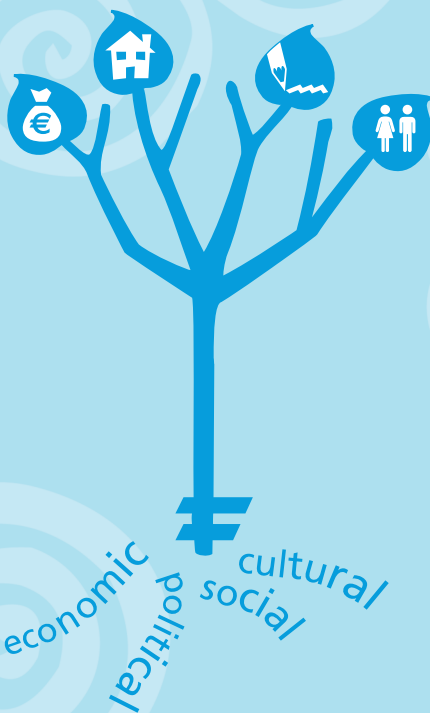


Beyond GDP:

*What is prosperity
and how should it
be measured?*



BEYOND GDP:

*What is prosperity and
How should it be measured?*

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Edited by
Brigid Reynolds, s.m. and Seán Healy, s.m.a.

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INTRODUCTION

Ireland's recent experiences raise serious questions concerning the issue of progress. Many believed that increasing economic growth would lead to progress for all. There is general agreement now that this was not the case. While Ireland is more prosperous than it was a decade or two ago it still has problems with poverty, unemployment, healthcare, literacy, housing, transport and a range of other issues. The focus during the economic boom was not on improving people's wellbeing. Across the world there is a growing realisation that too often a narrow measure of market performance, such as gross domestic product (GDP), has been confused with broader measures of welfare.

In these economically turbulent times it is essential to focus on the issue of progress. What is progress? How should progress be measured? Should adjustments be made to the way GDP is measured? Are new measures of wellbeing and happiness needed? What is required to ensure environmental, social and economic sustainability are integrated into the measurement of progress? The papers in this book address these and related questions from a variety of perspectives. Authors include Adolfo Morrone from the OECD in Paris and Nic Marks from the New Economics Foundation in London. They also include Gerry O'Hanlon from the Central Statistics Office and Helen Johnston from the National Economic and Social Council. The book opens with a thoughtful review by PJ Drudy of Trinity College of the problems associated with economic growth and how a better measure of progress might be developed; it concludes with a paper by Seán Healy and Brigit Reynolds of *Social Justice Ireland*, outlining some implications for Ireland's policy-making.

This publication is the 21st volume in this series organised and published previously by CORI Justice and now carried forward by *Social Justice Ireland*. *Social Justice Ireland* is concerned with issues of principles, paradigms and guiding values as well as with the specifics of problems and policies. It approaches all of these from a social justice perspective. It seeks, among other things, ongoing dialogue with as wide a range of perspectives, groups, organisations and people as possible.

Social Justice Ireland is a recognised social partner within the Community and Voluntary pillar of social partners.

In presenting this volume we do not attempt to cover all the questions that arise around this topic. This volume is offered as a contribution to the ongoing public debate around these and related issues.

Social Justice Ireland expresses its deep gratitude to the authors of the various chapters that follow. They contributed long hours and their obvious talent to preparing these chapters.

A special word of thanks also to the AIB Investment Managers whose financial assistance made this publication possible.

Brigid Reynolds
Seán Healy
November 17th, 2009

1.

Problems with Economic Growth : Towards a Better Measure of Progress?¹

P.J. Drudy²

Introduction

The term “economic growth” has been given remarkable attention and status by economists and governments throughout the world over many years. Commonly used to mean the level or growth of national income, economic growth has long been regarded as a key objective for any economy or society and it has survived as one indicator of progress up to the present day. However, other indicators have been identified over the centuries and the limitations of economic growth as an indicator have long been recognized. As far back as Plato, the idea of an “improvement in the human condition” was being espoused. In the sixteenth century “human happiness” was seen by Bacon to be more important than knowledge. Various thinkers in the eighteenth and nineteenth centuries searched for what they called “laws of progress” and stressed the concept of “social well-being”. References to progress also were evident in all the major religions, including the 1967 Papal Encyclical, *Populorum Progressio*. Over the last few decades, a whole range of indicators have been proposed in relation to progress, quality of life, well-being, happiness, human development and sustainability (See, for example, United Nations, 1987; Estes, 1988; Scott, Nolan and Fahey, 1996; Hardi and Barg, 1997; NESO, 2002). It may be noted too that sixty years ago, the General Assembly of the United Nations adopted and proclaimed the *Universal Declaration of Human Rights*. The *Declaration* and subsequent UN *Conventions* made it clear that everyone is entitled to a wide range of civil, political, economic, social and cultural rights.

¹ This paper draws on some of the research conducted for *Human Rights, Economics & the Budget* to be published by TASC & Amnesty International on November 27th 2009

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In this paper, two traditional measures of economic growth are first examined. These are Gross Domestic Product (GDP) and Gross National Product (GNP). Still widely used, these concepts are nevertheless subject to various criticisms which are summarised. Later papers deal with a number of specific alternative measures including well-being and happiness. As a background to these other contributions I therefore focus instead on the broader concept of “development” which reflects the real needs of any population and certainly offers a better measure of progress than traditional economic growth concepts.

Traditional Indicators: GDP and GNP

Economists and governments around the world have placed considerable emphasis on two measures of economic growth – Gross National Product (GNP) and Gross Domestic Product (GDP). Gross National Product is the value of all final goods and services (or income) owned by (accruing to) the residents of a country in a year. Gross Domestic Product is the value of all final goods and services (or income) produced domestically in an economy in a year regardless of the nationality of the owners of the factors of production. One key difference between the two concepts therefore is the value of production by multinational companies which is repatriated abroad – and in view of Ireland’s dependence on multinationals, this has been a significant element in this country for many years. For this reason, it is generally accepted that the concept of GNP is a more accurate measure of the income accruing to a country.

While these measures are commonly used as measures of economic growth and the “standard of living”, there are many problems associated with their use either in a particular year or over time. A brief summary of these problems is provided here.

First, these concepts emphasise the market value of production but fail to take account of a whole range of goods and services not exchanged in the market. This is especially problematic in developing countries where a significant proportion of goods and services are produced in households

or on farms for consumption rather than for sale. No value is placed on many forms of work such as unpaid work in subsistence agriculture throughout much of the developing world and work, including the caring for children, the sick, the elderly and those with disabilities in the home. Similar goods and services in relatively developed countries are also excluded. In these respects, the major and invaluable contributions of women in particular are significantly under-valued. (Elson, 2002; Cypher and Dietz, 2004).

Second, economic growth is poorly related to a range of key economic and social objectives in any society. In particular, we find that over long periods of time high rates of economic growth have been associated with quite modest rates of employment growth, largely because of significant technical change which reduces the demand for labour. This is particularly obvious in agriculture and industry, but is also evident in relation to many services. For many years, studies have assumed that economic growth was the key variable in creating employment. However, it could as easily be concluded that the relationship works the other way – that employment generates economic growth. In any case, the creation of viable employment must surely take priority over the objective of economic growth. Much more than a means of acquiring a disposable income, work can offer a meaningful and personally satisfying structure and a source of self esteem – indeed a human right. It also provides added opportunities for social interaction and self-fulfillment. On the other hand, the absence of work can have a debilitating effect on individuals, not just financially but also socially and psychologically. If a particular region or community is affected by particularly low levels of paid employment, an increasingly disenfranchised, alienated residual population will emerge with negative implications for the community at large.

Third, such things as military hardware and lethal weapons designed to cause damage and to kill are given the same status in the valuation of GNP as other more benign goods such as medicines or food. The production of lethal weapons represents an enormous proportion of expenditure in some countries and despite the obvious dangers they

increase GNP. It is difficult to accept that these contribute to progress, well-being, happiness or human development in any real sense. It must also be recognized that the earmarking of expenditure on lethal weapons by any country means that fewer resources are available for more fundamental requirements such as food, education, health and housing.

Fourth, the total GNP or GDP for a country or the average income per capita gives no indication of the *distribution of income*. Such an average is derived from a wide range of income levels. Thus, small proportions of the population can, and generally do, procure high proportions of overall income, while a large proportion remain on very low incomes. In Ireland, for example, the poorest 20 per cent of the population gained virtually the same small proportion (5.1 per cent) of the total income in 2004 as it did in 1973 (5 per cent). On the other hand, the richest 20 per cent gained a significant 43.6 per cent of the income in 2004 – an improvement on their 42.6 per cent in 1973 (Collins and Kavanagh, 2006). Per capita GNP fails to capture this reality. It fails also to focus on those living on the lowest incomes of all, those in poverty or at risk of poverty. The annual EU-SILC data shows that 16.5 per cent of households in Ireland were at risk of poverty in 2007 while almost 20 per cent of children were at risk despite a 6 per cent rate of GDP growth in that year. Although still insufficient indicators on their own of progress, the distribution of income and the extent of poverty among the various groups within a country are arguably far better indicators of well-being or otherwise than an average measure such as GNP or GDP. There is a single income figure, however, which deserves serious attention - that is the concept of “basic income”. This is, in effect, a minimum income guarantee above the poverty line for every individual. This would avoid the negative effects inherent in the current social welfare system where seeking employment is often discouraged by poverty or unemployment traps (see, for example, Clark and Healy, 1997; Clark, 2002; CORI Justice, 2008).

Fifth, GNP or GDP offer crude measures of income, but do not value many existing possessions and the benefit derived from them. The ownership of land or other assets (key elements of “wealth”), for instance, are not included in the GDP or GNP measures. Access to a

whole range of such resources and facilities ultimately contribute to the well-being of any individual. Failure to include such resources limits the usefulness of GNP and GDP.

Finally, GNP and GDP include the suggested benefits in terms of income derived from industrial and technical production but fail to take account of many costs associated with such production. Examples of such costs include the depletion of natural resources (e.g. fossil fuels and forests), air and water pollution, soil erosion, radiation, the destruction of some species, traffic congestion, family breakdown and increases in crime. GNP and GDP make no proper allowance for the long-term effects of these damaging activities. On the contrary, the costs of dealing with environmental degradation - including clean-up operations, enforcing regulations on industries, or educating the public are invariably regarded as positive outcomes *increasing* GNP and GDP. The current extraction of non-renewable oil and gas from the ground increases the growth rate of GNP today, but reduces the possibilities for future generations and should therefore be counted as a cost rather than simply a benefit in the national accounts. Furthermore, the massive use of fossil fuels by industry and transport is responsible for the significant emission of greenhouse gases with adverse effects of global warming, rising sea levels and flooding (Haque, 2004).

There is also a problem relating even to renewable natural resources such as forests and fisheries. Continuous exploitation of these has been so rapid that the rate of depletion is exceeding regeneration. In effect, therefore, these renewable resources could become non-renewable. So we achieve economic growth in the short term but ignore the costs in terms of depleted resources unavailable to future generations. It can be argued therefore that, far from achieving economic growth, we have been achieving *uneconomic growth*. (For a sample of warnings see, for example, Meadows et al. 1972; Douthwaite, 1992, Daly, 1999).

The unwarranted escalation in house prices in Ireland over the period 1995 to 2007 added billions to GNP. This represented a significant windfall gain for property developers and speculators and even for the

government in extra tax revenue. (Drudy and Punch, 2005; Drudy, 2006). However, on the debit side, several hundred thousand households now find themselves in deep debt and in negative equity due to the purchase of over-priced homes. Is this progress? In short, crude income concepts like GNP or GDP accept any form of production or consumption as intrinsically positive and good. This casts serious doubt on their usefulness. The European Commission recognized this many years ago (European Commission, 1993); yet GDP continues to be widely used in European Union statistics and reports.

The above list is not exhaustive but it illustrates the difficulty of using GNP or GDP as objective measures of progress, well-being, standard of living or development. Even as a crude measure of market activity, concerning only the part of the economy that involves money changing hands, it is less than satisfactory as an indicator. It cannot reflect the complexities involved in development because it reveals little or nothing about a range of social, cultural, environmental as well as strictly economic factors that can enhance or debilitate the quality of life. Higher levels of production, consumption, or investment do not necessarily indicate higher levels of development and well-being across the population. As the European Commission put it as far back as 1993:

It is open to question whether an increasing part of the measured economic growth figures does not deal with illusionary instead of real economic progress and whether many traditional economic concepts (e.g. GDP as traditionally conceived) may be losing their relevance for future policy design (European Commission, 1993, p. 146)

Similarly, the OECD concluded that:

Survey-based data on happiness and life satisfaction across OECD countries are only weakly related to levels of GDP per capita (OECD, 2006, p.129)

Towards Human Development and Human Rights

Many economists, sociologists and other social scientists have been arguing for years that the concept of economic growth must be replaced by other measures, taking into account not just economic, but social, environmental, equality and social justice concerns (See, for example, NESG, 2002, 2005, 2009; Healy and Reynolds, 2006; NESF, 2008; CORI Justice, 2008; Baker, Lynch, Cantillon and Walsh, 2009). Much attention has been paid in both developing and relatively developed countries to the concept of “development” and in particular to *human* development, since development must be primarily about people rather than things. As Dudley Seers put it four decades ago:

What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled (Seers, 1969, p.3)

The fundamental question raised by Seers and others was whether a sustained increase in economic growth or per capita incomes will result in a reduction in unemployment or other measures of deprivation and in an improvement in the “quality of life” of the population.

In adopting the 1986 *Declaration on the Right to Development*. The UN stated:

Development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom.

In 1987, the UN World Commission on the Environment and Development chaired by the Norwegian Prime Minister, Gro Harlem Brundtland, produced *Our Common Future* where it espoused the principle of “sustainable development” i.e. “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987).

The UN in its first *Human Development Report* in 1990 introduced a composite measure of development called the Human Development Index (HDI). This single statistic combined three goals of development: life expectancy at birth, educational attainment and income adjusted for different purchasing power in different countries. While not covering all the requirements for development, the HDI is widely considered to be a better indicator than income alone. Several other indices were developed by the UN and others over the years. These include the Gender-related Development Index (GDI) which measures inequality in achievement between males and females; the Gender-Empowerment Measure (GEM) which assesses the progress of women in economic and political activity and the Human Poverty Index (HPI) which focuses on deprivation in relation to life expectancy, education and standard of living.

By the early 1990s, the World Bank, which had previously emphasized the importance of economic growth, supported a more comprehensive definition of development in its 1991 *World Development Report*:

The challenge of development is to improve the quality of life. A better quality of life generally calls for higher incomes - but it involves much more. It encompasses as ends in themselves better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life (World Bank, 1991).

In the light of the foregoing, it would be absurd to argue that development or progress is taking place in any country if a significant proportion of the population is unable to improve the quality of their lives, if people are powerless to escape from hunger and poverty, if they

have inadequate housing, education and employment opportunities and if serious inequalities persist. Therefore, development must be a multidimensional process, involving not just the achievement of economic growth but major changes in social structures, popular attitudes and national institutions, the reduction of inequalities and the eradication of poverty. It must cater for the basic needs and desires of the full range of individuals and social groups and move away from a condition of life widely perceived to be unsatisfactory towards a situation or condition of life regarded as materially and spiritually better (Todaro and Smith, 2009; Wilkinson and Pickett, 2009).

In a similar vein, the Nobel Prize winner, Professor Amartya Sen stressed the importance of enhancing “capabilities”. These and a range of “freedoms” were prerequisites for development. “Development can be seen as a process of expanding the real freedoms that people enjoy” and “development has to be concerned with enhancing the lives we lead” (Sen, 1999, pp.3-14). Freedoms include the availability of adequate food, nutrition, water and sanitation, clothing, shelter, health care, education and the enjoyment of equality and peace. Without these it would be very difficult to make a contribution to development or economic growth.

Education and health are two of the most important “means” of achieving either economic growth or the broader development as defined above. They must be regarded as key “economic” as well as “social” variables in the growth and development process. Education is essential not only to secure higher incomes, but to “empower” and provide “capabilities” to those able to avail of them by increasing knowledge and skills, broadening horizons and perspectives and improving the quality of life. (Stodden and Dowrick, 1999; Pradhan, 2002; Psacharopolous and Patrinos, 2004; Gros, 2006).

Similarly, good health has obvious economic implications since it is a pre-requisite for general well-being, for full participation in society and for securing productive employment. Good health boosts labour productivity and income, and so reduces poverty and therefore contributes to growth and development. Therefore, education and health

are both critical for achieving the human capabilities required for growth and development as outlined above. The links between education and health are also obvious. Improved education is associated with lower levels of child mortality and better nutrition and health (Education for All, 2009). Better education will invariably provide information, training and skills which lead to improvements in health, while good health is a prerequisite for availing of, remaining longer in and making the most productive use of education. The inter-linkages between key variables like nutrition, health, education and housing cannot be over-estimated (Todaro and Smith, 2009). These variables, in the past often regarded as non-economic and secondary considerations, are in fact key economic influences on whether development and progress takes place or not.

As shown above, health and education are among the key elements which contribute to development and progress. These and other “freedoms” provide the “capabilities” essential for human progress. To aspire to and aim for these freedoms for all is indeed admirable, but that is not enough. Everyone must be enabled to achieve these freedoms as a right. In fact, there is a remarkable coincidence between the key variables essential for development and progress and many others set out as “rights” in the 1948 *Universal Declaration of Human Rights* as well as the 1966 *International Covenant on Economic, Social and Cultural Rights*. Indeed, a human rights based approach is the only approach which can result in development and progress for all (Sweeney, Drudy, O’Connor and Crowley, 2009)

Conclusion

The concept of economic growth as measured by GNP and GDP is so problematic that it must be discarded or at least treated with great caution. It provides an inadequate indicator of human development or progress for people in any real sense. In the future, we must turn instead to this more appropriate goal of human development by using a much more comprehensive set of variables which place emphasis on sustainability, freedoms, capabilities and empowerment within a

human rights based framework. Indeed, we need to turn away for good from the obsession with economic growth and the philosophy of the market to focus instead on a philosophy and a set of values and ethics which facilitates and nurtures human development. To achieve this, new more appropriate national and international structures must also be put in place.

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2.

The OECD Global Project on Measuring Progress and the challenge of assessing and measuring trust

Adolfo Morrone¹

1 The OECD Global Project on measuring the progress of society

1.1 Introduction

Is life getting better? Are our societies making progress? Indeed, what does “progress” mean to the world’s citizens? There can be few questions of greater importance in today’s rapidly changing world. And yet how many of us have the evidence to answer these questions?

The concept of progress (Latin: pro-gredi) was first used by ancient Greeks. And it is a concept that has exercised philosophers from many cultures ever since. Progress may refer to improvement, but the definition of what should be improved is not easy. Since the Enlightenment, people have widely accepted that progress means an improvement in the overall well-being of humanity. For a good part of the 20th century there was an implicit assumption that economic growth was synonymous with progress: an assumption that a growing Gross Domestic Products (GDP) meant life must be getting better. The world now recognises that it isn’t quite as simple as that. Despite high levels of economic growth in many countries there are empirical evidences that

¹ Adolfo Morrone is a senior researcher seconded from the Italian national statistical office (Istat) to the OECD, where he works on how to measure particular dimensions of progress. The views expressed in this paper are those of the author, and do not necessarily reflect those of the OECD or of its member countries.

we are no more satisfied (or happier) with our life than we were 50 years ago; that people trust one another - and their governments - less than they used to; and that increased income has come at the expense of increased insecurity, longer working hours and greater complexity in our lives. Much of the world is healthier and people live longer than they did just a few years ago, but environmental problems like climate change cast a shadow over an uncertain future.

Access to a comprehensive and intelligible portrait of whether life has got and is likely to get better is lacking in many societies and, without a clear framework, it is really difficult to demonstrate if a specific action can be considered as societal progress. Concerns about this have been growing and, over the past ten years or so, there has been an explosion of interest in producing measures of societal progress. These measures aim to go beyond GDP to represent a broader view of the ways in which societies are progressing or regressing. Such sets of progress measures can help governments focus in a more joined up way on what really matters: they can foster a more informed debate on where a society actually is, where it wants to head, and – crucially – the choices it needs to make if it is to get there.

The current economic crisis has made the need to find new ways of measuring the progress of societies even more urgent. It has shown some of the inherent flaws in the current economic and social systems, and provided an opening to make significant changes to the current measurement paradigms and push towards the use of new indicators for policy making. Issues like “sustainability” and “vulnerability” have become more relevant in the public debate and questions about the actual progress of our societies have been raised, both in developed and in emerging countries.

The Global Project on “Measuring the Progress of Societies” seeks to assess these issues developing solid statistical evidence for political leaders and different groups of stakeholders to answer a fundamental question: where is our society going?

This paper describes, first of all, the main characteristics of this new movement towards the measurement of the progress of our societies. Second, it proposes a possible framework for the measurement of societal progress in terms of “sustainable and equitable well-being”, where economic, social and environmental dimensions are integrated with other aspects of human well-being. Finally, the paper studies in depth one of the dimensions of the framework describing the role of trust in modern societies as a first step towards the construction of indicators that could better inform our understanding of societal progress.

1.2 The Istanbul declaration

In June 2007, three years after its 1st World Forum on “Statistics, Knowledge and Policy” held in Italy, the OECD, in collaboration with other international organisations, ran the 2nd World Forum on “Measuring and Fostering the Progress of Societies”. Some 1200 people, from over 130 countries attended. Presidents and ministers mixed with civil society leaders, captains of industry met the heads of charitable foundations and leading academics. They all shared a common interest in wanting to develop better measures of how the world is progressing.

The conference led to the “Istanbul Declaration”, signed by the European Commission, the Organisation of the Islamic Countries, the OECD, the United Nations, the Organisation of the Islamic Conference, the United Nations Development Programme, UNICEF, UNESCO, the United Nations Fund for Partnership, the World Bank, and several other organisations.²

The Declaration calls for action to identify what “progress” means in the 21st century and to stimulate international debate, based on solid statistical data and indicators, on global issues of societal progress. In a nutshell, the Declaration calls for actions to:

² <http://www.oecd.org/dataoecd/23/54/39558011.pdf>

- Encourage communities to consider for themselves what “progress” means in the 21st century;
- Share best practices on the measurement of societal progress and increase the awareness of the need to do so using sound and reliable methodologies;
- Stimulate international debate, based on solid statistical data and indicators, on both global issues of societal progress and comparisons of such progress;
- Produce a broader, shared, public understanding of changing conditions, while highlighting areas of significant change or inadequate knowledge;
- Advocate appropriate investment in building statistical capacity, especially in developing countries, to improve the availability of data and indicators needed to guide development programs and report on progress toward international goals, such as the Millennium Development Goals.

1.3 The Commission on the Measurement of Economic Performance and Social Progress

The Istanbul Declaration marks an important moment in the history of a movement to go “Beyond GDP” that grew dramatically over the last decade. As documented by the proceedings of the 2004 and 2007 OECD World Forum, as well as by several other events, available in the Global Project’s knowledge base³, the number of initiatives launched in this decade to measure progress of countries and local communities is astonishing and growing every year.

³ The knowledge base (<http://www.measuringprogress.org/knowledgeBase/>) describes initiatives around the world on measures of progress (or sustainability, well-being or quality of life) and demonstrates the growing interest in these new measures. The knowledge base has been created with the aim to assist anyone interested in the development, use and communication of indicators of progress and to create a community of experts who can share their experiences and define together best practises.

The current economic crisis represents a challenge and an opportunity for this world movement. On the one hand, governments around the world are devoting more time and resources to tackling the immediate effects of the crisis and trying to restore economic growth. On the other hand, a growing number of commentators and politicians are asking whether societies need to rethink the current emphasis on economic growth as the sole compass for collective action and policy making.

The US-based Community Indicators Consortium, the French Forum for Other Indicators of Wealth (FAIR), the Latin American initiative Como Vamos, the Italian network Sbilanciamoci, the UK initiative on the measurement of well-being of local communities, the experiences promoted by the Council of Europe for the measurement of well-being of local communities with the involvement of citizens, the reports promoted by the Australian, New Zealand and Irish statistical offices on measuring the progress of their societies, the “State of USA” and the “Canadian Index of Well-Being” initiatives, the new projects in Hungary, Switzerland, Finland, Italy and Spain to establish roundtables to measure progress are just a few examples of a growing movement.

Progress has become a hot topic in the political world. President Obama’s Presidential campaign was based on the theme of progress. The European Commission just released a Communication to Member Countries on “GDP and Beyond”. The World Economic Forum established the Global Council on “Benchmarking the progress in societies”.

The most prominent example of these initiatives is the establishment, by the President of the French Republic Nicolas Sarkozy, of a Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)⁴. The mandate of this Commission, created in early 2008,

⁴ The Commission is chaired and co-ordinated by Joseph E. Stiglitz, Columbia University, United States; Amartya Sen, Harvard University, United States acts as advisor to the chair; and Jean-Paul Fitoussi, Institut d’Etudes Politiques de Paris, France as co-ordinator (<http://www.stiglitz-sen-fitoussi.fr>).

1. CMEPSO: Main Recommendations

1. *When evaluating material well-being, look at income and consumption rather than production*
2. *Emphasise the household perspective*
3. *Consider income and consumption jointly with wealth*
4. *Give more prominence to the distribution of income, consumption and wealth*
5. *Broaden income measures to non-market activities*
6. *Quality of life also depends on people's objective conditions and opportunities. Steps should be taken to improve measures of people's health, education, personal activities and environmental conditions. In particular, substantial effort should be devoted to developing and implementing robust, reliable measures of social connections, political voice, and insecurity that can be shown to predict life satisfaction.*
7. *Quality-of-life indicators in all the dimensions covered should assess inequalities in a comprehensive way*
8. *Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields*
9. *Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different indexes.*
10. *Measures of subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.*
11. *Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of some "stocks". A monetary index of sustainability has its place in such a dashboard, but under the current state of the art, it should remain essentially focused on economic aspects of sustainability.*
12. *The environmental aspects of sustainability deserve a separate follow-up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks.)*

was: “to identify the limits of Gross Domestic Product as an indicator of economic performance and social progress; to consider additional information required for the production of more relevant indicators; to discuss how to present this information in an appropriate way; and to assess the feasibility of alternative measurement tools”.

Since the outset, the Commission recognised that it could not cover the full set of issues bearing on the assessment of economic performance and social progress, but choose to focus on areas where its impact on existing measurement systems could be larger. The report of the Commission was officially delivered to the French President on 14 September 2009.⁵ It consists of an 18-page “executive summary”, which includes 12 recommendations (Box 1).

