<i>Social transfers in kind in % of disposable income</i>	73	36	26	19	10		23
<i>Social transfers in kind in % of actual consumption</i>	43	28	22	17	13		22

Source: Fesseau and Le Laidier (2010).

Summary

- ‘GDP and beyond’, not ‘Beyond GDP’
- Well-being is multidimensional and requires measures of material well-being and quality of life
- For material well-being, 2 types of information:
 - Real net national income, depletion-adjusted
 - Real adjusted disposable household income, distribution-adjusted
- Also: periodically, assess households’ consumption of own-account services but not suitable for the core national accounts



Thank you for your attention!

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