The work of the CMEPSP, has been organised in three broad domains:

- Classical GDP issues deal with one particular dimension of well-being, namely material living standards. Unlike other dimensions of overall well-being, measures of material living standards can be expressed in monetary units and aggregated. Most of them are constructed in consistency with the framework of the System of National Accounts (SNA). A particular attention is also paid to the distribution of income and wealth across different population’s groups, and on how to integrate this information into the system of economic accounts.
- Quality of life is a broader concept than economic production and material living standards. It includes the full range of factors that makes life worth living, reaching beyond its material side. These factors of well-being are multi-dimensional, are in general correlated with each other, and can be measured through both objective and subjective data. They include people’s own evaluation of their life and reports of their own feelings, but also measures of health, education, social connections, personal activities, political voice and governance, environmental conditions, and various risks affecting people’s security. These factors do not easily lend themselves to aggregation into a single

indicator, let alone a single indicator expressed in money terms, although steps in the direction of parsimony and aggregation are possible and discussed in the report. Indicators of both quality of life and material living standards can be seen as providing measures of current well-being.

- Sustainable development is about the dynamic aspects of well-being, i.e. about ensuring the well-being (in both its material and immaterial dimensions) of future generations. This implies projecting the consequences of present human activity into the future and passing judgements about conditional developments of the various dimensions of well-being. By necessity, this is a very challenging endeavour, which requires considerations of both the stocks of different types of assets that contribute to well-being and of physical measures on how human activities are imprinting on the natural environment.

In addition to dimensions of well-being at a particular point in time (current quality of life) and across generations (sustainability), there are aspects that cut across dimensions. A recurring issue is that citizens find it increasingly hard to recognise their personal situation in official statistics referring to averages such as GDP per capita (OECD, 2009). There is thus a need to develop and integrate information about distributions into official statistics (recommendation n. 8). Distributions not only concern income and wealth but also other dimensions of well-being, such as health and education. Information on these inequalities matters in itself, but also for assessing how they interact with each other, e.g. to capture the double burden of those that are simultaneously ‘poor’ and ‘sick’. How these distributions are shaped, how they interact with each other and develop over time will affect overall well-being in society.

1.4 The Global Project’s aims

Since its constitution the Global Project has been looking at new sets of economic, social and environmental indicators with the aim to provide a

comprehensive picture of how our world is really performing and of how the well-being of a society is evolving. Following its mission statement⁶ the Global Project is based on three main pillars:

- *What to measure?* In order to measure progress it is essential to know what it looks like. For this reason, the project encourages debate about what progress means in different societies. The Project is developing methods and guidelines to carry out these debates effectively.
- *How to measure progress?* The Project is developing best practices in how to measure progress and its component parts, some of which are not yet measured well using existing statistical indicators. There is consensus that these areas (such as safety, human rights, different aspects of quality of life, etc.) are important but much less consensus about how progress in them should be understood and assessed.
- *Ensuring new progress measures are used.* When good statistics exist, they too often go unnoticed or misunderstood by a broad audience. New ICT tools offer a great potential to turn information into knowledge and to disseminate this knowledge among a much broader pool of citizens than those who currently have access to such information. The Project is developing new tools for public use.

The GP is hosted by the OECD but it is structured as a “network of networks”, in other words as a co-operation among organisations based in all regions of the world, each with a different focus, scope and mandate. The activities of the GP are carried out by organisations which

⁶ The Global Project exists to foster the development of sets of key economic, social and environmental indicators to provide a comprehensive picture of how the well-being of a society is evolving. It also seeks to encourage the use of indicator sets to inform and promote evidence-based decision-making, within and across the public, private and citizen sectors. The project is open to all sectors of society, building both on good practice and innovative research work.

include: international organisations⁷, national public and private organisations, as well as foundations, universities and research centres. These organisations provide financial and in-kind contributions to achieve the GP's goals.

The communication dimension is key to any initiative, but especially for a Project that wants to become the catalyst of existing networks of researchers and practitioners, as well as to influence culture worldwide. Therefore, a lot of attention has been paid in the first year to make the Project known around the world and expand the GP's network. The Website (www.oecd.org/progress) is one of the main communication tools for the Project and it is an important place to raise awareness, promote discussion, share information and build knowledge. It contains information on the regional networks, on the ICT tools to help transform information into knowledge, on research activities and on the future and past events.

The GP is active at different levels. Firstly, it needs to enlarge its wide network of practitioners in the field of measuring societal progress and it needs to build a "narrative" based on the concept of societal progress which could be used by political leaders. Secondly, the research agenda is a key area for the Project because the credibility of the initiative relies in part on high-level research contributions relating how to measure particular/difficult dimensions of progress.

On the first point the GP works on:

⁷ International Partners include: African Development Bank (AfDB), European Commission, Inter-American Development Bank (IADB), International Organisation of Supreme Audit Institutions (INTOSAI), United Nations Development Programme (UNDP), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), United Nations Economic and Social Commission for Western Asia (UNESCWA), United Nations International Children's Emergency Fund (UNICEF) and World Bank

- The establishment and co-ordination of regional working groups which are supposed to provide an opportunity for those interested in measuring the progress of their societies to discuss issues with their peers within their region. Each regional group is expected to be co-ordinated by an international agency that is expert in a particular region and to decide its own terms of reference and modus operandi. It will provide a way for societies to discuss issues of concern to their region and then raise those concerns and share their knowledge with the rest of the world.
- Another important pillar of the GP is the organisation of regional meetings and thematic workshops which play a role in laying the groundwork for the biennial World Forums and provide an opportunity to bring people together so that they, and the GP, can better understand what work is underway in their region and to communicate their priorities for action and findings to the rest of the world. Thematic workshops offer an opportunity to explore technical aspects of the Project in more depth and help formulate best practice.

As regard to the second point the GP is working on different research projects:

- A framework to measure progress which proposes a set of dimensions that should be considered as essential when measuring the progress of societies. The framework is proposed as a starting point for people interested in measuring progress in different societies around the world. It is also a tool to identify gaps in existing statistical information and to guide research to fill them.
- Guidelines on how to measure particular dimensions of progress to highlight the best practices and indicators for each area, as well as noting the limitations of existing indicators in capturing what is essential to progress. In fact, there are solid statistical frameworks available for measuring national income or health for example, but much less has been developed to measure dimensions such as human rights, trust or subjective well-being.
- A framework for the Quality of Indicators which will be a tool for

both producers and users to assess the quality of existing (or proposed) sets of indicators. This goes beyond the existing work on what makes a good indicator, an issue already covered by IMF, Eurostat and OECD quality frameworks. More importantly, the proposed Quality Framework will act as a bridge or link between new/emerging indicators to measure progress and those traditionally compiled within the national statistical system.

In the following the paper will focus on the first two points of the research agenda. Firstly, it will describe the “framework to measure the progress of societies” which proposes a practical and flexible approach to measure progress, built upon a series of key domains and dimensions. Secondly, the paper will focus on measuring trust and its role for the progress of societies as an attempt to set statistical standards in this domain.

2. A framework to measure the progress of societies

Over the last three decades, several frameworks have been developed to measure well-being, quality of life, societal progress and development. Some of these frameworks use a conceptual approach and are derived from a particular view of what progress means, while others use a political approach in which the components of progress are selected through political consultations and agreements.

However, although we should expect and value different views of progress, the lack of a common starting point delays research and often leads to duplication of efforts. Therefore, the Global Project is proposing a comprehensive framework, which does not wish to create a single view of what progress is, but hopes to provide a starting point to facilitate future research for initiatives that aim to measure progress at local or national level.

2.1 Can we reach agreement on a framework?

Frameworks are a tool to focus and clarify the scope of an enquiry. They facilitate this by delineating the dimensions used to build up a particular concept and creating a logical structure that illustrates how these dimensions relate to one another. A framework for the measurement of progress should underpin the public discourse about the level of a community's well-being; orient political choices and make them more evidence-based; it should also make policymakers accountable to citizens.

As already noted, measurement frameworks can be developed following two approaches: in the first case, they are simply developed through political negotiation and tend to have a pyramidal structure based on headline, sectorial and detailed indicators (e.g. frameworks for sustainable development) or else on goals and target indicators (e.g. the Millennium Development Goals). The second approach looks at relevant scientific literature, trying to define some broad domains of progress and then divide them into potential dimensions. These dimensions are more specific building blocks that should correspond to what people value most according to empirical surveys.

Of course, diversity of core values, processes and languages have led to the development and application of different frameworks for societal progress. These differences range from the conceptualisation of what progress is to the choice of dimensions to include, to the ways in which dimensions are defined, to the relationships between dimensions and to the weight to be attributed to each dimension (or whether dimensions of progress should be weighted at all).

Horace argued that “there might be as many preferences as there are people”. With that in mind, one may doubt the very possibility of rational collective choice. But as Sen (1999) suggests, if we have enough information and do not aim for too much precision, we can take into account the diversity of the preferences, interests, concerns and predicaments of different members of society in order to produce a reasoned and democratic social choice. Such a framework should be

broad enough to allow its users to define progress from their own perspectives based on their value systems and what they view as relevant to their lives and those of their family, friends or community. While it is important to maintain relevance, to achieve such a level of generality a framework requires substantial abstraction and simplification.

- In conclusion, a framework that aims at assessing the progress of societies should have the following characteristics:
- It should be built on solid conceptual ground;
- It should contain broad domains and potential dimensions that must be incommensurable, irreducible, non-hierarchical and valuable;
- It should not require too much precision (Sen, 1999), nor should it be too prescriptive;
- It should focus on outcomes (or ends) rather than outputs (or means);
- The process of its development should involve public participation and dialog among relevant stakeholders for greater legitimacy.

2.2 A proposed framework to measure the progress of societies: domains and dimensions

The proposed framework aims to select and present the key measures of societal progress, not to construct a model of how the world works. Many aspects of life affect societal progress and individual well-being and this framework does not seek to account for all of them. Instead, we seek to select a set of dimensions of societal progress that can be influenced by human beings. Earthquakes, for example, have an impact on both people and the environment, but societies cannot influence the number and intensity of earthquakes, even if they can provide safer houses in earthquake zones (or not build there in the first place). On the contrary societies should reduce people's vulnerability to earthquakes and measures of societal progress should pick up this effort rather than the number of earthquakes per se.

As we are seeking a framework that is both broad and flexible, something that will provide a solid foundation for others to adapt to their own purposes, several leading frameworks have been analysed to formulate the framework in figure 1.

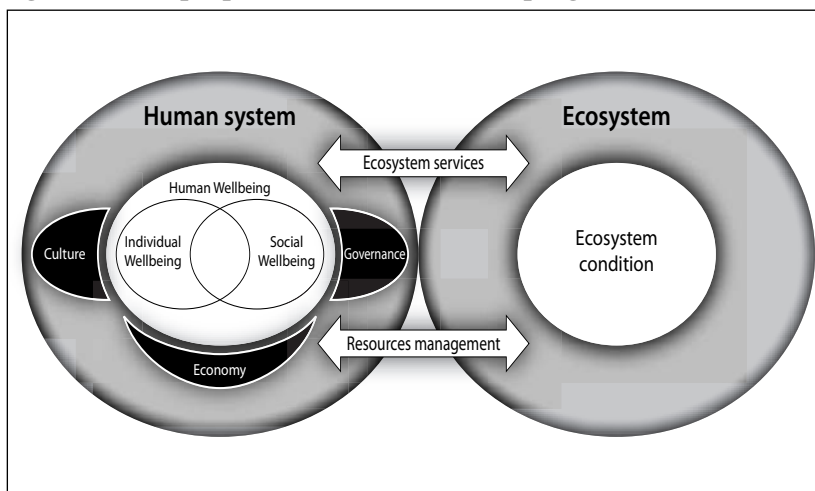
This framework considers that societies are based on two systems: the Human system and the Ecosystem.⁸ They are linked through two different channels, “Resource management” and “Ecosystem services”. Resources management represents the effects of the human system on the ecosystem, through resource depletion and pollution. Ecosystem services link the two systems in both directions. The ecosystem benefits the human system through positives services like food, clean water. But it can also do damage through events like earthquakes and floods. The human system may also provide positive services to the ecosystem (or its capacity for supporting life) through providing food and water for wild animals in times of hardship, tackling invasive species and so on. Human wellbeing is the key domain and its dimensions represent Alkire’s “reasons for action”: therefore, in our framework it comprises the core human ends that societies pursue. An increase in human wellbeing is the final goal of progress.

Human wellbeing can be considered as comprising individual and social outcomes. In fact, human wellbeing may be conceived as a collection of attributes that characterise the kind of life that each person pursues, and their level of freedom (with ‘freedom’ used in the sense of Sen who takes it to be the range of opportunities open to people). Some of these attributes will be specific to each person (one’s own state of health, knowledge, etc.) and can be clustered together as attributes of “individual wellbeing”. Other attributes are shared with other people (those living within the same family or neighbourhood), or reflect the relations

⁸ The proposed framework largely draws from the model presented by Robert Prescott-Allen at a Conference on “Measuring Wellbeing and Societal Progress” organised in 2006 by the OECD, the Joint Research Centre of the European Commission and the Centre for Research on Lifelong Learning.

between them (e.g. the extent and quality of relationships with others), or how a society is peaceful, resilient, cohesive, and can be clustered together as “social wellbeing”.

Figure 1. The proposed framework of the progress of societies



Human wellbeing is supported by three domains: economy, culture and governance. These are seen as important insofar as they are key supporting pillars to human wellbeing, rather than seen important for their own sake. Having a strong economy, effective governance and vibrant culture is not wellbeing in itself, but these factors do – typically – provide an enabling environment in which human wellbeing will improve. Therefore, they are considered “intermediate goals”.

The ecosystem has only one domain (ecosystem condition), which represent the wellbeing of the ecosystem. Ecosystem wellbeing is equally important if one sees the ecosystem as important in its own right or if one takes a more anthropocentric view (where one sees the ecosystem as important simply because it provides the human system with resources and services which contribute to human wellbeing).

At this point, one could define:

- the “wellbeing of a society” (or societal wellbeing) as the sum of the human wellbeing and the ecosystem condition; and
- “progress of a society” (or societal progress) as the improvement in human wellbeing.

But it is also important to recognise the role played by inequalities in human wellbeing and ecosystem condition across and within societies or geographical regions and between generations. Consider, for instance, an average increase of the material wellbeing of a society, but an increase which goes solely to the richest 10% of people, while the material wellbeing of the poorest 10% declines. The average level of material wellbeing may have risen, but has there really been progress in the society? Similar arguments can be applied to the sustainability dimension, i.e. the distribution of wellbeing between generations. Therefore, we believe that the wellbeing of a society also depends on the way in which the various items that shape people’s lives are distributed in society and it cannot be assessed without considering its sustainability over time and/or the wellbeing of the future generations.

Putting the first two and second two pairs of points together we define societal progress as occurring when there is an improvement in the “sustainable and equitable wellbeing of a society”.

The framework we propose does not simply equate progress to an increase in individuals’ evaluations of happiness/life satisfaction, though it sees this as an important element, but also underlines the importance of objective conditions and economic, social and environmental achievements. It puts emphasis on the importance of the wellbeing of the current generation, but also defines progress as an increase in equitable and sustainable wellbeing, thereby recognising that not all individuals are properly equipped or informed to take a long-term perspective. Finally, it looks compatible with Sen’s capabilities approach stressing the fact that to enhance human wellbeing the intermediate goals of the human system (economy, governance and culture) should provide conditions under which individuals can make use of their potentials.

Of course, a framework based on these broad domains of progress is not immediately operational. To become useful for those who want to measure societal progress, more precise dimensions need to be defined, within the domains contained in Fig. 1. To define these dimensions we have looked at work from around the world, much of which is contained in the Knowledge Base. The result of this analysis led us to a set of “final goals for progress” (covering human wellbeing and ecosystem condition) and a set of “intermediate goals” (covering economy, culture and governance). The “final goals” are direct measures of human and environmental wellbeing, while the “intermediate goals” are those elements that are key inputs into human and environmental wellbeing. Finally, the links between the two sets of goals need to be considered, as well as two key “cross-cutting perspectives”, i.e. the intra-generational (equity) and the inter-generational (sustainability) perspectives.

A. FINAL GOALS

1. *Ecosystem Condition: outcomes for the environment*

- land (geosphere)
- freshwater, oceans and seas (hydrosphere)
- biodiversity (biosphere)
- air (atmosphere)

2. *Human wellbeing: outcomes for people*

- physical and mental health
- knowledge and understanding
- work⁹
- material wellbeing
- freedom and self-determination
- interpersonal relationships

⁹ This dimension should take into account not only the availability of work but also work conditions and the availability of decent work according to the definition given by ILO.

B. INTERMEDIATE GOALS

1. Economy

- national income
- national wealth

2. Governance

- human rights
- civic and political engagement
- security and violence
- trust
- access to services

3. Culture

- cultural heritage
- arts and leisure

C. LINKS BETWEEN THE TWO SETS OF GOALS

1. Resource management, use, development and protection

- resource extraction and consumption
- pollution
- protection and conservation of economic and environmental assets

2. Ecosystem services

- resources and processes provided
- impact of natural events

D. CROSS-CUTTING PERSPECTIVES

1. Intra-generational aspects: equity/inequality

2. Inter-generational aspects: sustainability/vulnerability/resilience

The importance of inequality for people's wellbeing is widely recognised by theories of welfare, empirical research and social norms. For example, recent literature on subjective wellbeing has found some correlation between life satisfaction (i.e. subjective wellbeing) and income inequality and insecurity. But these areas are not included as separate "dimensions" of social progress, because they cut across multiple dimensions of progress.¹⁰ We recognise that an equitable (however defined) distribution of resources and social outcomes between individuals, population groups (for instance, gender equality) and between generations is an important societal goal.¹¹ Such considerations need to happen throughout the framework, and can be applied to analyse the conditions of specific population groups (children, women, etc.).

Similar considerations apply to sustainability/vulnerability/resilience. A person can be healthy, educated and have a job today, but be at risk

¹⁰ Poverty, for example, can be defined in several ways: one could use the term to mean a lack of financial resources; some consider that it crosses multiple dimensions (Sen, 1992). According to Marco Mira D'Ercole (2009, forthcoming), "poverty is a complex phenomenon, varying across time and space, with different philosophical perspectives leading to different conclusions about its nature, and with alternative measures sometimes providing conflicting indications about its size and evolution". Therefore, some might turn to indicators of income and wealth distribution to measure poverty. Others might look more broadly. But it is the basket of these measures that would be used to assess multidimensional poverty.

¹¹ As "progress" is a dynamic concept, its measurement can be made looking at the temporal movements of aggregate indicators, based on averages or other summary measures. However, as questions about people's wellbeing are ultimately about the lives of individuals in society, we cannot really evaluate a distributional change without knowing, for example, if the formerly underprivileged remain at the bottom of the heap or have exchanged places with the more privileged. While it is unrealistic to obtain indices of every individual's views about progress, it could be useful to conduct longitudinal studies to understand whether and under what circumstances people experience different outcomes. For example, do the same individuals remain poor over the years, or is poverty transient?

tomorrow because of poor investment decisions, or a weak social security system. Vulnerability has an inter-temporal dimension and can be important for individuals, as well as specific social groups (e.g. farmers who live in regions subject to drought). Such inter-temporal considerations can be taken throughout the framework.

Once defined the key dimensions to take into account to measure progress, the next steps will be to highlight the best practices and indicators for each area, as well as noting the limitations of existing indicators in capturing what is essential to progress. In fact, there are solid statistical frameworks available for measuring national income or health for example, but much less has been developed to measure human rights or subjective well-being. At the moment the Global Project has identified three areas of interest: vulnerability, subjective well-being and trust.

Trust is one of the dimensions of the framework to measure the progress of societies and it considered as a key input into human wellbeing because it indicates the willingness of individuals to co-operate with others. For this reason it is important to investigate the notion and role of trust in modern societies as a first step towards the construction of indicators that could better inform our understanding of societal progress.

3. Measuring trust and its role for the progress of societies

Generally speaking, trust refers to the confidence that people have in others that they will act as we might expect. Hence, it reflects people's subjective perception of people's reliability. But the relevance of trust goes further than that: trust may be regarded as a key driver of progress within a specific society. Trust is often associated with the concept of social capital, and sometimes it is even considered a proxy for it. Indeed,

several authors have focused on trust when studying social capital and the determinants of human well-being.¹²

Trust is a multidimensional concept. It can refer to trust in people belonging to different groups, to family members, and even to private organisations and public institutions. The level of trust differs among people within a society, and among neighbourhoods and societies. Some measures of trust also display some variation over time. Much of the efforts to analyse trust have been directed towards understanding which circumstances will promote trust and which will stifle it. Even if trust improves social and political interactions, it is not always good or necessary. On the contrary, a certain level of distrust may be necessary to cope with everyday life and to be protected from abuses stemming from market and political power. To evaluate the role of trust it is of paramount importance to assess the relationships between trust and other dimensions of human well-being.

3.1 What is trust?

Several theoretical contributions have underlined the important role of trust as either an element of social capital or as one of its key determinants. The social capital literature has drawn attention to the network of relationships of each person, and to the resources embedded in these relations. At the individual level, emphasis is given to the actual and potential benefits that one draws from formal and informal ties with others (Burt, 1992). At the collective level, these relationships are typically regarded as enabling collective actions and improving social outcomes (Freel, 2000; Nahapiet and Ghoshal, 1998). Putnam defined social capital as referring to those “features of social life, networks, norms and trust that enable participants to act together more effectively to pursue shared objectives” (Putnam, 1993b). In this approach, trust is an outcome of networks and norms, which both serve as a prerequisite

¹² See, among others, Arrow (1972, 1974), Luhmann (1979), Dasgupta (1988), Gambetta (2000), Fukuyama (1995), Knack and Keefer (1997) and La Porta et al. (1996).

for building trust (Roth, 2006). OECD (2001) provided a definition of social capital that is very close to the formulation proposed by Putnam.¹³ This definition recognises that both networks and shared norms play a role in creating the conditions for co-operative behaviours among people based on trust.

Starting from these definitions, several authors have further developed the concept of social capital emphasising the specific role of trust. For example Alesina and La Ferrara (2002) agree with Putnam in considering trust as one of the major components of social capital. They argue that social capital enhances economic growth first by improving the functioning of public institutions, and second by facilitating economic transactions, especially in complex areas such as financial markets, thereby reducing the effect of market failures.

Paldam and Svendsen (2000) instead, define social capital as the level of trust within a group, rather than just as one of its components, where the group may extend to the whole society. This definition reduces de facto social capital to trust and implies that measures of trust provide the best single indicator of the level of social capital in a group. This reductionist definition of social capital is not the one shared by most authors (nor is the one used in this report), which rather regards trust as one of the most important components of social capital, but is very influential in empirical research where very often trust is used as a proxy to measure social capital. It is thus essential to reach a common view on how to define and measure trust, and how to differentiate this from other components of social capital.

Therefore, before investigating the relationship between trust and the progress of societies in more detail, it is important to better understand what it is meant by trust. Many researchers have given specific definitions of trust, sometimes arriving at different conclusions. This depends on the multidimensionality of the concept, but also on the fact

¹³ Networks together with shared norms, values and understanding that facilitates co-operation within or among groups (OECD 2001: 41).

that the label “trust” is sometimes used to describe a variety of very different phenomena, such as morality, empathy, reciprocity, civility, respect, solidarity, tolerance and fraternity.

Most definitions of trust are based on the concept of individual expectations and, in particular, on the confidence that others will act as we expect. Arguing on these lines, Sarageldin and Dasgupta (2001) described trust as “the expectation of one person about the action of others that affects the person’s choice”. Gambetta (2000) gave a similar definition, while also introducing the concept of subjective probability: he described trust as the subjective probability with which a person (or a group) assesses that another person (or a group) will perform a particular action, with this subjective probability influencing a person’s own actions. In this perspective, trust is important because it allows this kind of assessment before the person can actually observe such action, or even independently of his capacity to monitor it. A slightly different definition was given by Fukuyama (1995), who introduced the concept of shared norms, defining trust as the expectation that arises within a community when other people behave in predictable, honest and co-operative ways. This expectation is typically rooted in people’s adherence to a shared set of norms.

A different perspective is provided by Williamson (1993), who explained trusting behaviour in terms of a calculative response to the incentive structure confronting each person, where this incentive structure encompasses material, social and psychological rewards. Hence, Williamson used the term trust to describe personal relationships like friendship, love and kinship, or features of the institutional environment in which contracts and transactions are embedded. The trading networks of diamond dealers, which allow them to monitor each other closely and to operate with high levels of trust (Granovetter 2005), are one example of these types of relations.¹⁴

¹⁴ This view is based on the assumption that the networks internalizing norms discourage free riding and emphasize trust.

Beyond this great diversity of definitions, it is possible to conceptualise the terms of trusting relationships as “A trusts B to do X” (Hardin, 2004). This general formulation sees trust as the relation between two parties concerning a particular action or range of actions (Kohn, 2008). Depending on the characteristics of A and B, and on who the trust is directed to, it is possible to distinguish different forms of trust. This allows moving beyond the various “labels” used by various authors in this field, so as to identify the relationship between the various definitions.

- **Interpersonal trust** is distinguished by several authors according to whether it is directed to relatives or friends, on one side, or to strangers, on the other.¹⁵
 - ◊ Putnam uses the term **thick trust** when A and B are relatives or friends. This thick trust is based on experiences embedded in personal roots and relationships, and is generated by networks of kin and friends. Conversely, when A and B are people who do not know each other there is **thin trust**, which is based on reputations, norms and signals such as appearance or demeanour.
 - ◊ Uslaner (2002) distinguishes within the broad category of interpersonal trust (which he calls generalised trust) between **strategic trust** (when A trusts someone that he or she knows personally) and **moralistic trust** (when A trusts a stranger).
- **Political trust** (also called by some authors **systemic trust**) can be divided into a macro and micro component according to whether it describes trust in the political system and its institutions or trust in the personnel in charge of these institutions.
 - ◊ At a macro level, this type of trust is often referred to as **organisational or institutional trust**. This definition reflects an

¹⁵ The term Social trust is sometimes used to describe a combination of interpersonal trust and civic engagement (Putnam, 2000; Blind, 2006). Other authors often use the terms interpersonal trust and social trust as synonyms. For instance the Rosenberg question (see section 3.3.1) is often considered by some authors as a measure of either interpersonal trust or social trust.

issue-oriented perspective, whereby citizens trust or distrust government or institutions because they are satisfied or dissatisfied with the current policies (Blind, 2006). Normally, institutional trust is used to analyse citizens' trust in institutions¹⁶ such as the parliament, the police, the armed forces and large companies (Luhmann 1979, Roth 2006); however, it can also refer to citizens' trust in private companies (see, for instance, the Edelman trust barometer survey).

- ◇ At a micro level, this type of trust is sometimes referred to as **individuals' political trust**. This kind of trust is directed toward specific political leaders and it involves a person-oriented perspective. In this perspective, people trust or distrust government or institutions because of their approval or disapproval of specific political leaders (Blind, 2006).

The relations among different forms of trust are not always clear or explicit. Fukuyama (2000) illustrates the relation between thick and thin trust using the concept of “radius”, defined as the circle of people among whom co-operative norms operate. Building on this distinction, Fukuyama suggests that, in many Latin American societies, a narrow radius of trust produces a two-tier moral system, with high thin trust and good behaviour reserved for family and personal friends, and a lower standard of trust applied to interactions with strangers and public institutions. This two-tier moral system provides, in Fukuyama's opinion, a cultural foundation for corruption.

Although interpersonal trust and institutional trust are not mutually exclusive (Blind, 2006), there is continuing controversy in the literature about the causality of the relationship. On one side, as pointed out by modernization theorists, interpersonal trust is influenced by increasing political and social participation. Contacts with other members of the community allow people to know each other better and to improve their

¹⁶ In this case A (an individual) trusts the institution B to do X, where X is the constitutive mission of B. So for example a citizen trusts police to protect him from crime.

level of trust; in turn, this positive disposition, derived from their civic experience, is often extended to strangers (Fukuyama 1995, Levi 1997). However civic participation doesn't necessarily increase institutional trust. Veenstra (2002), for instance, argues that, in Canada, participation in civil society organizations increases interpersonal trust but not institutional trust. Similar conclusions are reached by a broader group of scholars (the called "new-institutionalists", e.g. Blind, 2006) who maintain that a trustworthy government generates interpersonal trust, rather than the other way around. Evidence of the relation between interpersonal and institutional trust is described in Section 3.2.3 of this paper.

3.2 Measuring trust

The different forms of trust can be measured in different ways. This section describes how trust has been measured in household surveys, and the methodological issues that arise. In particular, this section will stress that interpersonal trust and institutional trust are different concepts that need to be operationalised in different ways. The need for distinguishing them lies in the fact that they enter people's live in different ways, and that they have different effects on various dimensions of a country's progress.

3.2.1 Interpersonal trust

Interpersonal trust has been used in many studies as a proxy for social capital (UK National Statistics, 2001)¹⁷. In fact, its widespread use in research largely depends on its interpretation as a "quick and dirty" proxy for social capital (Halpern, 1999). Interpersonal trust is relatively easy to measure, and indeed, questions on interpersonal trust have been used in many different surveys. Nevertheless, interpersonal trust is also a multidimensional concept (see Section 3), and its measures should reflect such multidimensionality: single item measures of interpersonal trust

¹⁷ In this paragraph the term "interpersonal trust" is used to indicate trust in others than friends and relatives (thin trust). Though the term thin trust would have been more appropriate, it could have generated confusion because interpersonal trust is the term generally used and accepted in most of the literature on the subject.

will likely fail in capturing this multidimensionality, potentially leading to measurement errors (Renno and Castro, 2008).

Most of the existing national or cross-national studies on trust (see box 1) rely on the Rosenberg question as single measure to test theories that relate interpersonal trust to other dimensions of a country's progress such as economic growth and personal well-being. However, as already noted above, this is a simplification of the problem because different dimensions of trust – towards family members, neighbours, strangers, colleagues, employers, police, etc. – are independently important for well-being.¹⁸

¹⁸ For a review of independent effects of several measures of trust, see Helliwell and Putnam, 2004.

**Box 1 – Interpersonal trust:
cross countries surveys and main questions**

The **World Values Survey** (WVS) is the most commonly used cross-country survey to measure interpersonal trust.¹⁹ The World Values Survey grew out of the European Values Survey (EVS) in 1981. The WVS is a worldwide investigation of socio-cultural and political change. It is conducted by a network of social scientists at leading universities all around the world (<http://www.worldvaluessurvey.org>). The second wave of the WVS was carried out after about ten years in 1990. Since then three further waves followed at intervals of approximately 5 years.

The WVS relies on the question developed by Rosenberg (1956): *“Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?”* to measure interpersonal trust²⁰. The main indicator resulting from Rosenberg’s question is the percentage of people who reply “most people can be trusted”.

The WVS also collects a set of questions on trust in different groups of people such as neighbors, people you know personally, people you meet for the first time, people of another religion and people of another nationality. This set of questions allows to measure different dimensions of trust.

The **Gallup World Poll** surveys each year since 2005 residents in more than 140 countries representing 95% of the world’s adult population. Gallup asks a standard set of core questions that have been translated into the major languages of the respective countries (<http://www.gallup.com/Home.aspx>).

¹⁹ Sapienza *et al.* (2007:2) reported that among more than 7,000 papers analysing the economic effects of trust, around 500 of these use data from WVS.

²⁰ Possible answers: Most people can be trusted; Can’t be too careful; Don’t know.

The Gallup World Poll doesn't collect the Rosenberg question regularly in its standard annual survey. In 2005 published a panel study²¹ based on this question and in 2009 collected the Rosenberg question to study the quality of data in order to evaluate the possibility to collect it systematically.

Gallup has also measured interpersonal trust using the wallet question: *"In the city or area where you live, imagine you lost your wallet or something holding your identification or address and it was found by someone else. Do you think your wallet (or your valuables) would be returned to you if it were found by a neighbour/the police/a stranger?"*²²

The **Eurobarometer** program was launched in the 1970s. Currently, the Eurobarometer public opinion surveys are conducted on behalf of, and coordinated by, the European Commission, DG Communication - Public Opinion Analysis Sector. Primary data and documentation are stored at the ICPSR and at GESIS (<http://www.gesis.org/en/services/data/survey-data/eurobarometer>).

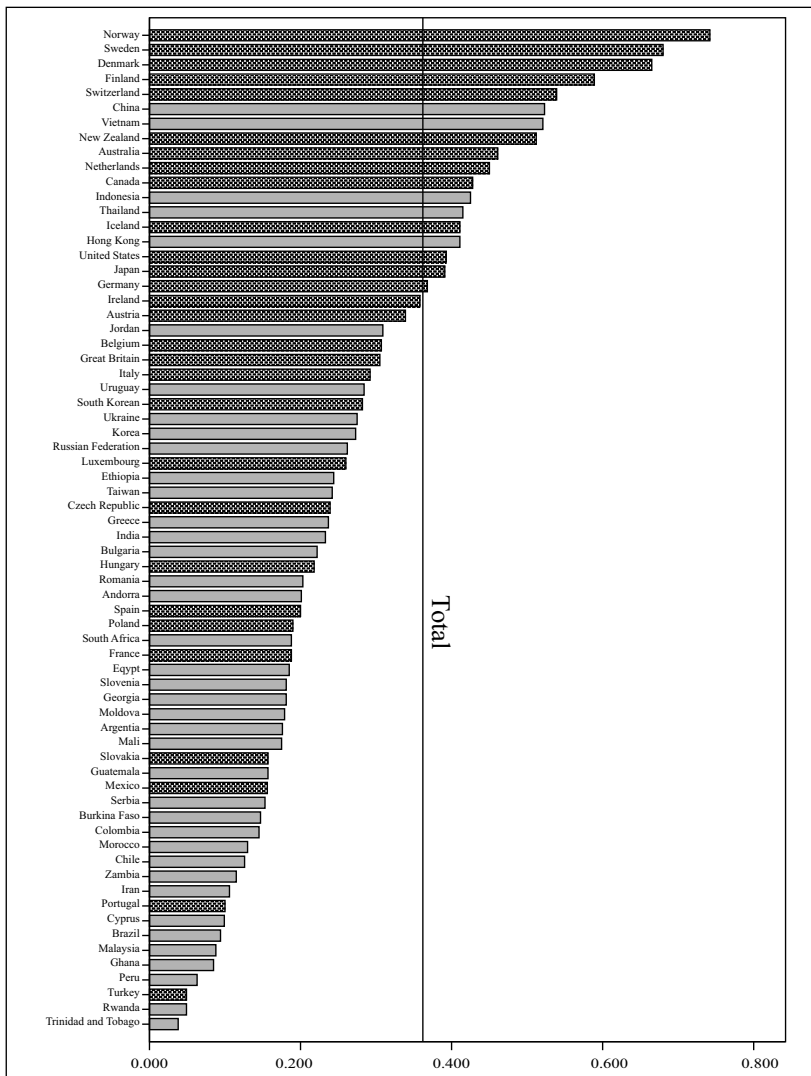
Eurobarometer uses a question that measures how much citizens of one country trust citizens of other European countries (i.e. *"I would like to ask you a question about how much trust you have in people from various countries. For each country, please tell me whether..."*)²³

²¹ <http://www.gallup.com/poll/18802/Gallup-Panel-People-Cant-Trusted.aspx>

²³ Possible answers: Yes; No.

²³ Possible answers: A lot of trust; Some trust; Not very much trust; No trust at all.

Figure 2. Interpersonal trust (share of people who think that most people can be trusted)



Source: World Value Survey, wave 2005-2008.

Note: The “dotted” bars refer to OECD countries. For Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and the Slovak Republic, data refer to the wave 1994-1999. For Norway data refer to the 1996.

The summary indicator based on the Rosenberg question (see box 1) allows comparing the level of interpersonal trust of communities across time and space. Figure 2 shows how interpersonal trust compares across countries based on data from the WVS. Levels of interpersonal trust are very different from country to country. People in Norway, Sweden and Denmark report the highest levels of trust in other people (more than 60% of interviewed answered that most of people can be trusted) while Turkey, Rwanda and Trinidad and Tobago are those with the lowest level of interpersonal trust (5% or less think that most people can be trusted). Most OECD countries have level of interpersonal trust higher than the world-average, but there are exceptions such as Mexico, Portugal and Turkey. On average, the level of trust among OECD countries is similar to the world average.

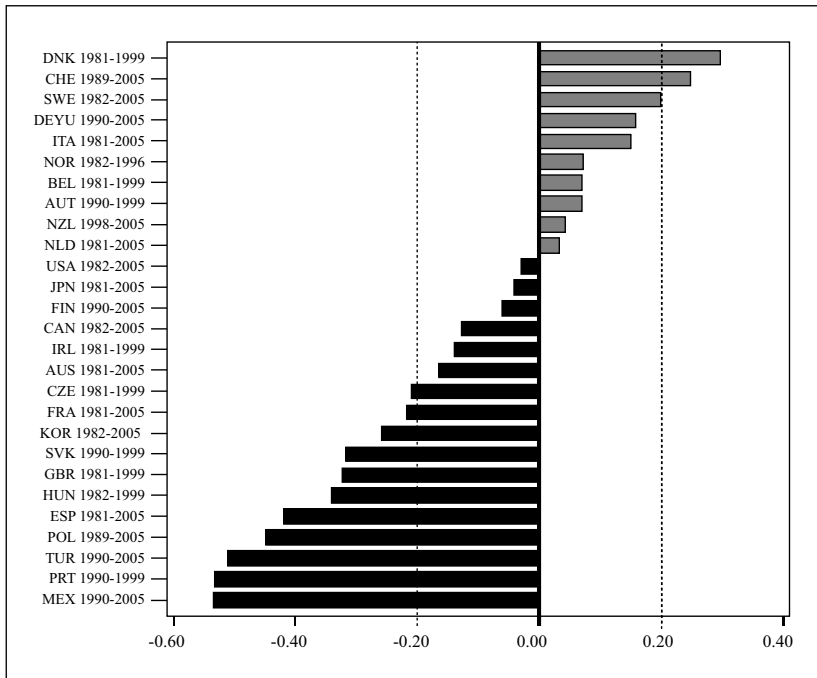
To explain these differences in country rankings, different arguments have been suggested. For example, Inglehart argues that societies with stronger self-expression values (e.g. tolerance of different groups, emphasis on civil and political freedoms) tend to rank higher on interpersonal trust.²⁴ Indeed, the countries identified in the “Cultural Map of the World” as having strong “secular-rational” and “self-expression” values – mainly countries in Protestant Europe, like Sweden, Norway and Denmark but also Japan – have the highest levels of interpersonal trust according to Figure 2. On the other side, lay catholic countries which are characterised by low levels of both self expression and interpersonal trust. As Fukuyama argued, the main distinction is between high-trust societies, where trust extends beyond the circle of kinship, and low-trust societies, where trust is confined to blood relatives.

During the period covered by the WVS, interpersonal trust also appears to have changed significantly in several countries. Figure 3 shows that interpersonal trust has decreased by more than 20% (relative to the level recorded in the first survey available) in eleven countries, while it has increased by more than 20% in only three countries. In particular,

²⁴ http://margaux.grandvinum.se/SebTest/wvs/articles/folder_published/article_base_54

interpersonal trust decreased by more than 50% in Mexico, Portugal and Turkey, while it decreased by more than 40% (in less than 20 years) in Poland and Spain. Only Sweden, Switzerland and Denmark show a significant increase in the level of interpersonal trust.

Figure 3. Change in interpersonal trust from the earliest to the latest survey in OECD countries. (Percentage difference base=earliest survey)



Source: World Value Survey, wave 2005-2008.

Note: For each country the years indicate the earliest and latest survey which collected information on interpersonal trust.

The Rosenberg question, however, does not operationalise interpersonal trust in a fully satisfactory way. Based on the formal definition of trust presented above (A trusts B to do X) the Rosenberg question fails in

explicitly identifying who is B (a friend, a neighbour or a stranger) and in specifying the type of behaviour (X) expected from them. For example, do people answering the question think that other people can be trusted to give them directions in the street, to behave in socially acceptable ways, or to give them the details of their credit cards? In other words, this type of question provides no information on which aspects of trust the respondents are thinking of during the interview.

Glaeser et al. (2000), combining experimental and survey data, conclude that the Rosenberg question measures trustworthiness of other people more than trust per se. Their results show that when people answer the Rosenberg question they typically think of themselves. For this reason, Glaser et al. argue that the Rosenberg question is better in determining if the respondent is trustworthy rather than whether he trusts others. Glaeser et al. also argue that interpersonal trust should be measured using laboratory experiments, which have the virtue of measuring trust of individuals using homogenous groups of individuals and a standardised environment. However, laboratory experiments are difficult and costly to carry out while, from a practical point of view, self-assessments of trust are easy to answer and low-cost to collect. Glaeser et al., recognising that survey data are easier to collect, suggest that surveys should implement questions on trust developed and validated empirically through other tools, such as questions about past trusting behaviour or behavioural questions.

Interpersonal trust has also been measured using different questions from the Rosenberg one. As shown in box 1 Eurobarometer uses a question that measures how much citizens of one country trust citizens of other European countries. This question has the advantage of identifying the person whose trustworthiness is being assessed but, as for the Rosenberg question, it fails to specify the type of behaviour under consideration. However, this question should be probably considered more as an indicator of stereotyped distrust with respect to specific ethnic groups or nationalities rather than providing information relevant for interpreting people's actual behaviour.

Readers Digest magazine conducted an interesting experiment in 1996. Several wallets containing 50\$ and ID of their fictitious owner were “lost” in strategic places in different cities in several countries. The percentage of returned wallet was then used to build an index of trustworthiness.²⁵ Another type of question that has been occasionally used to assess interpersonal trust and which is based on the same general idea is the so called wallet question (see box 1). The 2007 wave of the Gallup World Poll asked respondents in 86 countries whether it was likely that a neighbour, the police, or a stranger would return to the owner their lost wallet or valuables contained in them.²⁶

The wallet question allows the measurement of different forms of interpersonal trust: a) trust in neighbours; b) trust in strangers; c) a particular aspects of institutional trust, i.e. trust in police staff. This question is also useful to assess the relations between specific forms of trust and other dimensions of progress. However, no survey has asked this question on a regular basis and even the 2007 Gallup data exclude several OECD countries such as the United States, Canada, Japan and others. These aspects hinder comparison between the Gallup data on lost wallet and those, based on the Rosenberg formulation, used in the WVS. The WVS has also a set of questions on trust towards specific others such as the neighbours, people you know personally, people you meet for the first time, people of another religion, etc. but, once again, the type of behaviour expected from them (our X) is not specified in this set of questions.

Gallup data on the wallet question show Austria, Finland, Ireland, New Zealand, Norway, and Switzerland in the top 10 of countries with the highest level of interpersonal trust for the three types of agents. Police and neighbours are trusted almost equally to return valuables in 21 countries, but in the majority of countries, citizens are more trusting of their neighbours than they are of the police. Not surprisingly trust in

²⁵ http://www.readersdigest.ca/mag/1997/03/think_01.html

²⁶ <http://www.gallup.com/poll/102346/Many-World-Citizens-Trust-Neighbors-More-Than-Police.aspx>

strangers is lower, but it is relatively high in countries such as New Zealand, Switzerland and Norway. However, in nearly 80 nations around the world, less than one-quarter of respondents believe strangers would return a lost wallet to its rightful owner. In Cambodia, El Salvador, and Laos, almost no one believes strangers would return valuables.

The wallet question is more specific and quasi-behavioural; in other terms, it has the advantage of clearly identifying both who is B and the type of action expected from them (i.e. to return a lost wallet or valuables). While the Rosenberg question may reflect cultural attitudes, the wallet question is based upon experience and seems more plausible as an indicator of the respondent's expectations and of the trustfulness in others that he or she is likely to exhibit in daily interactions (Soroka, Helliwell and Johnston, 2007).

The relationships between Rosenberg and wallet questions have been explored in a study by Soroka, Helliwell and Johnston (2007). Table 1, reproduced from this study, shows the high level of overlap between these two questions. In general, people who think that a wallet is likely to be returned, are 30 points more likely to say that "people can be trusted" and 30 points less likely to say "you can't be too careful". The wallet item with the least discriminatory power to distinguish between trustful and trustless people refers to the police; a reflection of how ubiquitous is trust in the police. The other three items - even when referring to strangers - show equal capacity to discriminate. However the authors point out that these discrepancies are also higher than what can be expected from random measurement error. They conclude that the Rosenberg question could be related to Uslaner's "moralistic trust" that it is the sort of behaviour people learn in church or at school. This may invite responses that describe what people should think rather than what they actually do think. On the contrary the wallet question refers to "strategic trust" and it is closely linked to everyday experiences and influenced by neighbourhood context (Soroka, Helliwell and Johnston, 2007).

Table 1. Relationships between Rosenberg question and wallet question

		Rosenberg Question		
		Can't be too careful	Most people can be trusted	
Wallet Question				
NEIGHBOUR				
Not at all likely	65.5% (359)	34.5% (189)		chi ² =170.8p<.001
Likely	34.5% (688)	65.5% (1,307)		
CLERK				
Not at all likely	66.8% (268)	33.2% (189)		chi ² =129.8p<.001
Likely	36.6% (879)	63.4% (1,307)		
POLICE				
Not at all likely	65.5% (149)	34.5% (189)		chi ² =56.8p<.001
Likely	39.7% (1,192)	60.3% (1,307)		
STRANGER				
Not at all likely	60.8% (996)	39.2% (189)		chi ² =155.8p<.001
Likely	27.6% 124)	72.4% (1,307)		

Source: Reproduced from Soroka, Helliwell, and Johnston, 2007.

Note: Cells contain row percentages with counts in parentheses.

In conclusion, the Rosenberg question should be used when there is need to evaluate if in a country there is a system of beliefs and values that foster trust and co-operation among its members. On the contrary the wallet question should be used to measure level of trust to specific subjects in practical situations. Nevertheless the high level of overlap between the two questions justifies the use of the Rosenberg one when more specific information is not available.

3.2.2 *Institutional trust*

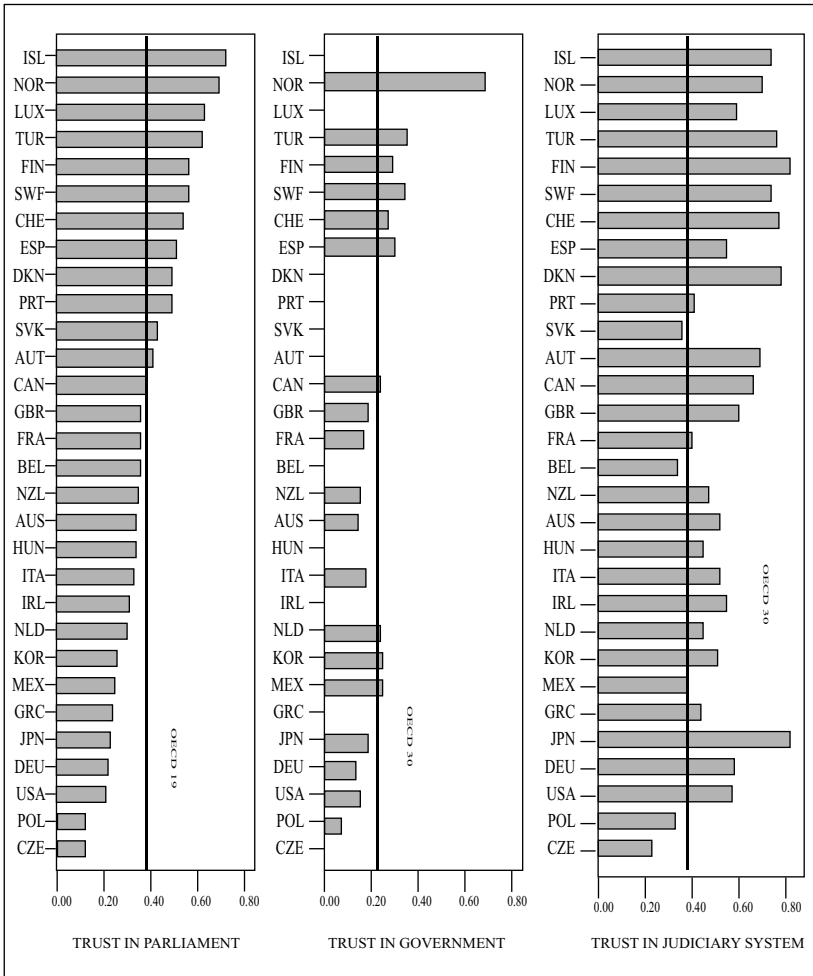
Trust in political institutions measures the degree in which individuals have confidence in the institutions (government and parliament) and public administration of the country where they live (OECD, 2007). Institutional trust is essential for the stability of societies and for the functioning of democracy.

Institutional trust is generally measured through surveys asking individuals to rate their confidence in a number of organisations. There are many surveys undertaken by governmental and nongovernmental organizations that give information on institutional trust in the developed world. These include those undertaken by the World Economic Forum, the Australian Government Information Management Office (AGIMO), the United Nations Online Network in Public Administration and Finance (UNPAN) and the United Nations Development Program (UNDP).

The WVS also asks individuals to rate their confidence in a large number of institutions and organisations starting from the parliament, which is the central representative institution of democracies, and including government, civil service, political parties, armed forces, police, press, churches, labour unions, the justice and education systems (see Appendix 1). There are large differences across OECD countries in terms of citizens' trust on different institutions. On average, 38% of individuals across 30 OECD countries reported a high trust in parliament but with large differences between countries (Figure 4). Trust in parliament is high in Iceland, Norway, Luxembourg and Turkey (more than 60%) but significantly lower in Korea, Mexico, Greece, Japan, Germany, United States, Poland and Czech Republic (less than 25%).

Confidence is generally lower for governments than for parliaments, with only 23% of citizens of the nineteen OECD countries considered reporting a high level of trust. Across countries, the correlation between trust in parliament and trust in government is quite strong, and the ranking of the countries is pretty much the same (but comparison is limited by the different geographical coverage of the two indicators). Cross-country differences are also sizable when considering the

Figure 4. Institutional trust in OECD countries. Share of people expressing “high” confidence in each institution



Source: World Value Survey, wave 2005-2008.

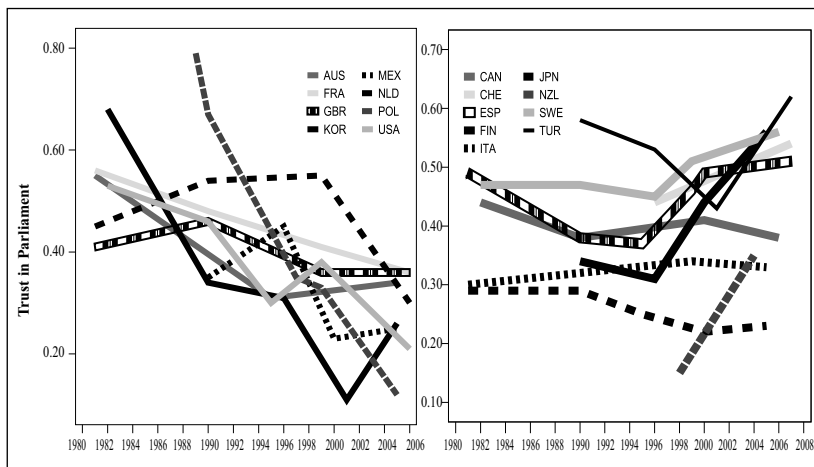
Note: For Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and the Slovak Republic data refer to the wave 1994-1999; for Norway, data refer to the 1996. The indicators refer to the share of respondents indicating either “a great deal” or “quite a lot of confidence” in the parliament, the government and the political parties.

perception of citizens on the functioning of the judiciary system. On average, confidence in the judiciary is much higher than in the case of the legislative and executive branches of governments, with 55% of respondents across thirty OECD countries reporting a high level of trust in this institution, varying from more than 80% in Finland and Japan to less than 35% in Poland and the Czech Republic. While the level of trust in each country varies significantly with respect to the institution considered, the judiciary system is always the most trusted institution. For instance, Japan combines very low trust in parliament and government but high trust in the judiciary system.

An important empirical question is whether citizens' trust in political institutions has changed over time. Modernisation theorists like Almond and Verba (1963) and Finifter (1970) argue that higher levels of political participation are associated with higher levels of institutional trust. This view remains, however, quite controversial as other studies associate a more active political involvement with lower political trust. In particular, higher levels of education and the diffusion of information may lead citizens to a more critical judgement of political institutions (see Section 5.3).

Since the mid-1960s several studies have shown decreasing institutional trust in government and political institutions in all the advanced industrialised democracies (Dalton and Wattenberg, 2000). Data from the WVS shows how trust in parliament – which is considered here as the key representative institution of democracies – has changed in the last 20 years in seventeen OECD countries. Cross-country differences are important. A first group of countries shows a pronounced decline in trust in parliament: these include Poland, Korea, the United States as well as Mexico, France and the Netherlands. A second group of countries – in particular Sweden, Turkey, New Zealand and Spain – shows increasing or constant levels of trust in parliament (Figure 5).

Similarly, the Gallup Word Poll measures citizens' confidence in key institutions such as the military, the judiciary and courts, and national governments, as well as confidence in the honesty of elections (see

Figure 5. Trends in trust in parliament in selected OECD countries

Source: World Value Survey, different waves.

Note; This figure considers only OECD countries for which data from the last wave of the WVS were available.

Appendix 1). The data from these questions are aggregated by Gallup in a composite National Institutions index²⁷ (Gallup, 2008). According to this index Finland, Denmark, Norway and the Netherlands are the countries with the highest level of trust in institutions while Hungary, Czech Republic and Korea are those at the bottom of the list. Both Spearman's rho and Kendall's tau, calculated on countries ranked according to trust in Parliament and the National Institutions index, show a moderate correlation because the National Institutions index take into consideration also other institutions as well as citizens' perception of the honesty of elections (see appendix 1).

²⁷ Index scores are calculated at the individual record level using the following procedure: the four items (see appendix 1) are scored as 1 in case of positive answers and all other answers (including "don't know" and "refused") are assigned a score of 0. Missing items are not included in the calculation. An individual record has an index calculated if it has valid scores for at least three questions. A record's final index score is the unweighted mean of valid items multiplied by 100. The final country-level index score is the mean of all individual records for which an index score was calculated. Country-level weights are applied for this calculation.

Eurobarometer (EB)'s standard survey also includes a specific set of questions on trust in European institutions²⁸, which is collected twice every year since 1999 with a harmonised methodology. Data collected in autumn 2008 showed that 47% of the Europeans trusted the European Commission and 51% the European Parliament but trust in these institutions was declining compared to autumn 2007. Finally the EB provides also information on trust in statistics which is an important dimension of democracy (see Box 2).

Both the Gallup World Poll and the WVS use a common methodology and questionnaire, which allow comparing results among countries and over time. The Gallup World Poll presents the additional advantage that it collects data every year and for a larger number of countries, allowing wider and more timely comparisons. Moreover the Gallup collects additional information on factors influencing institutional trust such as perceived corruption. These data show that institutional trust is closely related to perceptions of corruption. Political corruption – the misuse of public office for private gain – is one of the most important factors contributing to lower institutional trust in both the developed and the developing world (Blind, 2006). Perceived corruption is important, as it is not enough for political leaders and institutions to fight corruption: they also have to avoid appearing as corrupt (Warren 2006). Indeed perceived corruption has a strong effect on institutional trust even when the episodes of corruption cannot be identified easily.

²⁸ http://ec.europa.eu/public_opinion/archives/eb/eb70/eb70_en.htm

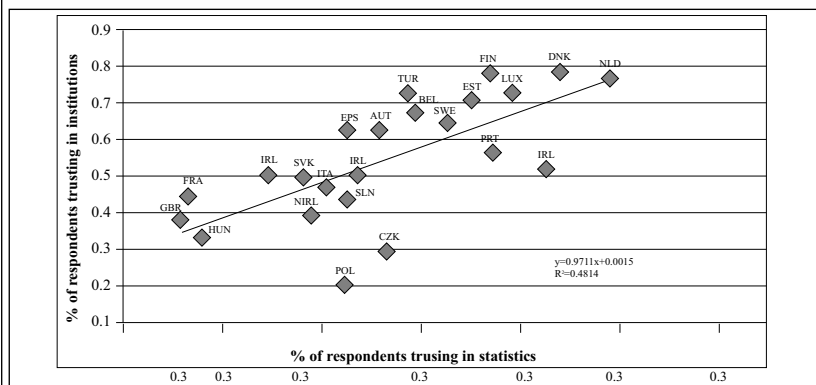
Box 2 - Trust in statistics

Statistical information plays an important role in measuring the outputs/outcomes delivered by various policies. In fact, in a world of costly information, citizens will usually spend more time informing themselves about their own private purchases than about public policies, where their efforts will have little effect on outcomes. Therefore, voters, like shareholders of a large firm, face the difficult task of monitoring the activities of large hierarchies staffed by people who have information and expertise that is unavailable to the average voter. The relation between the trust in statistics and in governance institutions is therefore important (Giovannini, Oliviera and Gamba, 2008).

To this aim, a new question on trust in official statistics was included among the questions on trust in institutions collected by Eurobarometer in surveys carried out in April and May 2007. This survey covers the population aged 15 years old and over of various EU nationalities resident in each state.

The chart below displays a positive relation between trust in statistics and trust in political institutions across OECD countries. In the top right of the figure, the Netherlands, Finland and Denmark have the highest percentage of respondents having both trust in statistics and in institutions; conversely, France, the United Kingdom and Hungary have the lowest percentage of trust in both. Poland and the Czech Republic are outliers because a quite high trust in statistics is not matched by a comparable level of trust in political institutions.

Trust in Statistics vs. Trust in Institutions



Source: Eurobarometer survey, 2008

Beyond GDP:

What is prosperity and how should it be measured?

Many different initiatives measure perceived corruption²⁹. The Gallup World Poll uses two questions on corruption in businesses and in the government: this allows building an aggregate corruption index³⁰. Figure 6 shows a strong negative correlation between the Gallup National Institutions Index and the Corruption Index: countries with a high level of perceived corruption (like the Slovak Republic, Poland, Hungary, Korea and Italy) have below-average levels of trust in institutions, while countries scoring a low level of perceived corruption (like Norway, Denmark, and Finland) have much higher levels of institutional trust. Unfortunately, the lack of information on interpersonal trust in the Gallup world poll makes impossible to study the relationships between these three factors and, in particular, to analyse the effect of corruption on interpersonal trust.

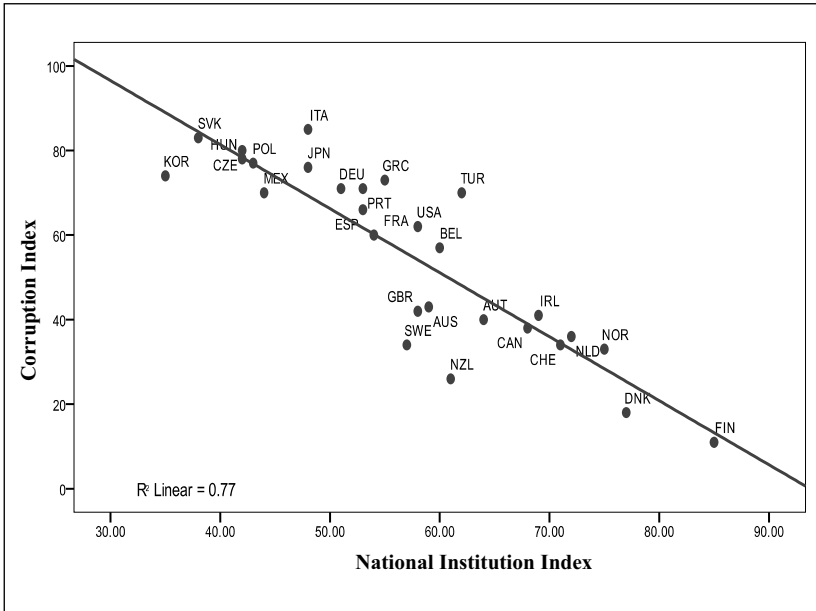
The WVS, the Eurobarometer and the Gallup World Poll data on institutional trust cannot be easily compared with each other. First, there are differences in the wording of the questions: the WVS and the Gallup use the word “confidence” while Eurobarometer uses the word “trust”; the formulation of the question is also quite different (see appendix 1). Second, the response categories differ (with possible answers “tend to trust” or “tend not to trust” for Eurobarometer; “a great deal of confidence”, “quite a lot of confidence”, “not very much confidence” or “none at all” for WVS; and “yes” or “no” for Gallup). Third, the institutions analysed are quite different: the only institution that is surveyed by all three sources is national government, while few institutions are surveyed by two out of three sources.

²⁹ See also <http://www.transparency.org/> and <http://www.worldbank.org/wbi/governance/wp-corruption.html>

³⁰ The index is based on two questions: Is corruption widespread within businesses located in your country or not? – Is corruption widespread throughout the government in your country or not?. It is calculated using the same procedure as for the national institutions index (see note 20).

³¹ Gallup data are not available for Iceland and Luxembourg.

Figure 6. Correlation between National Institutions index and corruption index in 28 OECD countries³¹.



Source: Gallup World Poll, Year 2007

3.2.3 Relations between interpersonal and institutional trust

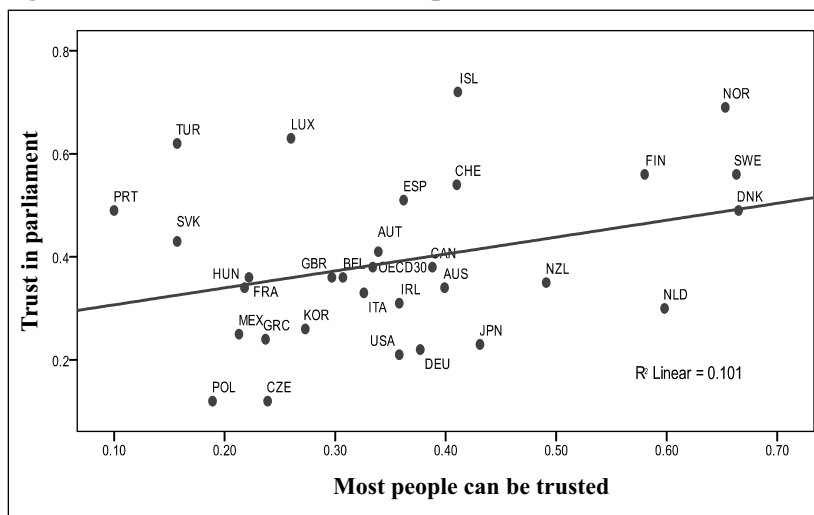
Very often measures of interpersonal trust – and in particular the Rosenberg question – are wrongly assumed to unravel the basic dispositions of individuals in a broad range of situations and interactions. In this perspective, the lack of precision in the way the Rosenberg question operationalises interpersonal trust is considered an advantage and this question is assumed to reveal the fundamental psychological identity of the people (Newton 2001). More precisely, measurers of interpersonal trust only inform about how people evaluate the trustworthiness of others in their community, and cannot be considered as an indicator of the psychological attitude towards the world.

As argued by Newton (2001), surveys that ask questions about both interpersonal trust and institutional trust highlight a weak or non-existent

relationship between them. In other words, it is impossible to predict a person's trust in other people from their trust in government (and vice versa): these are different forms of trust that are largely independent of each other. Nevertheless, the analysis of institutional trust should focus attention not on individuals but on political systems as a whole. Even a lack of association between interpersonal and institutional trust at individual level can coexist with a positive relationship between interpersonal and institutional trust at the aggregate level, measured by averaging the interpersonal and institutional trust scores across all people in a country.

Figure 7 shows a weak positive association between interpersonal trust and trust in parliament for the thirty OECD countries considered. However, the relationship is weak and several countries appear as outliers. On one side, Turkey and Luxembourg show high trust in parliament but low interpersonal trust; on the other side, the Netherlands combine high interpersonal trust and low trust in parliament.

Figure 7. Correlation between interpersonal and institutional trust



Source: World Value Survey, wave 2005-2008.

Note: For Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal, Slovak Republic trust data refer to the wave 1994-1999. For Norway trust data refer to the 1996.

3.3 The role of trust for the progress of societies

Societies are better off when their members co-operate than when they do not. Social science research further suggests that networks, norms and trust, which together form what is referred to as social capital, are essential prerequisites for co-operation. Researchers have argued that higher levels of social capital are associated with higher well-being, as well as greater economic development (Arrow, 1972; Fukuyama, 1995), more effective political institutions (Putnam, 1995), and lower crime rates (Hagan, Merkens, and Boehnke, 1995). This section reviews evidence on the relations between interpersonal and institutional trust and some dimensions of the progress of societies, as identified in the taxonomy created by the OECD Global Project on “Measuring the Progress of Societies”.³² Much of this evidence suggests that trust is associated to a range of positive outcomes. While this research seldom allows determining whether the relation between trust and these other dimensions of societal progress is “causal” (rather than reflecting the importance of some other factor bearing on both), evidence of such associations is in itself an important finding that warrants attention.

The relation between different forms of trust and some particular dimensions of the progress of societies such as economic growth has been extensively researched empirically, while the relation between trust and other dimensions of progress are either unexplored or still unclear. Moreover, the word “trust” is often used in the literature in a generic way, without a clear assessment of which form of trust is under investigation. This makes it more difficult to assess which effects can be attributed to interpersonal trust and which to other form of trust.

3.3.1 *Economic growth*

A vast literature has documented the existence of a positive relationship between interpersonal trust and economic growth. This evidence is consistent with the intuition that when people trust each other more they are more willing to trade, which raises their economic well-being.

³² See www.oecd.org/progress/taxonomy

Essentially, when **A** trusts **B** to do **X**, where **X** is an economic transaction, interpersonal trust facilitates co-ordination and co-operation for mutual benefit, reduces the incentives for opportunism, and helps finding solutions to collective action problems (Putnam, 1995; Roth, 2007). Other researchers have argued that the association goes the other way around, i.e. that high economic growth creates and is facilitated by geographical mobility, which in turn determines a higher level of interpersonal trust building relationships among people that reduce wariness of strangers.

Various theories have stressed the role of interpersonal trust in facilitating market exchanges. For instance, Arrow (1972) and Roth (2007) argue that trust improves the functioning of economic systems because market exchange requires, or is greatly facilitated by, trust. This has a direct effect on economic growth by reducing transaction costs and making possible types of organisations that are less encumbered by extensive rules, contracts, litigation and bureaucracy (Fukuyama 1995). Moreover, where there is a high level of trust there is less need to control possible malfeasance by partners, and more time to dedicate to other activities, such as innovation in new products or processes. Finally a higher level of interpersonal trust makes it easier to solve problems that require collective action (Whiteley 2000; Roth 2007).

Several studies provide empirical support to the notion of a positive relationship between trust and economic development. Tabellini (2006) analysed the correlation between culture (measured by trust, respect for others and confidence in individual self-determination) and economic development in a sample of European countries, showing that these variables favour economic development. These cultural traits are strongly correlated with economic development not just in European countries, but also in a broad sample of countries.³³

³³ Tabellini (2006: 3) explains that “*historically more backward regions (with higher illiteracy rates and worst [sic] political institutions) tend to have specific cultural traits today: less trust in others, less respect for others, less confidence in the individual*”.

Trust influences economic growth also through its effect on financial markets and on the quality of public policy (Putnam 1993b). For example, Guiso *et al.* (2004) showed that social capital in general, and interpersonal trust in particular, plays an important role in financial development across Italy: in regions where social capital³⁴ is low, individuals tend to hold a much larger proportion of their wealth in cash, rather than using financial instruments such as stocks (Alesina and La Ferrara, 2002). On this point however, it would be useful to assess the role of human capital – in particular the individuals’ level of education and skills – on trust in financial tools.

Empirical studies of the relation between interpersonal trust and economic growth, based on cross-country data from the WVS, have found a strong positive correlation between the percentages of individuals who trust others and the country’s rate of economic growth. Knack and Keefer (1997), for example, show that an increase in one standard deviation in interpersonal trust at country-level predicts an increase in economic growth of more than one-half of a standard deviation. This result is supported by Helliwell (1996), for a smaller set of countries, and by Easterly and Levine (1997) and Rappaport (1999), who found that in several countries (including the United States) racial fragmentation reduces interpersonal trust and, through this channel, economic growth.

The WVS data show a significant correlation between interpersonal trust and levels of per capita GDP in OECD countries (Figure 8): countries with a higher GDP per capita have a higher level of interpersonal trust, with a stronger association ($R^2=0.58$) when excluding Luxembourg (a country that combines the highest GDP per head and a below average level of interpersonal trust).

Not all authors, however, agree on the existence of a positive association. An important distinction is often made between developed and

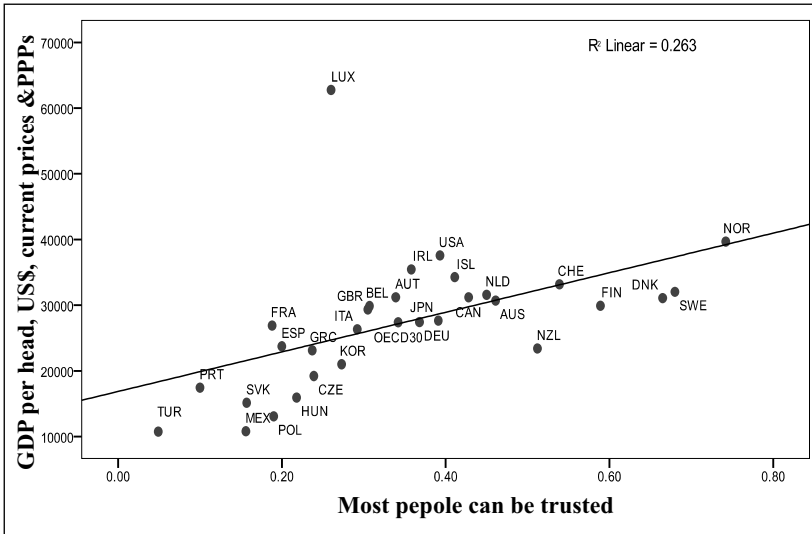
³⁴ Guiso *et al.* (2004) measure social capital through data on participation in elections and blood donations.

developing countries in terms of the relation between trust and economic development. Roth (2007), analysing 41 countries from 1980-2004, found that economic growth was negatively related to *changes* in interpersonal trust. The negative relationship is mainly driven by developed countries³⁵ (especially liberal market economies and Scandinavian countries); conversely, in (developing) countries with low levels of trust, an increase in interpersonal trust is associated to higher economic growth.³⁶ This difference suggests that too much trust can also stifle economic growth (Roth 2007:27).

In areas where the enforcement of laws is weak, the willingness to finance other firms and individuals depends crucially on the possibility of imposing sanctions and/or the existence of moral norms in the community. Guiso *et al.* (2004) find evidence that the effect of social capital on informal credit is not significant in Italian regions with better enforcement of laws, but it is three times as large (and statistically significant) in areas with weak legal enforcement. This suggests that countries that lack social capital may compensate for its effects with better legal enforcement. Interpersonal, trust seems crucial in less developed societies (Sen 1999), where it acts as a substitute for the lack of formal institutions that elsewhere, guarantee necessary co-operation (Durlauf and Fafchamps 2005).

³⁵ Roth underlines that interpersonal trust is significantly related (with a negative sign) not only to economic growth but also to trust in parliament and trust in companies; across OECD countries, an increase of both variables is negatively related to economic growth.

³⁶ Roth points out that even if the results “*appear to be robust... it is possible that the findings are partly due to omission of some variable not considered, that measurement error affect the results, or that the model is misspecified in other ways. Further investigations are necessary to collaborate it.*” (2007:27)

Figure 8. Correlation between trust in people and GDP per head

Source: Trust, World Value Survey wave 2005-2008; GDP, OECD 2006; GNI, World Bank 2007 data.

Note: Trust data for Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and Slovak Republic refer to the wave 1994-1999. For Norway trust data refer to the 1996.

3.3.2 Governance

There is also evidence that higher levels of various types of trust can foster better governance and increase institutional effectiveness. As argued by Putnam (1994): *“Trust as part of social capital is not a substitute for effective public policy but rather a prerequisite for it and in part a consequence of it”*.

Putnam (1993b) found that in the northern and central regions of Italy, where levels of interpersonal trust are higher, governments are more effective in responding to citizens’ needs and in providing higher-quality public services. Similarly, the study of La Porta *et al* (1997) shows that, across countries, the effects of institutional trust on governance performance are both statistically significant and quantitatively large. Since citizens and bureaucrats have few opportunities to interact directly,

and to develop high level of interpersonal trust, confidence in institutions must rely on the trustworthiness of the institution as an abstract entity.³⁷

Knack and Keefer (1997) analysed responses to the World Value Surveys for a sample of about 30 countries and found a positive correlation between measures of citizens' confidence in government and subjective indicators of bureaucratic efficiency. Similar conclusions were reached by Knack (2000) for the United States and by Rice and Sumberg (1997), using slightly different measures. However, other studies suggest that the direction of causation may be in the opposite direction, i.e. people trust more effective governments that are able to create economic growth, new jobs, more efficient services and greater access to education (Fiorina, 1978; Mackuen *et al.*, 1992).

Interpersonal trust has long been associated with trust in government institutions and with citizens' political participation. Considerable amounts of empirical research demonstrate that interpersonal trust can enhance governmental accountability, facilitate agreement when political preferences are polarized, and promote political innovation (Knack, 2000). Furthermore, where interpersonal trust is higher there is less need for the government to invest in formal mechanisms to enforce contracts and rules, leaving more resources available for other purposes.³⁸ Moreover, trust through political participation, increases individuals' knowledge of politics and public affairs. Such knowledge, especially if shared among a large number of citizens, increases government accountability and is an important check on the inclination of politicians and bureaucrats to pursue their personal interests. In the United States data from the 1992 National Election Study show results consistent with these conclusions. Similarly, La Porta *et al.* (1997) and Knack and Keefer (1997), using cross-country data, reached similar conclusions using

³⁷ In other words A (a person) trusts B (an institution) not because A has a high interpersonal trust in someone working in B, but because A believes B trustworthy enough to perform the duties it is traditionally assigned.

³⁸ One of the outcomes of this situation, as argued earlier, is higher economic growth.

survey measures of citizen confidence in government and indicators of bureaucratic efficiency.

Higher trust can also reduce inefficiencies associated with political polarization, and facilitate agreement among citizens. As suggested by Putnam (2000), where trust is higher, government majorities and opposition are more open to fruitful debate and more likely to agree on ground rules. Putnam (1993) also found that, in the more civic and trusting regions of Italy, political leaders are more willing to compromise with their opponents for the well-being of their citizens.

Other studies have shown that trust facilitates political innovation. More trustful societies reach agreements more easily, and respond quicker and better to newly identified problems. For example, Putnam (1993) suggests that trust facilitates the provision of efficient day-care programs, family clinics, job-training centres, investments and economic development, and the setting of ambitious environmental standards.

Of course good governance and specific policies (such as those aiming at increasing communication among citizens and a country's educational level) have a significant impact on trust. As Knack and Zack suggest: *“good policy initiates a virtuous circle: policies that raise trust efficiently, improve living standards, raise civil liberties, enhance institutions, and reduce corruption, further raising trust. Trust, democracy and the rule of law are, thus, the foundation of abiding prosperity.”* (Knack and Zack, 2003). For these reasons, government policies, whatever their intended effects, should be vetted for their indirect effects on citizens' trust and social capital in general. For example, if, as Putnam (1994) suggests, trust is fostered more by home ownership than by public or private tenancy, then housing policy should take this effect into account. The same applies to other areas of public policies.

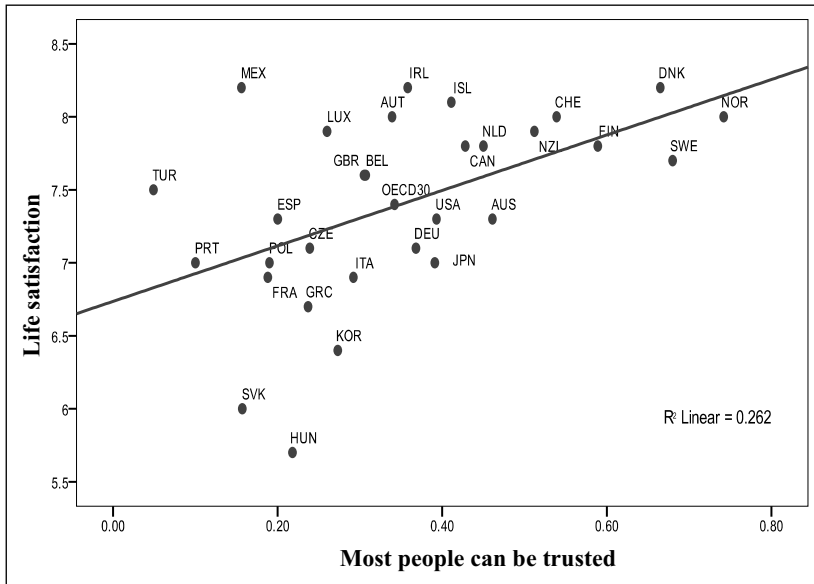
3.3.3 Subjective well-being

Higher levels of trust are closely associated with greater life satisfaction and subjective well-being in communities, workplaces and nations. This suggests that the level of trust of a society is at the basis of the well-being of its citizens (Fukuyama, 1995; Roth, 2006).

The relationship between interpersonal trust and subjective well-being has been highlighted in several studies (e.g. Helliwell, 2008a). Evidence shows that living in an environment where other people can be trusted has substantial effects on the subjective well-being of respondents, as high level of trust improves the network of interpersonal relationships among people. Trust in the workplace also has also a strong effect in improving subjective well-being (Helliwell and Huang, 2005 and 2008).

Interpersonal trust is correlated with positive life assessments measured using the WVS question “*All things considered, how satisfied are you with your life as a whole these days?*”. The relation across OECD countries, as shown in Figure 9, is slightly weak but Helliwell and Putnam (2004) comparing data from different surveys found that feeling able to trust others - both those among whom one lives and works and those in authority - is strongly associated with higher subjective well-being. Subjective well-being is a critical aspect of individual welfare.

A growing amount of research has focused on the role of psychosocial factors such as trust, optimism and sociability as determinants for subjective well-being (Di Tella *et al*, 2003). Among these factors, interpersonal trust is typically regarded as an important predictor of higher subjective well-being, while negative attitudes (such as mistrust, hostility, suspiciousness and cynicism) are related to poor psychological well-being. Finally the ability of governments to provide a trustworthy environment and to deliver services honestly and efficiently is of paramount importance for life satisfaction in countries with bad governance and low incomes (Helliwell and Huang, 2008b).

Figure 9. Interpersonal trust and subjective well-being

Source: World Value Survey, wave 2005-2008.

Note: Trust data for Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal, and Slovak Republic data refer to the wave 1994-1999. For Norway trust data refer to the 1996.

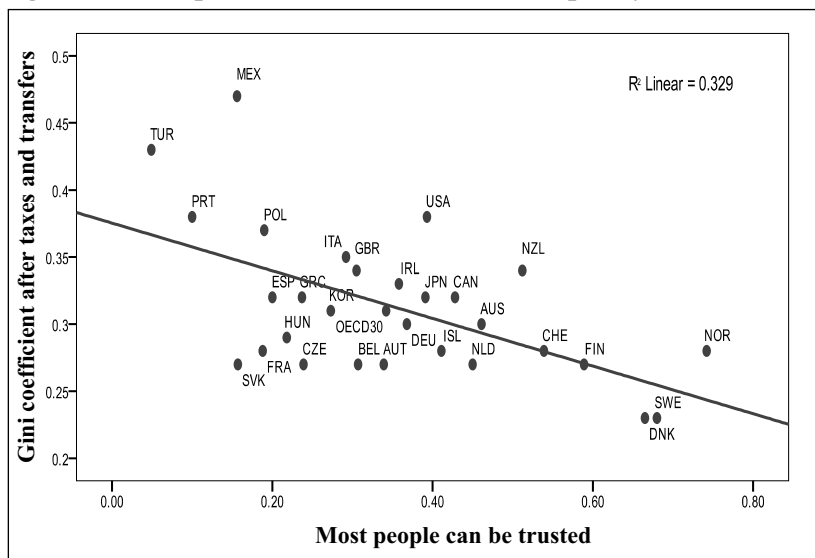
3.3.4 Income inequality

Uslaner (2006, 2003) reports evidence that interpersonal trust is also correlated with income inequality: in countries with wider income inequalities, he argues, it is more difficult to establish bonds between those at the top and those at the bottom of the income scale. Economic inequality reduces trust because people in different strata will be less likely to share a sense of common purpose and to trust each other. Moreover economic inequality reduces the optimism for the future and a high level of pessimism may stifle interpersonal trust. The relation between trust and income inequality is so strong that some authors argue that inequality is one of the best predictors of trust (Knack and Keefer, 1997; Zack and Knack, 2001& 2003; Rothstein and Uslaner 2005, xxx and Wilkinson, 2009). Uslaner also argues that countries with a higher

level of interpersonal trust are more likely to have open markets, to use new communication technologies such as the Internet, and less concerned about the possibility that these Internet transactions will violate their own privacy.

Figure 10 shows substantial differences between OECD countries in the level of interpersonal trust and income inequality (measured by the Gini index). In Portugal, Turkey, Mexico and Poland (countries with high levels of income inequality) the percentage of people who think that most people can be trusted is between 10% and 20%, as compared to an OECD average of 33%. On the other side, countries like Finland, Netherlands, Norway Denmark and Sweden (where income inequality is considerably lower), between 58% and 66% think that most people can be trusted.

Figure 10. Interpersonal trust and income inequality



Source: Interpersonal trust, World Value wave 2005-2008; Income inequality, OECD mid-2000s.

Note: Trust data for Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and Slovak Republic refer to the wave 1994-1999. For Norway trust data refer to the 1996.

Inequality is a powerful social divider which corrodes trust and divides people. We tend to choose our friends among our near equals and we usually have little to do with those much richer or much poorer than us: as a consequence, it is harder for us to trust them (Wilkinson and Pickett 2009; Wilkinson, 2005). Rothstein and Uslaner (2005) also argue, using statistical techniques that inequality effects trust while there is no direct effect of trust on inequality. This suggests that is not the level of economic well-being of a country that increases trust but, rather, the level of economic equality. Inequality generates a positional negative externality because it is the relative position that counts and the comparison with others much richer than us reduce either the level of trust and well-being (Bartolini 2003).

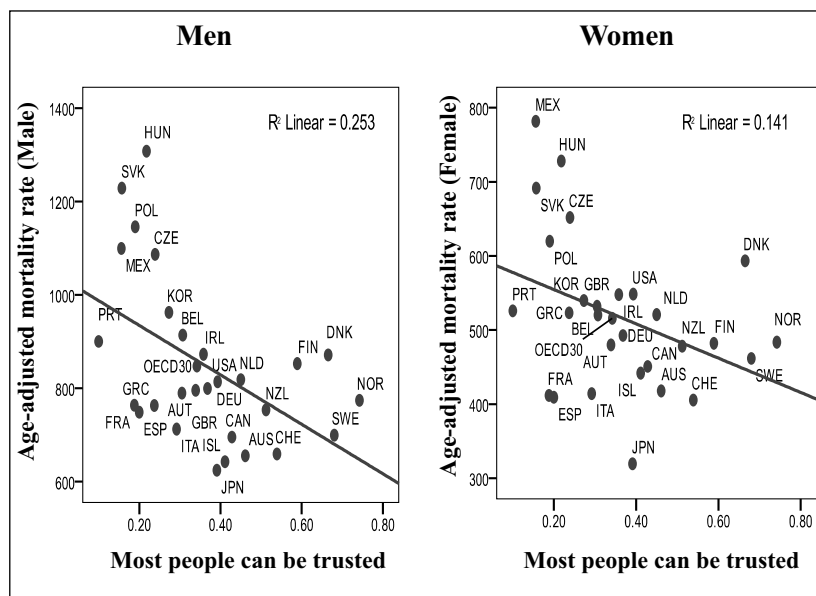
3.3.5 *Mortality and health*

Interpersonal trust is also important for people's health, and the relation is typically mediated by the effect of income inequality on trust. In an attempt to explain why American states with smaller income differences had higher life expectancies, Kawachi et al. (1997) showed that trust act as a mediator between inequality and mortality. They found that people living in areas with low levels of interpersonal trust have higher (age-adjusted) mortality rates.³⁹ According to this study, each percentage increment in the share of people agreeing that others would take advantage of them was associated with an increase in mortality of 6.7 deaths per 100,000. This study points to the existence of a positive effect of income inequality on mortality mediated by interpersonal trust. When income inequality increases so does the level of social mistrust, which is strongly related to mortality; if the effect of interpersonal trust is controlled for, the residual effect of income inequality on mortality becomes negligible. Thus, Kawachi and his colleagues argue that lower trust is one of the pathways through which higher income inequality exerts its toll on population mortality.

³⁹ Kawachi *et al.* (1997) used the Rosenberg question from the General Social Survey to measure social mistrust (the percentage of people responding "you can't be too careful in dealing with people").

Figures 11 show the correlation of interpersonal trust with age-adjusted mortality rate for males and females in OECD member countries. At the OECD level there is only a weak association between these two variables and data doesn't reproduce the same linear pattern showed by Kawachi et al. in their study of US states. Many countries, such as Mexico, Czech Republic, Hungary, Poland, Slovak Republic, have very high level of mortality in comparison to their level of interpersonal trust. At the OECD level age-adjusted mortality rates are related more strongly to GDP per capita than trust suggesting that the effect between trust, inequality and mortality should be analysed more in depth at cross country level.

Figure 11. Interpersonal trust and age-adjusted mortality rates



Source: Interpersonal trust, World Value wave 2005-2008; Age-adjusted mortality rate, OECD 2003.

Note: Trust data for Austria, Belgium, Czech Republic, Denmark, Greece, Hungary, Iceland, Ireland, Luxembourg, Portugal and Slovak Republic refer to the wave 1994-1999. For Norway trust data refer to the 1996.

3.4 Key messages

Trust is one of the dimensions of the framework to measure the progress of societies proposed by the OECD Global Project. In this framework, trust is considered as a key input into human wellbeing because it indicates the willingness of individuals to co-operate with others. As underlined in this paper trust has emerged as one of the best available measure of social capital and the evidence in this paper shows that trust displays close associations with a number of other dimensions of social progress.

Despite this positive conclusion, existing evidence and research on trust remains limited in important ways.

- First, trust has different forms (e.g. in family members, friends, strangers and institutions) that cannot be assumed to substitute for each other.
- Second, the proliferation of labels to indicate the same phenomenon (e.g. thick, strategic, social and interpersonal trust) hinders constructive dialogue. The alternative use of social and interpersonal trust to refer to the same construct is the most evident example. While the notion of trust allows many subtle distinctions, a balance need to be found between what is analytically useful and excessive precision stifling measurability.
- Third, most existing measures provide an inadequate operationalisation of the underlying construct. Despite its widespread use, there is only scant evidence on the validity and reliability of the Rosenberg question. The wallet question might be a useful addition, since it allows separating different domains, and the meaning of the question is clear to both respondents and researchers.
- Fourth, there is also need of systematic comparisons between the Rosenberg question and the wallet question to explain the differences between the two. More generally there is the need to empirically validate questions on trust through other tools, such as questions about past trusting behaviour or behavioural questions.

- Fifth, data availability remains an issue, in terms of both country-coverage and repeated observations that hinder analysis of how trust changes over time.
- Finally, cross-sectional surveys allows identifying associations between trust and other variables, while only longitudinal data would allow testing for the existence of causal relations.

Some of these limits could be addressed through better surveys methodology. In particular, the definition of trust proposed by Hardin (2004), which distinguishes among three components of a “trusting” relationship (A trusts B to do X) is a good starting point to reach operational definitions that could be applied to various contexts and lead to more informative indicators.

There is no clear theoretical account of how to build trust but evidences show that trust can be destroyed by various social and economic forces such as corruption and lack of freedom. Promoting trust requires coping with these aspects. The introduction of trust questions in official surveys could be an important step forward for monitoring the level of trust of societies using consistent and timely indicators. The OECD plans to make greater use of available data on the different forms of trust in the context of its work on measuring progress of societies.

4. Conclusions

The research agenda is a key area for the GP and the Framework of Societal Progress is of paramount importance because it defines the key dimensions to take into account to measure progress. The work on trust is a first example of how to highlight best practices and indicators for the areas that lack solid statistical frameworks. In 2010 the GP will cover two main areas of work:

- a. Vulnerability: In 2009, a preliminary study was carried out on the measurement of vulnerability, an issue that became extremely relevant because of the crisis. The European Commission will

finance a one year project to project to design a toolkit of indicators to understand what makes societies vulnerable and which socio-economic groups are the most affected, in order to design effective policies to strengthen societies' ability to withstand shocks by increasing their chances of emerging from risky positions.

- b. Subjective well-being: In co-operation with the International Society of Quality of Life Studies, the GP co-organised a meeting in Florence, with the involvement of representatives of NSOs. At the end of the meeting, a consensus was reached about the opportunity to write a Manual on how to measure subjective well-being. The US National Institute of Aging has approved the OECD project and will provide funds to prepare the manual, due for publication in 2011.

As described in the GP's "Mission Statement", the Project seeks to become a worldwide reference point for the measurement of progress. The final outcome of the GP is to encourage social change and improve people's well-being. Other initiatives around the world are covering similar issues and it is essential that the GP will be in tune with these initiatives, especially those carried out under the auspices of official statistics. In particular, the "market niche" of the Project lies in addressing issues not yet covered elsewhere, evaluating whether a consensus can be reached on how to measure these items, and relying on Partners' constituencies (working groups, committees, etc.) to organise the development of handbooks and manuals and data collections for wider use, as well as in providing a network to discuss all of this work.

Some of the key messages of the CMEPSP are very close to those that led to the establishment of the GP and the list of key dimensions of well-being and quality of life developed by the CMEPSP is very similar to that included in the "Framework to measure the progress of societies" presented in this paper. Therefore, the recommendations of the CMEPSP have to be seen as complementary to those envisaged in the research agenda of the GP.

The recommendation of the CMEPSP will have an important impact on the long process of going “beyond GDP” and the GP – altogether with the OECD – will have a prominent role in fostering adequate follow-up actions and in building a consensus among National Statistical Offices and international organisation on the need to develop new measurement and analytical tools along some of the lines recommended by the Commission.

Appendix 1 Questions to measure institutional trust in various international surveys

Eurobarometer	WVS	Gallup
For each of them, please tell me if you tend to trust it or tend not to trust it?	<p>I am going to name a number of organisations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?</p> <p>Armed Forces Justice System</p>	<p>Do you have confidence in each of the following or not?</p> <p>The Military? Judicial system and courts?</p>
The National Government	The Government	National governments?
	<p>Banks</p> <p>Churches</p> <p>Television The Police Parliament Education System The Press Labour Unions</p>	<p>Honesty of election? Religious organisations (churches, mosques, temples, ecc.) the quality and integrity of the media Health care or medical system The local police force</p>
The Citizens Associations	The Civil Services	
The Committee of the Regions of the European Union	the Political Parties Major companies The Environmental Protection Movement	
The Convention on the future of the European Union	The Women's Movement The European Union	
The EC Council of Ministers	NATO Charitable or humanitarian organisations	
The European Central Bank	International Monetary Fund (IMF)	
The European Commission	Non governmental Organisations (NGOs)	
The European Court of Auditors	Religious Leaders	
The European Court of Justice		
The European Ombudsman		
The European Parliament		
The Public		
The Social and Economic Committee of the European Union		

The squared questions are those used for the calculation of the Gallup National Institutions Index (see pag.17).

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3.

Beyond GDP: creating indicators of sustainable well-being

*Nic Marks*¹

'The Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl... Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials...it measures everything, in short, except that which makes life worthwhile.'

Robert Kennedy, 1968

This paper proposes that national governments need to expand their national accounting methodologies to include new assessments of people's actual experience of modern life as well the underlying resilience and sustainability of the economic system. **nef** (the new economics foundation) has recently published two complimentary reports on this topic. *National Accounts of Well-being* was published in January 2009 and calls for Governments to regularly and systematically collect data on people's subjective well-being and published these as National Accounts of Well-being. Later in July 2009 **nef** published the second global *Happy Planet Index*, the HPI measures the ecological efficiency with which the world's nations deliver long and happy lives for their citizens; effectively a measure of sustainable well-being.

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Although these calls seem like a significant departure from conventional practice, in fact they represent a return to the original ethos of national accounting as it was first envisaged almost 75 years ago. In the 1930s, fledgling national accounts systems in both the US and Europe had an explicit focus on understanding and enhancing general welfare. The demands of wartime led to a change of emphasis toward maximising the productive capacity of the economy, at just the time when the accounting methods themselves were being refined and improved. In the aftermath of the Second World War, these same frameworks guided the shift into peacetime and become standardised, leaving us with a legacy of national accounting apparatus that prioritises gross productivity above all other considerations.

We now need to reclaim the true purpose of national accounts as initially conceived and shift towards more meaningful measures of progress and policy effectiveness which capture the richness of people's lived experience. This need is becoming increasingly urgent as we enter a period of increasing economic, social and environmental uncertainty.

Growing momentum

We are not alone in recognising the need for, and calling for, a new approach. There is a burgeoning international movement questioning the utility of economic indicators and exploring what it might mean to capture true measures of well-being, not simply wealth. In January 2008 the French President Nicholas Sarkozy set up a special commission on the measurement of economic performance and social progress. The Stiglitz commission, as it became known, reported in September 2009 calling precisely for new accounting systems that better assess distributional issues, sustainability and people's quality of life.² In addition the OECD continue to promote the idea that nations should

² To download the full Stiglitz Commission report see: <http://www.stiglitz-sen-fitoussi.fr/en/index.htm>

create new measures of progress and are holding a large international conference in Korea at the end of October 2009.³

Earlier, in 2005, the prominent UK economist Richard Layard called on governments to monitor the well-being of their citizens. Layard's highly influential book *Happiness* argued that the economic model of human nature used by policy-makers is 'far too limited' and that '[h]appiness should become the goal of policy, and the progress of national happiness should be measured and analysed as closely as the growth of GNP.'⁴

This is matched by considerable support among the public for governments to use broader measures of progress. A UK poll found 81 per cent of people supported the idea that the Government's prime objective should be the 'greatest happiness' rather than the 'greatest wealth'.⁵ Similarly, an international survey found that three-quarters of respondents believed that health, social and environmental statistics were as important as economic ones and should be used to measure national progress.⁶

Creating a system of National Accounts of Well-being, however, is an ambitious and significant undertaking that will ultimately require extensive co-operation between governments, academics, citizens and many others.

³ 3rd OECD World Forum, Busan, Korea - 27-30 October 2009. Global Project on "Measuring the Progress of Societies".
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⁴ Layard R (2005) *Happiness: Lessons from a new science* (London: Allen Lane) pp146–147.

⁵ Data from a poll carried out by GfK NOP in 2006 on behalf of the BBC, reported at
http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4771908.stm

⁶ Survey carried out in Australia, Brazil, Canada, France, Germany, the UK, India, Italy, Kenya and Russia by GlobeScan Incorporated for Ethical Markets Media between June and August 2007.
http://www.globescan.com/news_archives/emm_beyondgdp.htm

National Accounts of Well-being

The *National Accounts of Well-being* report aims to fundamentally re-evaluate orthodox ideas of what we should collectively value, and hence what we should measure. It lays out a framework for developing National Accounts of Well-being to provide:

- **A new way of assessing societal progress.** National Accounts of Well-being, by explicitly capturing how people feel and experience their lives, help to redefine our notions of national progress, success and what we value as a society.
- **A cross-cutting and more informative approach to policy-making.** The challenges now facing policy-makers, including the ‘triple crunch’ of financial crisis, climate change and oil price shocks, are unprecedented. Silo working has long been criticised; now – when the need for systemic change is clear and present – it must be overcome. National Accounts of Well-being – by capturing population well-being across areas of traditional policy-making, and looking beyond narrow, efficiency-driven economic indicators – provide policy-makers with a better chance of understanding the real impact of their decisions on people’s lives.
- **Better engagement between national governments and the public.** By resonating with what people care about, National Accounts of Well-being provide opportunities for national governments to reconnect with their citizens and, in doing so, to address the democratic deficit now facing many European nations.

A framework for National Accounts of Well-being

Well-being is most usefully thought of as the dynamic process that gives people a sense of how their lives are going through the interaction between their circumstances, activities and psychological resources or ‘mental capital’. Whilst a combination of objective and subjective factors are important for assessing well-being, it is the subjective dimensions which have, to date, been lacking in any assessment by national governments. National Accounts of Well-being address this gap.

The challenge is to match the multiplicity and dynamism of what constitutes and contributes to people's well-being with what gets measured. Our recommended framework for National Accounts of Well-being is therefore based on capturing:

- **More than life satisfaction.** Understanding subjective well-being as a multifaceted, dynamic combination of different factors has important implications for the way in which it is measured. This requires indicators which look beyond single item questions and capture more than simply life satisfaction.
- **Personal and social dimensions.** Research shows that a crucial factor in affecting the quality of people's experience of life is the strength of their relationships with others. Our approach, therefore, advocates a national accounting system which measures the social dimension of well-being (in terms of individuals' subjective reports about how they feel they relate to others) as well as the personal dimension.
- **Feelings, functioning and psychological resources.** The traditional focus on happiness and life satisfaction measures in well-being research has often led to an identification of well-being with experiencing good feelings and making positive judgements about how life is going. Our framework for National Accounts of Well-being moves beyond that to also measure how well people are doing, in terms of their functioning and the realisation of their potential. Psychological resources, such as resilience, should also be included in any national accounts framework and reflect growing recognition of 'mental capital' as a key component of well-being.⁷

These elements have been incorporated to produce empirical findings from a working model of National Accounts of Well-being. The findings are compiled from data collected in a major 2006/2007 European cross-national survey through a detailed module of well-being questions,

⁷ Foresight Mental Capital and Wellbeing Project (2008) *Final Project report* (London: The Government Office for Science).

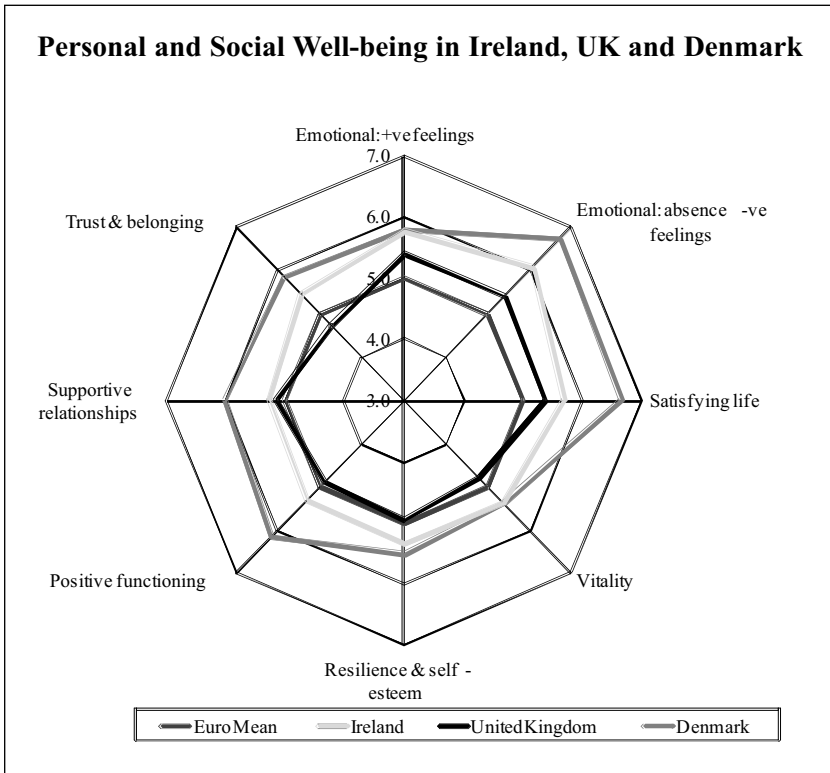
designed by the University of Cambridge, **nef** (the new economics foundation) and other partners. This represents the most comprehensive dataset on subjective well-being for any nation to date.

Our working model is built on two headline measures which capture personal well-being and social well-being, reflecting crucial aspects of how people experience their lives. Personal well-being is broken down into five main components with a number of subcomponents: emotional well-being (positive feelings and negative feelings); satisfying life; vitality; resilience and self-esteem (self-esteem, optimism and resilience); and positive functioning (which covers autonomy, competence, engagement, and meaning and purpose). Social well-being is made up of two main components: supportive relationships, and trust and belonging. In addition to these indicators, an example of a well-being indicator within a specific area of people's lives was also created – a satellite indicator of well-being at work. This measures job satisfaction, satisfaction with work-life balance, the emotional experience of work, and assessment of work conditions.

How does Ireland Fare?

To enable analysis of how different nations are faring in relation to their well-being, indicators were created by standardising and transforming the data so that all results are presented on 0–10 scales, with a score of 5 always representing the average score across the 22 European countries included in the dataset. In order to understand the constituents of well-being more fully, we developed diagrams – *Well-being Profiles* – which display the character of well-being for a particular country or group. Below is a diagram showing the well-being profile of Ireland in comparison to Denmark (the highest scoring nation in Europe) and the UK.

From this diagram it is possible to see that Ireland scores relatively well compared to both the European average and the UK. However there is still room for improvement as the profile of top ranking Denmark illustrates. Indeed Scandinavian countries are the top performers on



overall well-being, whilst Central and Eastern European countries have the lowest well-being. When combining personal and social well-being into an overall index of well-being for each country – using a weighting of 2:1 – we see that Denmark, Switzerland and Norway show the highest levels of overall well-being, whilst Central and Eastern European countries such as the Ukraine, Bulgaria and Hungary have the lowest. Ireland ranks 4th directly above even Sweden and Finland whereas the UK is only 13th out of 22 European nations. It is important to note however that these figures were scored using data collected in 2006/7 so well before the current economic crisis, and it is highly likely that some of these scores will have fallen in the meantime.

Happy Planet Index

As well as detailed measures of people's well-being we also suggest that in an age of such uncertainty, society globally needs a new compass to set it on a path of real progress. The Happy Planet Index (HPI) provides that compass by simply and clearly measuring what truly matters to us – our well-being – and what matters to the planet – our rate of resource consumption.

The HPI brings them together in a unique form which captures the ecological efficiency with which we are achieving good lives. The HPI was first launched in July 2006 as a radical departure from our current obsession with GDP. Working from first principles, the report identified health and a positive experience of life as universal human goals, and the natural resources that our human systems depend upon as fundamental inputs. A successful society is one that can support good lives that don't cost the Earth. The HPI measures progress towards this target – the ecological efficiency with which happy and healthy lives are supported. The first report resonated with hundreds of thousands of people around the world – within two days of its launch, the report was downloaded and read in 185 countries worldwide.

Three years on, HPI 2.0 was calculated with new improved data sets for 143 countries, covering 99 per cent of the world's population. Scores range from 0 to 100 – with high scores only achievable by meeting all three targets embodied in the index – high life expectancy, high life satisfaction, and a low ecological footprint.

The HPI urges us to question what is really valuable in life. It takes as its starting point two axioms. First, that happy and healthy lives are sought-after around the world. Secondly, that this should not be a privilege of the current generation – that future generations should also be able to pursue happy healthy lives. The HPI combines progress towards these two goals in a single figure. It really is as simple as that.

Readers who are familiar with sustainable development may immediately recognise similarities with the UN definition of sustainable development as:

...meet[ing] the needs of the present without compromising the ability of future generations to meet their own needs.⁸

The HPI adds to this definition, by incorporating, for the first time in the policy discourse around sustainability, measures of people's lived *experience* of their lives, rather than just external judgements made by experts.

Calculating the Happy Planet Index

How does one measure well-being in terms of happy and healthy lives? The health aspect is (relatively) straightforward – the best-known headline indicator being life expectancy at birth. For the 'happy part' whilst we would like to see detailed well-being accounts such as outlines above, the data does not really exist – particularly in terms of time series data. However extensive data has been collected in surveys worldwide, with some data going back forty years, on one fundamental aspect of well-being – life satisfaction.

Life satisfaction is typically measured with the following question:

All things considered, how satisfied are you with your life as a whole these days?

Responses are made on numerical scales, typically from 0 to 10, where 0 is dissatisfied and 10 is satisfied. Years of research have demonstrated that, despite its apparent simplicity, the question produces meaningful results.

⁸ UN World Commission on Environment and Development (1987) *Our common future* (Oxford: OUP).

We then combine the life satisfaction data with life expectancy to create what Dutch sociologist Ruut Veenhoven has called ‘happy life years’ – which can be seen as happiness-adjusted life expectancy.⁹ Doing so ensures both the subjective and objective elements of well-being are captured. It recognises that a satisfying life is not ideal if it is very short, but also that a long life is not ideal if it is miserable.

However the HPI is not simply an indicator of experienced well-being it also incorporates issues of futurity as no moral framework would accept high well-being if it was at the expense of others living today and/or future generations. Such considerations are particularly relevant where limited resources are required to support well-being. And the most finite limited resources that we currently rely on are natural ones.

It is not a simple matter to measure our impact on the planet. The best available approach is currently the ecological footprint, developed by ecologists Mathis Wackernagel and William Rees, and championed by a range of organisations including the Global Footprint Network and WWF.¹⁰ The ecological footprint of an individual is a measure of the amount of land required to provide for all their resource requirements plus the amount of vegetated land required to sequester (absorb) all their CO₂ emissions and the CO₂ emissions embodied in the products they consume. This figure is expressed in units of ‘global hectares’. The advantage of this approach is that it is possible to estimate the total amount of productive hectares available on the planet. Dividing this by the world’s total population, we can calculate a global per capita figure on the basis that everyone is entitled to the same amount of the planet’s natural resources. Using the latest footprint methodology – and it should be noted that this is a developing methodology – the figure is 2.1 global

⁹ It is similar to the concept of healthy life expectancy – Sullivan D (1971) A single index of mortality and morbidity *HSMHA Health Reports* **86**:347–354.

¹⁰ Wackernagel M and Rees W (1996) *Our ecological footprint: reducing human impact on the Earth* (Gabriola Island, Canada: New Society Publishers).

hectares.¹¹ This implies that a person using up to 2.1 global hectares is, in these terms at least, using their fair share of the world's resources – one-planet living.

In 2005, the per capita footprint for the rich OECD nations was 6.0 global hectares. The implication: we are living as if we had almost three planets' worth of resources. The figure for Ireland itself is even higher at 6.3 gHa. The average per capita footprint worldwide also highlights a serious problem. At 2.3 gHa it is just above the world's sustainable capacity, and has been since the mid-1980s. This ecological overshoot in part represents the unsustainable emission of CO₂ into the atmosphere at a rate faster than the planet can re-absorb it.

In essence, the HPI is an efficiency measure: the degree to which long and happy lives (life satisfaction and life expectancy are multiplied together to calculate happy life years) are achieved per unit of environmental impact

$$\text{Happy Planet Index} \sim \frac{\text{Happy Life Years}}{\text{Ecological Footprint}}$$

Note this is not a precise equation as there are certain statistical adjustments that are required to ensure that no single component dominates the indicator and to produce an easy-to-interpret figure ranging from 0 to 100.

¹¹ WWF (2008) *Living Planet Report 2008* (Gland, Switzerland: WWF). Note that in prior calculations, the per capita fair share was estimated as 1.8 global hectares – a figure which can still be seen widely.

The Happy Planet Index results

The results turn our idea of progress on its head. Whilst the HPI confirms that the countries where people enjoy the happiest and healthiest lives are mostly richer developed countries, it shows the unsustainable ecological price we pay. It also reveals some notable exceptions – less wealthy countries, with significantly smaller ecological footprints per head, having high levels of life expectancy and life satisfaction. In other words, it shows that a good life is possible without costing the Earth.

The table below shows HPI for a selection of 22 nations around the globe – the full HPI has 143 nations. As can be seen Ireland comes 78th in the rank order and its score is brought down by its high ecological footprint – in other words Ireland is ecologically inefficient at generating human well-being. If a comparison is made with Costa Rica then it can be immediately be seen that Costa Ricans and Irish citizens both have relatively happy and long lives, however the Costa Ricans are achieving theirs using about a third of the resources that the Irish do.

Whilst these sorts of comparisons are illuminating, it is also helpful to examine time trends and for some nations this is possible. In the full report a time series analysis is made of the OECD countries from 1960 – 2005, a 45 year period that has seen much global change including the rise and fall of the Berlin Wall and the invention of the computer. Just looking at the Irish data over this time it is possible to identify that people in Ireland are living approximately eight years longer, 78 years compared to 70 years in 1960. Whilst the happiness data does not extent right back to the 1960s for Ireland, it has been relatively stable since the early 1970s suggesting that there has been little increase over this time period. However Ireland's ecological footprint has risen from 4.0gha to 6.3gha. If one was to make a HPI for Ireland in 1960 it would have been about 46, whereas today Ireland's score is 42.6. So during a time when the world has become more aware of the finiteness of the planet's resources, Ireland has become less efficient at turning its use of resources into creating good lives for its citizens.

Countries	Life Sat	Life Exp	HLY	EF	=	HPI	HPI Rank
Costa Rica	8.5	78.5	66.7	2.3	=	76.1	1
Dominican Republic	7.6	71.5	54.2	1.5	=	71.8	2
Jamaica	6.7	72.2	48.5	1.1	=	70.1	3
China	6.7	72.5	48.6	2.1	=	57.1	20
India	5.5	63.7	35.1	0.9	=	53.0	35
Netherlands	7.7	79.2	61.1	4.4	=	50.6	43
Germany	7.2	79.1	56.8	4.2	=	48.1	51
France	7.1	80.2	56.5	4.9	=	43.9	71
United Kingdom	7.4	79.0	58.6	5.3	=	43.3	74
Japan	6.8	82.3	55.6	4.9	=	43.3	75
Ireland	8.1	78.4	63.8	6.3	=	42.6	78
Australia	7.9	80.9	63.7	7.8	=	36.6	102
Russia	5.9	65.0	38.1	3.7	=	34.5	108
USA	7.9	77.9	61.2	9.4	=	30.7	114
Nigeria	4.8	46.5	22.2	1.3	=	30.3	115
South Africa	5.0	50.8	25.2	2.1	=	29.7	118
Luxembourg	7.7	78.4	60.1	10.2	=	28.5	122
United Arab Emirates	7.2	78.3	56.2	9.5	=	28.2	123
Estonia	5.6	71.2	40.1	6.4	=	26.4	131
Botswana	4.7	48.1	22.6	3.6	=	20.9	141
Tanzania	2.4	51.0	12.5	1.1	=	17.8	142
Zimbabwe	2.8	40.9	11.6	1.1	=	16.6	143

The challenge for a country such as Ireland is clear in terms of a Happy Planet Index analysis. How can Ireland continue to make gains in terms of well-being whilst also learning to consume much fewer of the planet resources? In other words, how can they create great lives that don't cost the earth?

The reality is that we are likely to be entering a carbon-constrained world. Already the EU target is to cut CO₂ emissions by 80% by 2050 – ie in the next 45 years. This does not represent business as usual and all sectors of society are going to have to be very innovative. The full Happy Planet Index report outlines some examples of individuals, communities and governments that rising to this challenge and thereby provide clues as to how a happier planet might be co-created.

A crisis is a terrible thing to waste

Not since World War II has society globally been faced with so many threats. In the last few years we have driven straight into the wall of the biggest global economic downturn since the Great Depression of 1929, whilst mainstream culture has, at last, been rudely awoken to the ever-growing threats of climate change and the exhaustion of our natural resources. People fear for the future. Meanwhile, the problems that plagued us before, risk becoming even more acute: more than half the world's population lives on less than \$2.50 a day; inequality continues to rise even in richer countries.

And yet, with crisis comes opportunity. The dogmas of the last 30 years have been discredited. The unwavering pursuit of economic growth – embodied in the overwhelming focus on Gross Domestic Product (GDP) – has left over a billion people in dire poverty, and has not notably improved the well-being of those who were already rich, nor even provided us with economic stability. Instead it has brought us straight to the cliff edge of rapidly diminishing natural resources and unpredictable climate change.

No wonder that people are desperately seeking an alternative vision to guide our societies. In 2008, Americans voted for 'change' and 'hope' above else. Surely there has never been a time when the case for creating very different measures of human progress and policy evaluation has been more compelling. Let's not waste this crisis.

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For all other references and to download full reports see:

www.neweconomics.org

www.nationalaccountsowellbeing.org

www.happyplanetindex.org

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4.

Measuring Ireland's Progress

*Gerry O'Hanlon*¹

Introduction

The main purpose of this paper² is to discuss issues around the need for statistical indicators at national level; and to describe the institutional and political environment in Ireland which led to the publication of *Measuring Ireland's Progress* by the CSO in December 2003. I will also reflect on where the future role of the CSO might lie in the context of developing a set of broader statistical indicators that seek to incorporate more difficult-to-measure concepts such as sustainability and well-being.

The core business of National Statistical Institutes (NSIs) has always included the publication of key statistical indicators such as the Unemployment Rate or the Consumer Price Index. Measures such as these are developed according to statistical principles and definitions which are discussed and agreed at international level. In the years preceding the first issue of *Measuring Ireland's Progress* there was a huge increase in the demand for statistical indicators. Very often the indicators were specified without knowing whether the required data were available or feasible or useful for benchmarking the situation over time or across countries.

In the CSO we were concerned to try and put some kind of structure around the expectations that data for these indicators was readily

¹ Director General, CSO

² The author wishes to acknowledge the assistance of CSO Senior Statistician Gerry Brady in the preparation of this paper.

available or could be developed. At the time, the National Statistics Board was in the process of developing a new strategy for statistics, focussing on statistical needs to support better evidence based policy making. The NSB was concerned that one of the consequences of the proliferation of demands for indicators could be that public resources were at risk of being diverted into sub-optimal data collection projects. Early in 2003, in the context of the publication of the NSB Report *Developing Irish Social and Equality Statistics to meet Policy Needs*, the Government decided that the CSO should publish a National Progress Indicators report.

Social Partnership and Statistics

In 2002 the NESC published two reports dealing with statistical indicators - the first was set in the context of benchmarking the progress of the *Programme for Prosperity and Fairness* (the Social Partnership agreement from 2000 - 2002) and proposed 20 headline indicators and 60 background indicators; the second was set in the context of sustainable development and proposed 18 headline indicators and 12 background indicators. These reports arose from a realisation by participants in the Social Partnership process that they needed some way of tracking the outcomes of Partnership agreements in terms of progress towards a more equal society.

The 2003 national Social Partnership agreement had a number of specific references to the CSO, one of which was a request to the CSO to develop a set of national progress indicators (see Appendix 1). This, in conjunction with the Government decision, was the basis on which the CSO developed *Measuring Ireland's Progress*.

Development of Measuring Ireland's Progress

As previously mentioned, there already existed many proposed indicator sets. It was decided that the CSO would adopt a fourfold approach to the development of the new report:

- To publish the report in two volumes. Volume 1 would contain the numbers and Volume 2 would constitute a separate Background Report outlining the conceptual framework that informed the selection of domains and indicators;
- That the CSO would independently select the set of indicators to be included in this first report according to this framework and indicator review;
- To describe the choices made as a preliminary set of key national progress indicators for Ireland and to invite feedback following publication in order to give users the opportunity to influence future publications; and
- To keep the NSB well briefed on progress. The Board was supportive and encouraging; and the Department of the Taoiseach was a particularly strong ally.

Conceptual Framework - Volume 2 Background Report

This report described the purpose of a set of indicators as providing a synoptic, high level analysis of the economic, social and environmental situation in Ireland, intended to provide a context for broad discussions with the Social Partners and within society generally. The discussion also made it clear that the intention was to select a fairly manageable set of important indicators rather than a large set which might become unhelpful to inexperienced users. The CSO set an objective of producing a user-friendly report that would open the world of statistics to a very broad range of users including many persons who were not already regular users of CSO data.

Volume 2 provided information on the domains of policy interest, the headline indicators and background indicators (disaggregations) in: four national proposals (by NESC, the Competitiveness Council and the Combat Poverty Agency); five sets of indicators used by international bodies (EU, UN and OECD); and work by some other National Statistical Institutes (ONS (UK), CBS Netherlands and the Australian Bureau of Statistics). Users found this information very helpful as it put in context what the CSO was attempting to do and also illustrated fairly sharply the difficulties in trying to cope with an ever increasing number of indicators.

The domains of interest in some of the national and international indicators reports were compared and account was also taken of a social framework developed in an earlier NSB report. Ultimately ten domains were chosen as best fitting the Irish context and purpose of the report:

1 Economy	6 Health
2 Innovation and technology	7 Population
3 Employment and unemployment	8 Housing
4 Social cohesion	9 Crime
5 Education	10 Environment

The 108 chosen indicators were grouped within 48 themes within these domains. For example, there were ten indicators for Social cohesion grouped under the four themes - Voter turnout; Official development assistance; Risk of poverty; and Gender pay gap.

Criteria for selecting the Indicators

In the context of providing statistical information to show the outcomes in a number of priority areas for Irish society, it was decided to present a small number of high quality indicators in each of the ten domains of

interest. A European Commission report had identified seven criteria to be considered in assessing the quality of indicators:

- Easy to read and understand
- Policy relevant
- Mutually consistent
- Timely availability
- Comparable across countries
- Selected from reliable sources
- Not too large a response burden

The NSB, in its *Strategy for Statistics 2003-2008*, reiterated the need for a national progress indicators report and requested that the selected indicators should be consistent with international statistical concepts and facilitate international benchmarking. It was decided to present the indicators in the report in both a national and international context. The national context would typically be in a time series format. The international context was chosen to be the existing (at the time) fifteen EU countries and also the ten countries who at the time were hoping to join the EU.

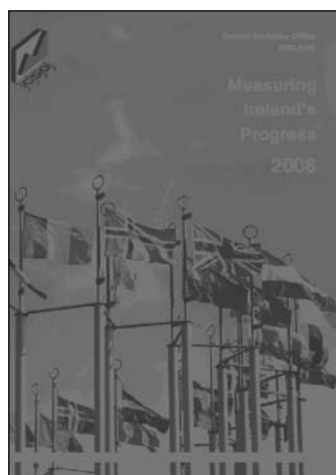
Launch of the Indicators Publication

The NSB had been considering strategies which would increase the use made of statistics in providing support to the formulation of policy and the monitoring of outcomes. The 2003-2005 Social Partnership agreement *Sustaining Progress* also requested the CSO to support a move towards more evidence based policy making by developing a set of national progress indicators. We decided to devise a release strategy which would maximise buy-in across a broad sweep of society. In discussions with the Department of the Taoiseach, it was decided that the Taoiseach and the Director General of the CSO would launch the report at a Social Partnership gathering. This function was well attended both in terms of numbers and in terms of people of influence

in a vast array of stakeholder organisations in Ireland. The publication had been developed for those users.

The Press Release which accompanied the report was prepared, without outside involvement, by the CSO and said that “the indicators presented in the report provide a mixed picture of Ireland’s performance and current well-being relative to other EU countries”. It went on to mention seven points “where Ireland is performing well” and nine points “where further progress is possible”. Even though it is exactly what is expected of the CSO in Ireland, this balance reinforced the role of the publication as being an objective, professional piece of work geared to support evidence based policy making at a high level.

The way in which the launch was handled ensured that the political system, policy makers, and the various interest groups were identified as having supported the need for the development of the publication. It could only have worked in this particular way because of the strong links between the Department of the Taoiseach and the NSB, NESC and Social Partnership.



There was a very positive media (press, radio and TV) reaction to the publication although, as seems to be the norm, there were more stories around the indicators where further progress is possible. In the months following publication the report was used in articles by economic and social commentators; and also in some parliamentary debates. Finally, the report was used by participants in the Social Partnership process, particularly those representing the disadvantaged or marginalised in society.

Looking back

The seventh version of the report was published in August 2009. Over that period the report has been nuanced but no very substantial changes have been made. Many of the indicator series have been extended to show a longer time series trend and some indicators have been replaced after better or more consistent data became available (e.g. poverty and crime). The changes to the set of indicators that have been made between the 2003 initial report and the latest 2008 report are summarised in Appendix 2. The report has been extensively covered by the media and many users of statistics have, over the years, complimented the CSO on the usefulness and accessibility of the report. At international level, the report attracted considerable attention and resulted in the Director General of the CSO being asked to deliver a keynote presentation at the inaugural OECD Forum on the Progress of Societies in 2004. The report also provided an impetus for other National Statistical Institutes to publish similar benchmarks of the situation in their own country.

IRISHTIMES.

Friday, October 16, 2009

Irish prices second highest in EU

DAVID LABANYI

Ireland was the second most expensive country for consumers in the EU in 2007, according to a report published today from the Central Statistics Office.

The *Measuring Ireland's Progress 2008* study examined a set of social and economic indicators and found prices were only behind those in Denmark, although it had the gross domestic product per capita, at 43 per cent average.

The study was part of the social partnership agreement (2005) which requested the CSO develop a set of 30 indicators and an index to measure the country's progress.

Herald.

SKIP LINKS

Wednesday August 12 2009

Ireland is the second most expensive country in the EU, according to a new report from the Central Statistics Office (CSO).

On a more positive note, the survey also reveals that Ireland has one of the highest levels of third-level education in the European Union.

The CSO's *Measuring Ireland's Progress 2008* covers a number of social and economic indicators and offers a snapshot of how Ireland compares with its EU neighbours.

In education, Ireland has the second highest level of third-level graduates among 25-34 year olds. However, when it comes to primary education, Ireland falls short – the average class size in this country is still the joint highest in the EU.

In research and development, Ireland still lags behind its EU neighbours with the number of patents registered at half the EU average.

Consumers in Ireland face the second highest price levels in the EU after Denmark.

The report also highlights the decline in

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Independent.ie

One in 20 lived boom in poverty

Wednesday August 12 2009

JUST Over 5pc of the population were living in consistent poverty as the Celtic Tiger boom was nearing its end.

Figures on Ireland's spending on social protection show that 40pc of the population were at risk of poverty in 2007 -- marginally better than the EU average of 43pc, according to the CSO figures.

Ireland's expenditure on social protection in 2006 was 18.2pc of GDP -- the eighth lowest reported of the 27 EU member states and well below the average of 26.9pc.

France topped the spending league with a GDP spend of 31.1pc on social protection, followed by Sweden (30.07pc) and Belgium (30.1pc).

The figures also show Ireland lagging way behind in social protection expenditure

IRISHTIMES.com

Irish Examiner.

High cost of living in Ireland highlighted

By R. O'BRIEN Social Affairs Correspondent

MEASURING IRELAND'S PROGRESS

IRELAND'S SOCIAL and economic highlights are laid bare in a new report by the Central Statistics Office charting the country's transition from a boom to a bust.

The report shows a country in rapid transition from one of the fastest growing in the world to one of the slowest.

Number of science, maths and tech PhDs above EU average

By Colleen Collins

Wednesday, August 12, 2009

A higher number of PhDs being awarded to students of science, maths and technology was above the EU average in 2006, according to the CSO's latest progress report.

Ireland spent less on research and development than the EU average in 2007 period.

The percentage of GDP this gap has been narrowing since 2002 when 1.33% of GDP was spent on research and development.

In 2007, this spend had increased to 1.31% with that for Sweden being 3.64%, Finland 3.47% and Austria 2.96% of GDP. Bulgaria, Slovakia and Cyprus were among the countries spending less than the Irish on research and development.

Example Indicators

This Section presents a small range of indicators from the 2008 publication. The examples include a table or graph illustrating the indicator and also the accompanying text describing the data.

The first example shows GDP per capita in purchasing power standards over the period 2004 to 2008. Data are given for the 27 EU members and for six additional European countries (Croatia, Iceland, Macedonia TFYR, Norway, Switzerland, and Turkey). Gross national income data for Ireland is also given as in most countries the figures for GDP and GNI are at similar levels whereas for Ireland there was a difference of around 14% in 2008. The countries are sorted in GDP per capita order in 2008 with Luxembourg at the top of the table. Romania and Bulgaria had the lowest GDP per capita in PPS in 2008 of the 27 member states. Immediately above them the next six countries all became members in 2004. The table shows that all but one of these eight countries improved their position from 2004 to 2008 relative to the EU 27 average. Metadata explaining the meaning of the terms used in the table, such as purchasing power standards, are given in an appendix of the report.

The next example (1.6) shows trends in the public balance between 1999 and 2008 as a percentage of GDP. These trends are benchmarked against the 3% of GDP deficit limit in the EMU Stability and growth Pact. The graph shows the sharp deterioration for Ireland in 2007 and 2008. The next example shows social protection expenditure as a percentage of GDP and hence both of these graphs are using GDP as the base.

The other examples show a selection of indicators from different domains (social cohesion, education, housing, crime and environment). The housing indicators show the numbers of dwelling unit completions over the period 1970-2008, the average value of a mortgage 1998-2007, and the mortgage interest rate 1998-2007. Graph 8.3 shows that mortgage interest rates fell sharply between 2001 and 2005 while the value of an average mortgage almost doubled over the same period.

1.3 EU: GDP per capita in Purchasing Power Standards, 2004–2008³*EU 27=100*

Country	2004	2005	2006	2007	2008
Luxembourg	253.4	254.0	267.0	267.2	258.4
Ireland (GDP)	142.0	144.1	147.3	150.2	143.1
Netherlands	129.2	130.8	130.9	130.9	132.2
Austria	126.8	124.7	124.3	123.8	124.8
Ireland (GNI)	121.8	123.6	128.0	127.7	121.5
Sweden	124.8	120.3	121.4	122.2	120.1
Belgium	120.7	119.4	118.4	118.0	118.5
United Kingdom	123.5	121.8	120.3	119.0	118.5
Denmark	125.7	123.6	122.9	120.0	117.1
Germany	116.4	116.9	115.7	114.7	115.6
Finland	116.2	114.1	114.8	115.8	115.5
France	110.0	110.6	109.1	108.9	108.1
Spain	101.0	102.0	104.0	105.4	104.2
EU 27	100.0	100.0	100.0	100.0	100.0
Italy	106.7	104.8	103.8	101.9	99.3
Greece	94.0	92.8	94.1	94.8	96.6
Cyprus	90.3	90.9	90.2	90.8	92.6
Slovenia	86.4	87.4	87.6	89.2	90.8
Czech Republic	75.1	75.8	77.4	80.2	81.3
Malta	77.2	78.2	76.7	77.9	79.0
Portugal	74.6	76.9	76.3	76.1	75.5
Slovakia	57.1	60.2	63.5	67.0	70.7
Estonia	57.2	61.1	65.3	67.9	65.1
Hungary	63.1	63.1	63.5	62.7	62.9
Lithuania	50.5	52.9	55.5	59.5	60.6
Poland	50.6	51.3	52.3	53.7	56.1

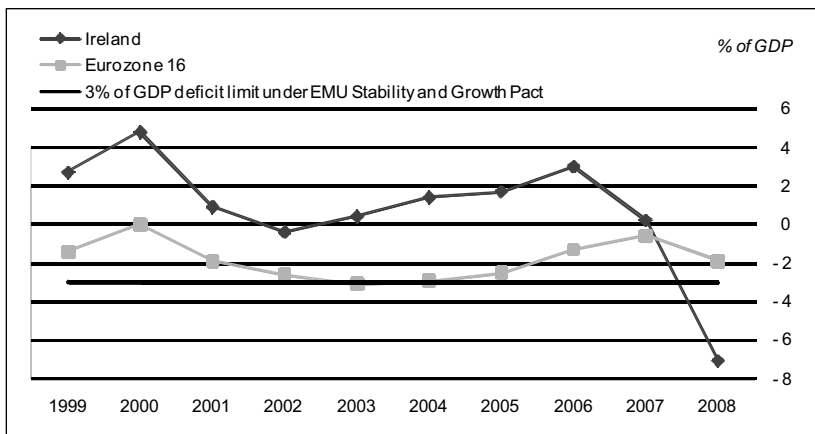
Latvia	45.7	48.6	52.5	57.9	55.1
Romania	34.1	35.0	38.3	42.1	44.9
Bulgaria	33.7	34.5	36.5	37.2	39.2
Norway	164.4	176.2	183.7	178.4	179.2
Switzerland	136.0	133.5	135.9	137.1	138.2
Iceland	131.1	130.4	123.7	119.1	117.6
Croatia	55.8	56.6	58.4	61.1	63.0
Turkey	37.3	40.4	42.6	44.7	44.4
Macedonia, TFYR	26.6	28.5	29.4	31.2	32.5

Source: Eurostat

- In 2008, Ireland had the second highest GDP per capita within the EU 27, expressed in terms of purchasing power standards. GDP per capita in Ireland increased from 42% above the EU 27 average in 2004 to 50.2% above in 2007, before falling back to 2004 levels (43.1% above the EU 27 average) in 2008 (see Table 1.3).
- The pattern of GNI per capita in Ireland is similar; it rose from 21.8% above the EU 27 average in 2004 to 27.7 % above in 2007, falling back to 21.5% in 2008.
- The twelve new EU Member States were all below the EU 27 average in 2008. However, most have shown an improvement over the 2004-2008 period (see Table 1.3).

³ 2008 data are forecasts, data for 2007 for Romania and Turkey are forecasts. Break in series in 2004 for Belgium and France.

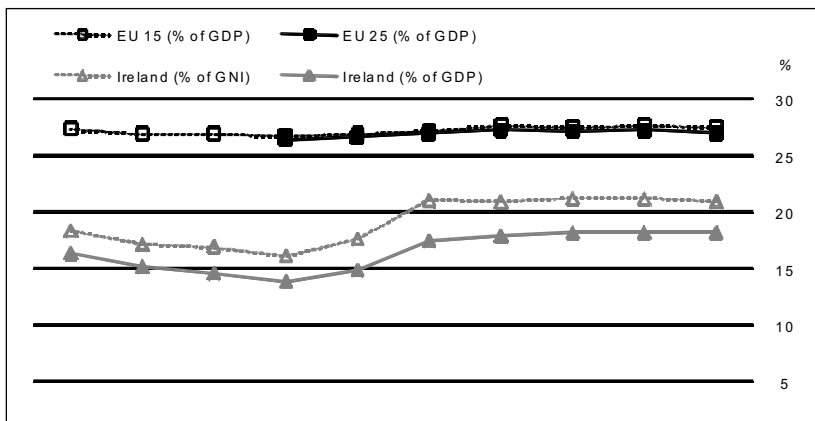
1.6 Ireland and Eurozone: Public balance, 1999–2008



Source: Eurostat, CSO National Accounts

- The public balance in 2008 fell sharply to -7.1% of GDP, exceeding the 3% of GDP deficit limit in the EMU Stability and Growth Pact. With the exception of 2002, when a small deficit was recorded, the public balance in Ireland had been in surplus each year over the period 1999 to 2007 (see Graph 1.6).

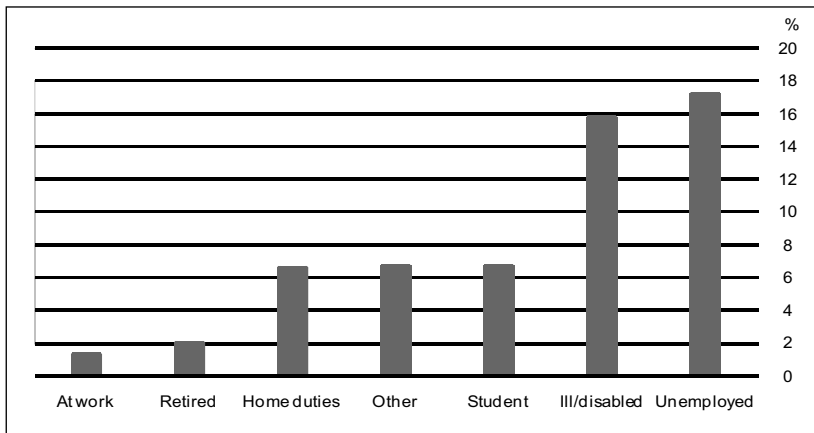
4.1 Ireland and EU: Social protection expenditure⁴, 1997–2006



Source: Eurostat, CSO National Accounts

- Social protection expenditure⁵ as a proportion of GDP was lower in Ireland over the period 1997-2006 than in the EU 15 and EU 25 Member States. Expenditure in Ireland decreased from 16.4% of GDP in 1997 to 13.9% in 2000, but subsequently increased over the following years to stand at 18.2% in 2006 (see Graph 4.1).

4.7 Ireland: Persons in consistent poverty⁶ by principal economic status, 2007



Source: CSO, EU SILC

- In 2007, 17.2% of unemployed persons were in consistent poverty, compared with 1.3% of people at work. One in six (15.8%) of ill or disabled people were experiencing consistent poverty (see Graph 4.7).

⁶ Percentage of persons aged 16 and over in 'consistent poverty' at 60% level using basic life-style deprivation indicators. Data for the category 'Other' is unreliable due to the small sample size.

5.6 Ireland: Persons aged 25–34 with 3rd level⁷ education, 2000–2008

% of population aged 25-34

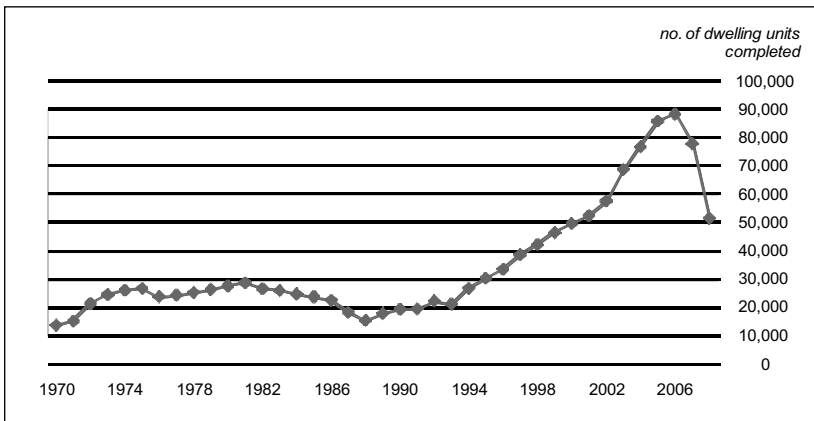
Year	Persons	Males	Females
2000	29.0	27.5	30.5
2001	31.9	29.8	34.0
2002	34.8	31.5	38.0
2003	36.8	34.4	39.2
2004	39.5	36.2	42.8
2005	39.2	34.8	43.7
2006	40.0	33.4	46.8
2007	41.3	35.1	47.7
2008	42.3	34.9	49.9

Source: CSO QNHS

- Over the period 2000-2008, the proportion of females aged 25-34 in Ireland with 3rd level education rose from 30.5% in 2000 to 49.9% in 2008. Over the same period, the rate for males increased from 27.5% to 36.2% in 2004 before falling back to 33.4% in 2006 and then increasing to 34.9% in 2008 (see Table 5.6). The widening gap reflects the increasing tendency for females to remain in education for longer than males.

⁷ ISCED 97 levels 5-6.

8.1 Ireland: Dwelling unit completions, 1970–2008⁸

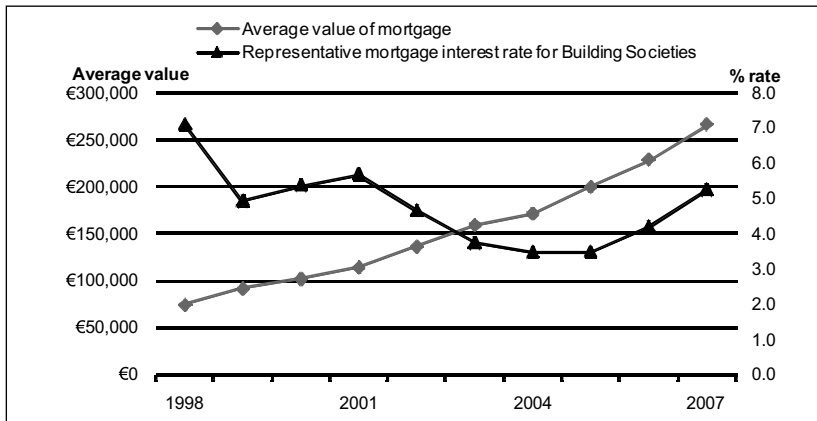


Source: Department of the Environment, Heritage and Local Government, CSO

- There were 13,887 dwelling unit completions in 1970. This figure gradually rose to 28,917 in 1981 before falling to 15,654 in 1988. Since then it has increased sharply to peak at almost 90,000 in 2006. The number of completions however has nearly halved since then to stand at 51,724 in 2008 (see Graph 8.1 and footnote).

⁸ House completions data series are based on the number of new dwellings connected by ESB Networks. These represent the number of homes completed and available, and do not reflect any work-in-progress. ESB Networks indicated that there was a higher backlog in work-in-progress in 2005 than usual (estimated as being in the region of 5,000 units). This backlog was cleared through the connection of an additional 2,000 houses in Q1 2006 and 3,000 houses in Q2 2006. CSO amended the 2005 and 2006 completion figures accordingly.

8.3 Ireland: Housing loans paid⁹, 1998-2007

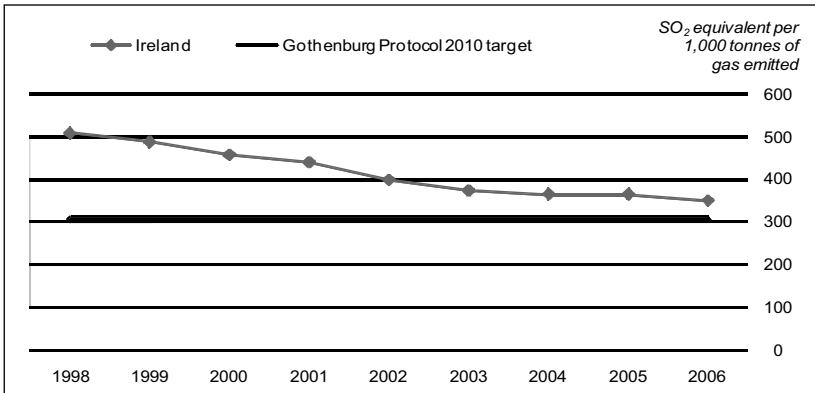


Source: Department of the Environment, Heritage and Local Government

- The average value of a new housing loan in Ireland rose from €74,700 in 1998 to €266,400 in 2007. Between 1998 and 2004 mortgage interest rates fell (from 7.1% to 3.48%) but have since risen, reaching 5.25% in 2007. The number of loans taken out for housing rose from 61,407 in 1998 to a peak of 111,253 in 2006 before falling back to 84,286 in 2007 (see Table 8.3).

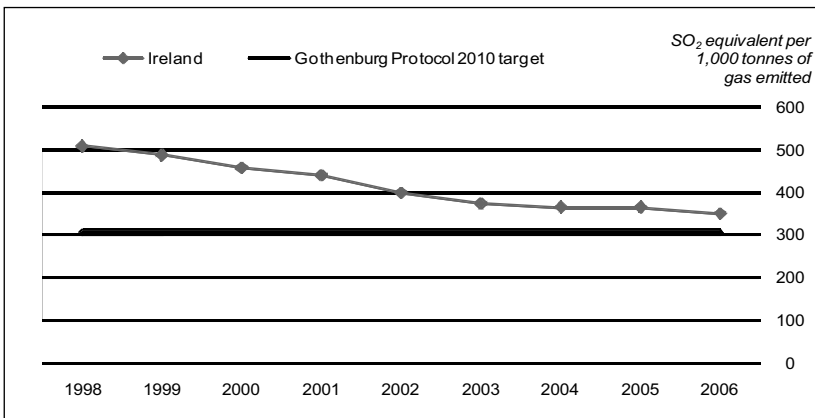
⁹ These data contain an unquantified element of refinancing of existing mortgages (e.g. involving the redemption of an existing mortgage and its replacement with a mortgage from a different lender).

9.4 Ireland: Murders recorded, 2003–2007



- The number of murders recorded in Ireland was 77 in 2007. Men were the victims in over 80% of these murders. The number of male victims of murder has risen steadily since 2004, when 23 males were murdered, to 63 murders in 2007. The female figure has remained more stable over the period (see Graph 9.4).

10.7 Ireland: Acid rain precursor emissions, 1998–2006



- The level of acid rain precursor emissions in Ireland has been decreasing since 1998, from 509.5 SO₂ equivalent per 1,000 tonnes of gas emitted to 351.7 in 2006. The decrease is mainly

due to lower levels of sulphur dioxide emissions (see Graph 10.7).

- The Gothenburg Protocol 2010 target emissions level is 306. In 1998, Ireland's emissions were 66% above this target, but by 2006 the levels had reduced to 15% above the target (see Graph 10.7).

Filling the gaps – thematic reports

When Measuring Ireland's Progress was published it was seen as a broad report covering important aspects of the economic, social and environment domains. There was an aspiration to cover the social domain more thoroughly by using some of the nine equality grounds as the basis for a series of largely census of population based thematic reports. The first of these was Women and Men in Ireland which was published in 2004. Equality in Ireland and Ageing in Ireland followed in 2007. A Regional Quality of life in Ireland report was published in 2008 and finally a Children and Young People's report in 2009. These reports presented a broad range of indicators in a very accessible format. All of our reports are available free of charge on our website both in pdf and excel formats.

In 2003, in the context of the publication of the NSB Report *Developing Irish Social and Equality Statistics to meet Policy Needs*, the Government also decided that the National Economic and Social Council (NESC) should take the lead role in the preparation and dissemination of a periodic overall social report. This report Well-being Matters: A Social Report for Ireland was published in October 2009, inter alia, building upon the suite of CSO indicator reports. The NESC report is however very different in nature to the indicator reports as the purpose is to analyse key social trends to inform social policy and well-being in Ireland. Thus the report focuses on the conclusions to be drawn from the data.

Future CSO work

It was always intended that Measuring Ireland's Progress would develop over time as new priorities emerged and new indicators became available from data sources such as the EU Survey of Income and Living Conditions and the modules from the Quarterly National Household Survey. This development work has been done on an incremental basis up to now but a number of initiatives, some of which are the focus of today's discussion, are pointing towards a more fundamental and wide ranging review in the near future.

In the Government 2008 report *Building Ireland's Smart Economy*, the CSO was requested to: “**develop more comprehensive measures of Sustainable Development in Ireland to take account, in particular, of the environmental impact of economic development**”. The current situation with respect to the development of a national sustainable development indicators report is quite similar to that which prevailed around 2002 in relation to a set of national progress indicators:

- There are various international sustainable development indicator sets available;
- Comhar has developed headline, national and local sets in much the same way as NESC did in relation to the progress indicators; and
- There is a considerable amount of international statistical research being undertaken into the conceptual development of a core set of SDI indicators based on the use and availability of the various forms of capital resources (i.e. natural capital, physical capital, human capital and social capital).

The CSO is monitoring these developments and, taking into account any follow-on activity at EU level stemming from the recent Communication from the Commission to the Council and Parliament on “GDP and beyond, Measuring progress in a changing world” (COM (2009) 433), will develop an appropriate set for national purposes.

Many of these indicators are, of course, already included in Measuring Ireland's Progress and the question therefore arises as to whether the expanded set can be accommodated within the existing publication or whether a separate release will be required.

With regard to the measurement of well-being, the OECD Global Project and the recently published report of the "Commission on the Measurement of Economic Performance and Social Progress", which was established by President Sarkozy and jointly chaired by Joseph Stiglitz and Amartya Sen, will undoubtedly have a major impact on the response of the official statistical community. For example, a high level committee is about to be formed within the European Statistical System to consider the implications of the latter report for European Statistics. Since the programme for European Statistics is the main driver of our national statistical system any developments at EU level will automatically be reflected in CSO outputs.

Technological developments in the presentation and dissemination of statistics will also have a bearing on the format and means of delivery of future editions of Measuring Ireland's Progress. For example, the current CSO policy is to put much greater emphasis on electronic dissemination. For many statistical releases electronic dissemination will be the default option with hard copies provided only on demand.

The CSO would welcome the views of users on these potential developments. The timetable for introducing significant developments, however, will be determined very much by the availability of resources and competing priorities. In common with all other public agencies, the CSO's budget will be under significant strain in the short to medium term. In this context, the identification of areas of lower priority, in particular where statistics may no longer be as relevant as in the past, is of significant importance to the Office in its forward planning.

Appendix 1: References to statistics in Social partnership Agreement

Programme for Competitiveness and Work (1994)

- 1.66 Resources within the Central Statistics Office will be reallocated or increased, where appropriate, so as to allow for the improved collection and compilation of service statistics, which will be required for the services information base that it is proposed to establish.

Partnership 2000 for Inclusion, Employment and Competitiveness (1997)

- 5.11 The development of statistical methods to evaluate the full extent of the contribution of unpaid work, mainly done by women and their contributions to the national economy, including their contribution in the unremunerated and domestic sectors, will be undertaken during the course of this Partnership. The CSO will undertake a pilot study based on a time-use survey during 1997 as the first stage of this process.

Programme for Prosperity and Fairness (2000)

10. NESC will be requested to consider the development of a framework by June 2001 to bring into operation national progress indicators to measure economic, social and environmental development. This will encompass the availability and use of new forms of data sources, including Time Use Surveys, National Household Accounts and National Satellite Accounts.
12. A co-ordinated strategy including the relevant Government Departments, the Equality Authority and the Central Statistics Office will develop a system for the collection and dissemination of disaggregated data for women and, in relation to health, education and training, for Travellers.

21. The Department of Justice, Equality and Law Reform will put arrangements in place to review and identify key statistical needs in relation to people with disabilities or categories of people with disabilities for the purposes of informing policy, planning and the delivery of services.

Sustaining Progress (2003)

The key national economic and social development tasks to be accomplished relate to the following priorities, as agreed between the social partners, are as follows ... Progress in this regard will be monitored having regard to National Progress Indicators proposed by the NESC and being further developed by the Central Statistics Office.

- 1.14 The strengthening of information systems to enable services to be delivered on the basis of the best available evidence and knowledge, including financial management and evaluation systems, will command a high priority so that value for money and quality of outcomes can be better assessed across the public service and service planning can be further enhanced.
- 5.1.2 put in place the data framework to support evidence based policy making, as well as the critical evaluation, monitoring and review of social inclusion programmes and initiatives;

The CSO will develop, under the guidance of the National Statistics Board (NSB) and the Cabinet Committee on Social Inclusion, a framework for social and equality statistics. The NSB will work with a range of interested parties, including the social partners, in developing this initiative.

The CSO will take a lead role in the development of the potential of administrative data across Government Departments and Agencies in conjunction with the Senior Officials Group on Social Inclusion.

A set of national progress indicators will be developed by the

CSO building on Benchmarking the PPF (NESC 107) and National Progress Indicators (NESC 108) reports.

17.6 The recent CSO Survey of Pension Coverage (Quarterly National Household Survey 1st Quarter, 2002) has provided statistics which will enable the Pensions Board and others to measure and track the trends in coverage. It will also enable the extent and effects of the introduction of PRSAs to be monitored. The full Survey should be repeated at regular four-year intervals, commencing in the first quarter of 2006; and the first two questions (providing overall coverage figures) should be asked every second year commencing in the first quarter of 2004. Having a full report in 2006 will also link in with the Minister's statutory obligations (as per the Pensions Act, 2002, Part X), to report on the development of occupational and other pensions three years after the introduction of PRSAs.

Appendix 2: Indicators comparison 2003 and 2008

Domain theme	Indicator 2003	Changes 2008
1 Gross domestic product	1.1 Ireland: GDP and GNI at current market prices, 1993-2002 1.2 EU: GDP and GNI at current market prices, 2002 1.3 EU: GDP per capita in Purchasing Power Standards, 2000-2002	1999-2008 2008 2004-2008
2 Government debt	1.4 Ireland and Eurozone 12: General government consolidated gross debt, 1993-2002 1.5 EU: General government consolidated gross debt, 2000-2002	1999-2008 2004-2008
3 Public balance	1.6 Ireland and Eurozone 12: Public balance, 1996-2002 1.7 Ireland: Central and Local Government current expenditure, 1992-2001 1.8 EU: Public balance, 2000-2002	1999-2008 1998-2007 2004-2008
4 Gross fixed capital formation	1.9 Ireland and EU 15: Gross fixed capital formation, 1993-2002 1.10 EU: Gross fixed capital formation, 2000-2002	1999-2008 2004-2008
5 International transactions	1.11 EU: Current account balance, 2000-2002 1.12 EU: Direct investment flows, 2002	2004-2008 2007-2008
6 International trade	1.13 EU: Exports of goods and services, 2000-2002 1.14 EU: Imports of goods and services, 2000-2002	2004-2008 2004-2008
7 Exchange rates	1.15 International: Bilateral euro exchange rates, 1999-2002 1.16 Ireland: Trade weighted competitiveness indicator, 1999-2002	1999-2008 Harmonised competitiveness indicator 1999-2008
8 Interest rates	1.17 Eurozone 12: Convergence of interest rates for short-term loans to enterprises, 1993-2002	Eurozone: Convergence of interest rates for loans to non-financial corporations, 1999-2008

Domain theme	Indicator 2003	Changes 2008
	1.18 EU: Annual interest rates for short-term loans to enterprises, 2000-2002	Eurozone: Interest rates for short-term loans (new business) to non-financial corporations, 2007-2008
9 Harmonised Index of Consumer Prices	1.19 Ireland and EU 15: Harmonised Index of Consumer Prices, 1996-2002 1.20 EU: Harmonised Index of Consumer Prices, 2000-2002	1999-2008 2005-2008
10 Price levels Regional Income	1.21 Ireland and EU 15: Comparative price levels of final consumption by private households including indirect taxes, 1992-2001 1.22 EU: Comparative price levels of final consumption by private households including indirect taxes, 1999-2001 1.23 Ireland: Gross Value Added per capita by region, 2002-2006 1.24 Ireland: Disposable income per capita by region, 2002-2006	1998-2007 2003-2007
11 Science and technology graduates	2.1 Ireland: Science and technology graduates, per 1,000 of population aged 20-29, 1993-2001 2.2 EU: Mathematics, science and technology PhDs awarded per 1,000 of population aged 25-34, 2000-2001	1997-2006 2002-2006
12 Research and development expenditure	2.3 Ireland and EU 15: Gross domestic expenditure on R&D, 1992-2001 2.4 EU: Gross domestic expenditure on R&D, 1991-2001	1998-2007 1997-2007
13 Patent applications	2.5 Ireland and EU 15: Applications to the European Patent Office, 1992-2001 2.6 EU: Applications to the European Patent Office, 2001	1996-2005 2005
14 Household internet access	2.7 Ireland: Private households with internet access, 1998-2003 2.8 EU: Private households with internet access, 2002	1998-2008 2004-2008

Measuring Ireland's Progress

Domain theme	Indicator 2003	Changes 2008
15 Employment rate	3.1 Ireland: Employment rates, 1994-2003 3.2 EU: Employment rates by sex, 2002	1999-2008 2007
16 Labour productivity	3.3 Ireland: GDP and GNI in PPS per hour worked and per person employed, 1993-2002 3.4 EU: GDP in PPS per person employed, 2001	1998-2008 2008
17 Unemployment rate	3.5 Ireland and EU 15: Unemployment rates, 1993-2002 3.6 EU: Unemployment rates by sex, 2002 3.7 Ireland and EU 15: Long-term unemployment rates, 1992-2001 3.8 EU: Long-term unemployment rates by sex, 2001	1999-2008 2008 1999-2008 2007
18 Jobless households	3.9 Ireland: Population aged 18-59 living in jobless households, 1993-2002 3.10 EU: Population aged 18-59 living in jobless households, 2000-2002	1998-2007 2003-2007
19 Older workers	3.11 EU: Employment rate of workers aged 55-64 by sex, 2001 3.12 EU: Average exit age from the labour force by sex, 2001	2007 2007
20 Voter turnout	4.1 Ireland: Numbers voting in Dáil elections, 1973-2002 4.2 EU: Votes recorded at national parliamentary elections, 1981-2002	1973-2007 1983-2008
21 Official development assistance	4.3 Ireland: Net official development assistance, 1993-2002 4.4 EU: Net official development assistance, 2001	1998-2007 2003-2007
22 Risk of poverty	4.5 Ireland: At risk of poverty rate, 1995-2000 4.6 EU: At risk of poverty rate, 2000 4.7 Ireland: Persons experiencing consistent poverty, 1998-2001 4.8 EU: At persistent risk of poverty rate, 2000 4.9 EU: At risk of poverty rate anchored at a moment in time, 1996-2000	Dropped 2007 Ireland: Persons in consistent poverty by age and sex 2006-2007 Dropped Dropped

Domain theme	Indicator 2003	Changes 2008
23		Ireland: At risk of poverty rates by age and sex , 2006-2007
24		Ireland: Persons in consistent poverty by principal economic status 2007
25 Gender pay gap	4.10 EU: Female earnings as proportion of male earnings, 1998-2000	2002-2007
26 Education expenditure	5.1 Ireland: Real non-capital public expenditure on education, 1998-2002 5.2 Ireland: Student numbers by level, 1994-2002 5.3 EU: Public expenditure on education, 1998-2000	1998-2007 1998-2008 2004-2006
27 Pupil-teacher ratio	5.4 EU: Ratio of students to teachers, 2001 5.5 EU: Average class size at ISCED levels 1 and 2, 2001	2005/2006 2005/2006
28 Third level education	5.6 Ireland: Persons aged 25-34 with 3 rd level education, 1999-2002 5.7 EU: Persons aged 25-34 with 3 rd level education by sex, 2002	2000-2008 2008
29 Literacy education	5.8 Ireland: Student performance on the combined reading, mathematical and scientific literacy scales by sex, 2000 5.9 EU: Student performance on the combined reading, mathematical and scientific literacy scales, 2000	2006 2006
30 Early school leavers	5.10 Ireland: Early school leavers by labour force status and sex, 2002 5.11 Ireland: Proportion of the population aged 20-64 with, at least, upper secondary education, 2002 5.12 EU: Early school leavers, 2002	2008 2008 2007
31 Health care expenditure	6.1 Ireland: Non-capital public expenditure on health care, 1993-2002 6.2 EU: Total expenditure on health as percentage of GDP, 1998-2000	1997-2006 2004-2006
32 Life expectancy	6.3 Ireland: Life expectancy at birth and at age 65 by sex, 1925-1997 6.4 EU: Life expectancy at birth by sex, 2001	1925-2007 2007

Measuring Ireland's Progress

Domain theme	Indicator 2003	Changes 2008
33 Population distribution	7.1 Ireland: Population distribution by age group, 1994-2003	1999-2008
	7.2 Ireland: Household composition, 1994-2003	1999-2008
	7.3 EU: Population change, 1992-2001	1998-2008
34 Migration	7.4 Ireland: Migration and natural increase, 1994-2003	1999-2008
	7.5 Ireland: Immigration by country of origin, 1994-2003	1999-2008
	7.6 Ireland and EU 15: Rate of natural increase of population, 1993-2002	1998-2007
35 Age of population	7.7 Ireland: Average age of population for census years by sex, 1926-2002	Dropped
	7.8 Ireland: Age dependency ratio, 1994-2003	1999-2008
	7.9 EU: Young and old as proportion of population aged 15-64, 2001	2008
36 Fertility	7.10 Ireland and EU 15: Total fertility rate, 1992-2001	1998-2007
	7.11 EU: Total fertility rate, 1991-2001	1997-2007
37 Lone parent families	7.12 Ireland: Lone parent families with children aged under 20 by sex of parent, 1994-2003	1999-2008
	7.13 Ireland: Adult members of family units, 1994-2003	Dropped
38 Persons aged 65 and over living alone	7.14 Ireland: Persons aged 65 and over living alone by sex, 1994-2003	1999-2008
39 Dwelling completions	8.1 Ireland: Dwelling unit completions, 1993-2002	1970-2008
40 Owner-occupiers	8.2 EU: Owner-occupiers, 1995-2000	Dropped
	8.3 Ireland: Nature of occupancy of private households, 1961-2002	1961-2006
41 Mortgages	8.4 Ireland: New housing loans, 1993-2002	1998-2007
	8.5 EU: Annual average interest rates for mortgages, 2000-2002	Eurozone: Interest rates for household mortgages (new business) 2004-2008
42 Headline offences	9.1 Ireland: Headline offences detection rates by Garda Division, 2000-2002	Ireland: Incident detection rates by Garda Division 2003-2007

Domain theme	Indicator 2003	Changes 2008
	9.2 Ireland: Headline offences recorded by Garda Division, 2002	Ireland: Recorded incidents by Garda Division 2007
	9.3 Ireland: Indictable/headline offences recorded, 1970-2002	Ireland: Recorded incidents per 1,000 population 2003-2007
43 Homicide rate	9.4 Ireland: Homicides recorded, 1970-2002	Ireland: Murders recorded 2003-2007
	9.5 EU: Homicide rate per 100,000 population, 2000-2002	Dropped
44 Greenhouse gases	10.1 Ireland: Total net greenhouse gas emissions (based on CO ₂ equivalents), 1990-2001	1998-2007
	10.2 EU: Net greenhouse gas emissions, 2000, and Kyoto 2008-2012 target	2006
45 Energy intensity of economy	10.3 Ireland: Gross inland consumption of energy at constant 1995 prices, 1992-2001	1998-2007
	10.4 EU: Gross inland consumption of energy at constant 1995 prices, 2000	2007
46 River water quality	10.5 Ireland: River water quality, 1987-2000	1987-2006
47 Urban air quality	10.6 Ireland: Smoke concentrations in urban areas, 1985-2001	Ireland: Particulate matter in urban areas 1997-2007
48 Acid rain precursors	10.7 Ireland: Acid rain precursor emissions, 1999-2001	1998-2006
	10.8 Ireland: Acid rain precursor emissions, 1992-2001	1998-2006
49 Waste management	10.9 Ireland: Waste collected and landfilled by type, 1998-2001	2005-2007
	10.10 EU: Municipal waste collected and landfilled, 2000	2007
50 Transport	10.11 Ireland: Private cars under current licence, 1993-2002	1998-2007
	10.12 EU: Passenger cars per 1,000 population, 2000	2003-2007
	10.13 Ireland and EU 15: Share of road in total inland freight transport, 1991-2000	1998-2007
	10.14 EU: Share of road in total inland freight transport, 1999-2001	2003-2007
	10.15 Ireland and EU 15: Index of inland freight transport volume, 1992-2001	1998-2007
	10.16 EU: Index of inland freight transport volume, 1999-2001	2003-2007

5.

Well-being Matters in Measuring Social Progress

Helen Johnston¹

Introduction

Unlike most other countries which measure social progress using GDP or GNP, Bhutan, the small Buddhist country in the Himalayas, uses Gross National Happiness (GNH) as its national progress indicator. Their rationale for using GNH is to ensure that prosperity is shared across society and that growth is balanced with preserving cultural values, conserving the natural environment and establishing good governance.

Canada is another country looking beyond GDP. Canada is currently developing a Canadian Index of Well-being (CIW) as an alternative to GDP. When the CIW is fully developed it will combine 8 domains—of living standards, healthy population, time use, ecosystem health, educated populace, community vitality, civic engagement, and arts, culture, recreation—into one index.²

The New Economics Foundation in the UK³ has produced a set of ‘National Accounts of Well-being’ which provides a cross-country comparison of how people feel and experience their lives through measures of personal and social well-being. Personal well-being measures people’s experiences of their positive and negative emotions,

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² The composite indicator is scheduled for release in 2010. Information is available from the Canadian Institute of Well-being at www.ciw.ca.

³ The New Economics Foundation (NEF) is a registered charity and independent ‘think tank’.

satisfaction, vitality, resilience and self esteem, and sense of positive functioning in the world. Social well-being measures people's experiences of supportive relationships, sense of trust and belonging with others.

In September 2009 the Commission on the Measurement of Economic Performance and Social Progress, established by French President Nicolas Sarkozy, and chaired by the Nobel Prize Winning Economist Professor Joseph Stiglitz, reported. The Commission's report identifies the limits of GDP as an indicator of economic performance and social progress, suggesting that social progress is better captured in a multidimensional measure such as well-being. The Commission distinguishes between an assessment of current well-being and its sustainability over time.

These are just some of the alternative measures to GDP/GNP being used or being developed. To date, Ireland has relied mainly on GDP/GNP although the Central Statistics Office has been publishing a 'suite of indicators' in its *Measuring Ireland's Progress* reports since 2003. Its latest report for 2008 includes indicators on education, health, housing, crime, the environment and social cohesion as well as employment, innovation and the economy. Children's well-being indicators are published in the *State of the Nation's Children* reports published by the Office of the Minister for Children and Youth Affairs. Drawing on this work NESC published its recent report on *Well-being Matters: A Social Report for Ireland*.

Reporting on Social Progress in Ireland

The idea of a social report was first suggested by NESC in 1977. At that time it was envisaged that a social report could highlight social problems making possible more informed judgements about national priorities. By providing insights into the progress of different measures of national well-being a social report could assist in the evaluation of what state

programmes are achieving. More recently, following a recommendation by the National Statistics Board, the government requested that NESC take a lead role in the preparation and production of an overall social report.

In October 2009 NESC published the *Well-being Matters* report which seeks to fulfil that government request, based on the original ideas. The purpose of the report is to analyse and interpret key social trends to inform social policy and well-being in Ireland. The approach adopted reflects the public mood in seeking to know the societal outcomes of the economic boom years and how we should design our policies for the future.

The focus of the *Well-being Matters* report is on individuals and their capabilities, how they relate with those around them (families, communities) and on their role within the wider societal system (economic, social and cultural systems). The work acknowledges the diversity of the population and the challenge of a developmental approach to unlocking the potential of each individual. This focus is very much in line with the current policy framework *Towards 2016* which adopts a life cycle approach, placing the citizen at the centre of social policy.

Why Well-being?

A well-being framework was used for a number of reasons:

- i) Something more than GDP is required to measure social progress;
- ii) Because of the central role of people in economic and social progress;
- iii) Because people care about their well-being; and
- iv) To assist in monitoring the impact of policy actions on policy outcomes.

Internationally, there is increasing interest in, and analysis of, human well-being and the economic, social, environmental and psychological factors

that contribute to it. Current thinking suggests that to measure social progress and national well-being we need something more than GDP/GNP. There are two particular limitations of GDP/GNP as a measure of social well-being. (i) It is a one-dimensional indicator that ignores many dimensions that are recognised as essential for well-being, such as, children's education, and loving relationships. (ii) As an additive measure (ie. the sum of different incomes) GDP ignores the many complexities in the relation between individual well-being and collective well-being.

Secondly, it is the qualities of people which are central to the progress of the Irish economy and to the development of society. It is for these reasons that we should be concerned about people's well-being.

Thirdly, people care about their own well-being, and the well-being of their families, their communities and wider society. This has become more obvious in the current economic context as people are increasingly reflecting on what contributes to their well-being. People's well-being is a combination of their own innate and developed capabilities and the context within which they function.

Fourthly, there is a concern about improving social policy outcomes. By documenting key social trends and aligning these to policy goals and actions, a report on social well-being can make a contribution towards assessing social policy outcomes.

What is Well-being?

The understanding of well-being is underpinned by a diverse literature on the subject. While there are different strands of thought the approach used in the *Well-being Matters* report is based on the concept of 'human flourishing' which incorporates the idea that well-being is about having a sense of purpose in life, participation in civic life, having friends, loving and being loved.

Thus, a person's well-being relates to their physical, social and mental

state. It requires that basic needs are met, that people have a sense of purpose, that they feel able to achieve important goals, to participate in society and to live the lives they value and have reason to value.

People's well-being is enhanced by conditions that include financial and personal security, meaningful and rewarding work, supportive personal relationships, strong and inclusive communities, good health, a healthy and attractive environment, and values of democracy and social justice. Public policy's role is to bring about these conditions by placing the individual at the centre of policy development and delivery, by assessing the risks facing him/her, and ensuring the supports are available to address those risks at key stages in his/her life.

In applying this definition, six domains of well-being emerge, on which a certain amount of data are available, as follows:

- Economic resources;
- Work and participation;
- Relationships and care;
- Community and environment;
- Health; and
- Democracy and values.

The evidence suggests that all of these domains of a person's life are important for their well-being. The emphasis given to each may depend on an individual's particular circumstances or the situation in which they find themselves. Most individuals live in a family (or have family connections), in a community which is part of the wider society, environment and economy. These elements of a person's life are interconnected. People's well-being is also affected by comparing themselves with those around them and by the values set in wider society. Throughout their life course the domains of well-being of an individual may change.

The relationship between individual and collective well-being is important but hard to define. This is so, in part, because the nature and

context of each individual's well-being involves a unique combination of the six domains of well-being. An implication of this perspective is that individual and collective well-being are constructed and re-constructed in processes that include individual reflection and social interaction.

The analysis and pursuit of well-being in this context of individual difference and value pluralism has important implications for the way in which we think about the role of public policy. Specifically, it implies that public policy should aim to secure and provide three kinds of 'goods': sufficient freedom for each individual to define and pursue their idea of the good life; a degree of order and uniformity, to protect both the individual and the common good; and a range of public and private goods, tailored to individual needs.

Well-being Trends

Using this definition it is possible to identify indicators for each of the six domains of well-being. The indicator framework can be used to analyse trends over time and across the life cycle – for children, people of working age, older people and also for people with disabilities. Comparisons can be made with other countries as well as for subgroups within the population. For example, attention is paid to gender, social class, family status, ethnicity and geography. A central theme is the heterogeneity of the population and the diversity of factors influencing well-being. Well-being trends can also be linked to policy commitments, with a view to identifying policy gaps, as well as indicator and data gaps.

A summary of key well-being trends is documented in the *Well-being Matters* report and is presented in the following paragraphs. It is noted that these trends present an aggregate overview across the main domains of well-being. There is, however, much heterogeneity within each domain. The data available to identify key trends do not yet fully capture the impact of the economic crisis. A section on key demographic trends precedes an overview of trends across the six domains of well-being.

Key Demographic Trends

Population levels in Ireland have reached an all-time high and the population is more diverse than it has ever been. This diversity is most noticeable in relation to an increasing ethnic mix with some 11 per cent of the population in 2006 being non-Irish nationals deriving from 188 different countries. There is also diversity in relation to family status and employment status, with a wide range of family types and various working arrangements. Ireland has a relatively youthful population with just under one quarter of the population under 18 years of age. Despite a comparatively high fertility rate, our reproduction rate remains below replacement level. This has implications for the future if, as expected, net migration is outwards rather than inwards for the foreseeable future. Just 11 per cent of the population in 2006 was over 65 but this is set to increase in future, with a proportionate increase in the over 80s. By 2050 it is forecast that 'age dependency', as currently defined, (65s and over as a proportion of the working age population) will have increased to 45 per cent (from 17 per cent in 2005).

Just under ten per cent of the population are classified as disabled, defined as having a long lasting condition or difficulty with certain activities. Disability increases with age, with mobility and dexterity problems being the most frequently reported disability type.

The population as a whole is not evenly spread throughout the country with some rural areas and inner city areas losing population and the east, particularly the hinterlands of Dublin, experiencing high population growth, at least until recently. Despite becoming more urbanised approximately 40 per cent of the population in Ireland live in rural areas: the perceived advantages of rural living are negated for some by limited employment opportunities and/or lack of access to services.

Key Trends in Relation to Economic Resources

Incomes in the population have grown until very recently, both as a result of increased employment, higher wages and other earnings, and increases in social welfare rates. The level of income inequality remains

comparatively high in Ireland, with a widening of incomes at the very top end of the income distribution. The risk of income poverty has remained relatively high, although levels of deprivation and subsequently consistent poverty have fallen. The economic crisis has led to some people experiencing large and sudden drops in their incomes while others have seen a more gradual reduction. The data are not yet available to capture the extent and nature of these trends or their impacts. Nevertheless, levels of debt are becoming an increasing concern for many people.

Some sub-groups of the population remained vulnerable to poverty throughout the nineties and early 2000s, including lone parents, people who were unemployed, and people with a long term illness or disability. People with disabilities can have additional costs associated with their disability. Children in Ireland have a relatively high risk of poverty which is related to their parent's educational level, and whether or not there are any adults working in the household. A job is not a guarantee of lifting people out of poverty as about 7 per cent of people who are working are at risk of poverty, and just under a third (31 per cent) of all households at risk of poverty are headed by a person in employment. Women's incomes remain below men's and older women living alone are particularly vulnerable to poverty. Pension coverage is comparatively low in Ireland with many people reliant on state pensions, which can place them at risk of poverty.

Key Trends in Relation to Work and Participation

Participation in meaningful activity contributes to human flourishing and well-being. Paid employment is one of the main expressions of participation and there was unprecedented employment growth in Ireland from the mid 1990s to 2007. Up to 2008 employment had been growing, reflected in an increase in both the participation of women and immigrants. However, employment rates for people with disabilities and members of the Traveller community remained low.

Unemployment is one of the most damaging influences on individual and societal well-being. Unemployment has been increasing at an alarming

rate recently after falling to an all-time low. There has been a large increase in the numbers on the live register for men and women of all ages, but especially those aged 25-44, and non-Irish nationals, with some overlap between these two groups. In the context of the economic recession concerns have been expressed about a growth in long-term unemployment and in youth unemployment. The scale of the increase in unemployment is placing challenges on social welfare, employment, training and education services, as well as being detrimental to well-being.

Modern demands have led to some conflicts of work-life balance, especially for women, although the evidence suggests that the most stressful work-related issue is unemployment or fear of unemployment. Nevertheless, for some households there are challenges in balancing work and life, with women in particular having high levels of ‘committed time’.

The quality of work has been found to be linked to individual well-being with intrinsic rewards such as interesting work, security, autonomy and career prospects important for life satisfaction. Unpaid work in the home, voluntary work in the community, and in the provision of services, also makes an important contribution to individual and societal well-being.

Educationally, we are more qualified than ever before. Nevertheless, about ten per cent of young people still leave school early, with a related problem of low levels of literacy. Participation in life-long learning is relatively low. Ireland’s early childhood care and development infrastructure is still comparatively poor and is one area of critical importance for the future of our children, our society and our economy.

Key Trends in Relation to Relationships and Care

Relationships are central to people’s well-being. Developing bonds of love, care and solidarity between people through emotional and social relations, gives people a sense of value and belonging, and of being appreciated, loved and cared for in our personal, community and societal lives. Although the quality of relationships is hard to measure, and mainly in the realm of people’s private lives and social interactions, public policy does have an influence on this aspect of our well-being.

Relationship breakdown and bereavement can be especially detrimental to people's well-being, with conflictual relationships having a particularly devastating effect on children. There is an increasing diversity and complexity of relationships in Ireland, and public policy can support stability, especially where children are involved, through the formal recognition of diverse relationships.

There is evidence of increasing stability in relationships with a growth in the numbers getting married, including second marriages, and an increase in cohabitation. For example, there were 32 per cent more marriages per year in 2004 than there were in 1995; cohabiting couples accounted for 12 per cent of all family units in 2006 compared with 4 per cent in 1996; and the number of same sex cohabiting couples recorded in 2006 was 2,090 compared to only 150 recorded in 1996. A recession, which gives rise to financial worries, however, can put extra stress on relationships.

Lone parents and older people living alone now make up substantial proportions of our households. These household types are more vulnerable to poverty, social isolation and loneliness. For example, nearly one fifth of the over 65s feel lonely, with women and people in lower social class groups more likely to be lonely. Being widowed and not being in paid employment are strong predictors of loneliness, which can impact negatively on mental health and well-being.

An important relationship issue is the provision of care, for both the care giver and the care receiver. Much care in Ireland is provided by and to family members on an unpaid basis, with many carers, who are mostly women, combining caring roles with paid employment or unpaid responsibilities in the home. Carers provide an invaluable service to those they care for, but it is a demanding and emotional responsibility. The importance of care, both unpaid and paid, and its impact on the well-being of individuals and society is now coming into sharper focus. In this context there is merit in understanding care needs better: in recognising the contribution that women's unpaid caring work makes to our economic, social, political and emotional well-being as a society; in

ensuring adequate terms and conditions for those who are paid to provide care; and in setting and applying standards to ensure the agency and protection of the person being cared for. One implication of a better understanding of care is the need to re-balance the unequal distribution of caring between women and men, and to more widely recognise and value the role of carers.

Key Trends in Relation to the Community and Environment

The community and environment within which people live has an important bearing on their well-being. Central to this is affordable accommodation of sound quality in a sustainable community and a clean, safe and aesthetically pleasing environment. The increase in privately owned houses (with large increases in house prices and large mortgages) were features of the boom years. So was the difficulty of access to affordable and social housing with many households in need of housing; the numbers on local authority housing waiting lists increased during the years of economic growth, with an estimated 56,000 households in need of housing. The focus on well-being suggests that attention in the immediate future should be paid to the provision of social and affordable housing in sustainable communities, for those currently in need of housing and for those who will require it in future because of the impact of the recession. Substantial housing need has been identified for households with children. Other particularly vulnerable groups include Travellers, people leaving institutional care and people who are homeless or at risk of becoming homeless.

An important requirement of housing and community development is the provision of community facilities and civic space, particularly safe areas for children to meet and play. Throughout Ireland most people report that they can get help from a neighbour if they need it, and volunteering and community participation does not seem to be in decline. Social interaction is a central element of well-being, suggesting that community participation and voluntary activities should be further encouraged and supported.

In relation to the wider environment Ireland has a high level of

greenhouse gas emissions and we generate a high level of waste per head. In addition, Ireland is one of the most car dependent countries in Europe, with a need to improve provision of public transport. The development of public transport provision has well-being benefits, especially for people with limited access to a car and in the interests of environmental sustainability. For example, better public transport provision, especially in rural areas, would bring a number of social, economic and environmental benefits, such as social inclusion, rural development opportunities, and reduced greenhouse gas emissions (where public transport replaces car use).

Key Trends in Relation to Health

The health of the population overall is improving, as reflected in increased longevity and the majority of people stating that they perceive their health to be good. Even so, there has been an increase in chronic illness and in mental ill health. One in four of us can expect to experience mental ill-health at some stage in our lives. Positive mental health ('flourishing') is associated with having access to a job, an adequate income, a good education, and having close supportive relationships. However, there is a strong association between mental disorder and risk factors for chronic diseases such as smoking, reduced activity and poor diet.

In our two-tiered health system, access to health care remains a serious issue, especially among some sub-groups of the population. In particular, the numbers of children on waiting lists remain high; and people with disabilities require a comprehensive range of supports. The demands on our health service are likely to increase as large budgetary reductions are sought and needs are likely to increase at a time of economic recession. These demands highlight the challenge of reforming how we deliver health care to make it fairer and more effective. In particular, the importance of recognising that most older people and people with disabilities who require support, wish to receive those supports in their own home, as far as is possible, to enable them to live independently.

People's health is affected by the socio-economic conditions in which

they live and work and by their behaviours. Physical activity is seen as beneficial to health and it is encouraging that the level of physical activity in Ireland has increased. Nevertheless, one fifth of the population remain inactive. Along with diet, nutrition and other factors, the level of physical activity influences our weight. More than half of adults in Ireland are now recorded as being overweight or obese, putting their health at risk. Tobacco use is a risk to health, yet one third of adults smoke. Excess consumption of alcohol is also detrimental to the health and well-being of the individuals involved, their families and wider society, and in Ireland we have high rates of heavy drinking compared to EU averages.

Some sub-groups of the population are more at risk of poor health than others and have less access to treatments and services. These include people with lower educational levels, lower incomes and who are unskilled.

Key Trends in Relation to Democracy and Values

People's well-being is affected by the values they hold and the values of the society within which they live. Features of society which influence individual and collective well-being include the quality of government, the ability of individuals to participate in decision-making, absence of violence and feeling safe, the exercise of rights, equality safeguards, and recognition of cultural identity. Access to information and transparency is an important dimension of exercising democracy. In relation to accessing information, Ireland remains below European averages in access to the internet, especially for older people. Declining levels of trust in national and other institutions have been accentuated by the financial crisis, coinciding with a perceived lack of fairness in our society.

Trust is also damaged by crime and fear of crime, bullying, domestic violence, neglect and abuse. At an all-island level one of the most significant developments has been the achievement of peace and stronger relationships between the Republic of Ireland and Northern Ireland. However, at national level there has been an increase in recorded crime,

with a majority of the population believing crime to be a very serious problem in Ireland. One quarter of young people in Ireland report that they have been bullied. Some children, and adults, are subject to domestic violence. There is an increasing awareness of the risk of poor treatment, neglect and abuse among vulnerable sections of the population, in particular, children, older people and people with disabilities.

The recognition of socio-economic rights, the promotion of equality and the accommodation of diversity are regarded as features of a democratic, pluralist and fair society. Ireland has developed a progressive rights and equality infrastructure, which is potentially in danger of being eroded. Women remain under-represented in national, regional and local decision-making structures, but have made some progress in reducing the gender pay gap. With regard to the expression of cultural identity, people of a non-Irish, non-white ethnic background and members of the Traveller community experience higher levels of discrimination than the majority Irish population. One third of the population in Ireland think there is a lot of tension between different racial and ethnic groups (lower than the EU average). This evidence suggests that we need to keep effective means of promoting rights, equality and interculturalism under review, with a view to its further development.

Relevance of these Social Trends for Individual and Collective Well-being

This overview of well-being in Ireland displays positive trends for many people. Given the complex relation between individual and collective well-being it is recognised that, by and large, this is an aggregate judgement. The continuation of serious social deficits qualifies any aggregate judgement to a significant degree.

So, even where the overall trends suggest that the well-being of Irish society increased there were risks to individuals' well-being. A substantial minority of the population continues to live on low incomes which puts them at risk of poverty; the childcare and early education infrastructures remain underdeveloped and piecemeal, with implications

for child, family, economic and social well-being; some people have difficulty accessing employment for a number of reasons; many people are living with chronic illness and/or mental illness, and there are difficulties accessing a poorly functioning health system. Many people with disabilities continue to experience disadvantages and there is a growing awareness of the need to integrate immigrants into our communities, given our developing cultural diversity.

Additional risks associated with modern society are summarised as: the challenges of balancing paid employment and family/caring responsibilities; lacking the skills necessary to access a job or having skills and training which are now obsolete; having an inadequate or insecure income or pension; and unsatisfactory and unreliable service provision. It has been argued that modern society brings with it ‘discontinuities’ in family and working lives, which can entail insecurities and vulnerabilities. These ‘discontinuities’ require a different type of engagement with the institutions of the state than heretofore – greater flexibility, differentiated routes and pathways, activation on the part of the state and of citizens, and a shift towards a supportive state, with agreed standards and greater regulation.

Relevance of well-being in a recession

Recessionary risks to well-being

In addition to the risks which were evident even in Ireland’s period of strong economic growth, further risks have become apparent as a result of the economic recession. For many, these recessionary risks include: sharp and unexpected reductions in income, depletion of savings, having to manage on a lower income, finding it difficult to pay the rent or mortgage, and dealing with debt; job loss, fear of job loss, a deterioration in working conditions, or if unemployed limited opportunities for employment, or having redundant skills; the worry of unemployment and/or financial stress impacting on relationships with partners, family and friends, and curtailments in service provision making care arrangements more precarious; tensions emerging in communities with

potential increases in crime and racism; the impact of these events on physical and mental health, along with a curtailment in some health and social services; a lack of confidence and trust in some national institutions, a perceived lack of fairness, and an erosion of the equality and rights infrastructure.

Resilience

While these risks impact on individual and societal well-being, resilience is a component of our make-up which can be harnessed, given supportive conditions. Our understanding of resilience derives from the notion of human flourishing which embodies autonomy, self-determination, interest and engagement, aspiration and motivation, and whether people have a sense of meaning, direction or purpose in life. Resilience can be advanced through the acknowledgement and development of people's capabilities.

Impact of the recession on well-being

Well-being is undoubtedly affected by economic upturns and downturns. A shock to one domain of our well-being may have an impact on another domain. For example, loss of a job and income can affect our relationships and health. These impacts can affect people in different ways depending on their circumstances and the context within which they find themselves. Depending on how we, as individuals and as a society, deal with these adversities can make a major difference to our longer term well-being. Some of the factors identified which can make a positive difference include utilisation of our capabilities, having a sense of purpose, engagement in meaningful activity, the support of family and friends, having trust in our institutions and having a sense of hope. Public policy and institutions have a vital role in providing the conditions to support individual and collective well-being and in making available tailored supports to people experiencing particular risks and vulnerabilities. Resilience in individuals needs to be paralleled at societal level by resilience in institutions. Institutions need to be able to adapt to the changed and challenging circumstances, as they strive to deliver an adequate level and standard of service with reduced resources.

Well-being Implications

There are a number of lessons which emerge from this review of well-being. These are summarised as follows:

- At the most fundamental level having a level of income to meet basic needs matters. This level of income is contingent both on the standard of living in the society within which one is living, as well as the distribution of income, as people compare their income levels with those around them. It is also known that while loss of income can lead to a reduction in well-being in the short-term, people do readjust to their new financial circumstances, so long as basic needs are met.
- While income and material goods contribute to well-being the evidence suggests that the fundamental elements which contribute to long-term well-being include participation in meaningful activity, along with affectionate and caring relationships, a secure, safe and attractive environment, good social relations, and good health.
- Context matters and the situations within which people find themselves can contribute to or detract from their well-being. These situations include their socio-economic circumstances and the values of the society within which they live. The operation of democracy, trustworthy institutions, standards of transparency and openness, acceptance and support for diversity, and principles of equality have been found to be conducive to well-being.

This knowledge of well-being provides some key pointers in responding to the economic recession. First, it would suggest that we should try to ensure that as many people as possible are meaningfully engaged. In the context of job losses and rapidly increasing unemployment this is a significant challenge.

Secondly, it is important to bear in mind people's basic need for an adequate income. Not only does this point to the need to ensure that

people have an income which is adequate to prevent poverty, but it also means recognising that some people have experienced large falls in their income and/or savings which will put them in situations of financial hardship.

Thirdly, it is relevant to reflect on the impact of social comparisons on well-being. A situation where everyone is experiencing a drop in income would seem to have a lesser effect on well-being, so long as needs are met, than a situation where only some people experience income reduction.

Fourthly, we should be able to learn from the past in planning for the future. In building the foundations for future prosperity it would be wise to reflect on how a more comprehensive and sustainable approach could be taken to support human flourishing and well-being. For example, we may think differently about the desirability of *fast* economic growth, opting instead for a deeper and more enduring prosperity. We may focus more on intensive rather than extensive growth and place a higher priority on sharing of gains and losses. We may take the view that future prosperity is best secured by moving away from a growth economy towards a more economically, socially and environmentally sustainable model of development. We may seek a more equal society based on the evidence that more equal societies tend to have lower levels of poverty and higher levels of social cohesion.

This analysis leads us to question the model of development we have used in the past. While this model led to unprecedented economic growth it has left social deficits in its wake and seems limited in its capacity to address the challenges facing Ireland in the current recession or to shape our future society. Building on earlier work by NESCC, the analysis in the *Well-being Matters* report suggests that the way we state some of our high level goals could be modified, for example:

- From growth of total GNP to *sustainable growth*;
- From income growth to *a more equal distribution of income*;
- From absolute job creation to *participation rate*;

- From discrete and targeted programmes for disadvantaged groups to *responsive, flexible, person-centred, and tailored publicly funded services*;
- From an exclusive focus on income to *a balance between income and better provision of accessible, affordable quality services*;
- From developer-led developments to *planned and sustainable communities*;
- From housing completions to *occupancy rates*; and
- From ‘survival of the fittest’ to *a more egalitarian society*.

In this context, it is pertinent to raise certain questions. Three key questions are posed:

- How do we pursue both individual and collective well-being and make them mutually supportive?
- What is our vision of Ireland in ten years time?
- What is the appropriate institutional response?

Policy Priorities

A number of policy priorities emerge from the review of well-being trends. In the context of the economic recession, the urgent and demanding problems which require immediate attention are jobs, income and the accountability of institutions.

Immediate priorities are:

- The need to address *unemployment*. There are a number of facets to this: job retention, job creation and addressing unemployment, including poverty prevention. The large increase in unemployment requires diverse and intensive activation measures. In this context it is timely to consider further the development of an Irish system of flexicurity. The *Well-being Matters* report identifies the merits of both greater flexibility (on the part of individuals and institutions) along with a sense of security or

certainty (provided by institutions) to enable individuals to be flexible and to adapt to change.

- The provision of *financial supports, including pension reform*. Some people have experienced substantial income loss, while many people have experienced at least some loss of income as a result of the recession. A range of responses are required, including an adequate level of income support for those dependent on benefits to prevent poverty, the provision of appropriate accommodations for those experiencing debt and financial stress, and pension reform.
- The *transformation of institutions and improved accountability*. Institutions and their accountability are critical in underpinning the most obvious dimensions of well-being, such as income, and participation/work. The operation of democracy and trust in institutions is also central to people's well-being. With the banking crisis and the fall-out of the recession people's trust in some of the institutions of the state has been dented.

As well as the immediate priorities outlined above, attention needs to remain focused on:

- *Early childhood care and education*. The provision of a more comprehensive system of early childhood care and education should remain a priority as it is the one area which can impact on the well-being of children and their families and communities in both the short-term and the long-term.
- *Life-long learning*. The opportunity for people to engage in education and training throughout their lives enhances their capabilities and sense of purpose as well as the augmentation of skills of value to the economy.
- *Care supports to promote independent living*. The well-being evidence reviewed in this report and the policy commitments in key policy documents clearly point to the need to provide care supports to promote independent living, as far as is possible.
- *Supports to accommodate working and other activities, especially caring*. A recurring theme throughout the report is the on-going

challenge of ‘work-life’ balance, especially for people (mainly women) trying to balance working and caring for children, parents or other relatives. The evidence suggests that there is merit in a collaborative approach with various combinations of family, community and state supports, depending on the needs of the family and the person being cared for.

- *Building sustainable integrated communities.* Given the current level of housing need, with growing waiting lists for social housing, the provision of social and affordable accommodation is now urgent. The experience, expertise and knowledge of the community and voluntary sector is an important resource, especially in contributing to building social capital.
- *Promoting better health, including addressing adverse economic and social conditions.* While advances have been made in improving the health status of the population a number of challenges remain. These include access to health services, the prevalence of chronic illness and mental ill health, and health conditions associated with our behaviours including increasing levels of obesity. The role of primary care is central to the promotion of better health and access to health services.

Adopting a Developmental Approach

A Developmental Welfare State (DWS) has been articulated by NESG in previous reports and is applied, in part, in *Towards 2016*. A developmental welfare state is a 21st century public policy framework well suited to supporting individual well-being. The developmental welfare state recognises that people are citizens first and foremost, but are heterogeneous citizens with a changing mix of needs, capabilities and circumstances. In advocating ‘tailored universalism’ as an approach, the developmental welfare state implies that: a) services and supports, such as education and health, are available to everyone; but that b) for people with certain needs, and in certain circumstances, additional payments and entitlements to services are tailored to meet their needs. These

tailored services address the specific barriers which prevent people from realising their potential.

Towards 2016 sets out 23 high level goals with associated actions, based on a developmental welfare state approach. The analysis in the *Well-being Matters* report shows that these high level goals match well the well-being needs of the various life cycle groups and remain relevant in these recessionary times. While it is recognised that prioritisation will have to take place due to more limited resources, to discard any of these goals would be a retrograde step. Indeed, the infrastructure of social supports need to be maintained in the difficult years ahead, as they provide a foundation upon which existing and new social problems can be addressed. Abandonment of any of the goals could potentially damage the well-being of individuals who are in disadvantaged or constrained circumstances and could lead to higher long term costs to the state and to society more generally. The prioritisation of the implementation of these goals has to take place in the context of the financial stabilisation measures being put in place by the Government.

Policy Implementation

There is a profound challenge to give traction to the developmental welfare state and to deliver the policy priorities and the actions associated with the high level goals in *Towards 2016*. The recession is putting a strain on the public services with budget reductions, staffing restrictions and reductions in take home pay. Despite the more limited resources the challenge is to reorganise and restructure institutions to meet the new challenges of supporting people. Those working in the policy arena and in the delivery of programmes and services, along with service users, hold the knowledge and expertise to meet these challenges. They must be enabled to deliver a reform agenda by having a clear vision of the type of society we are working towards as well as systems which support new ways of doing things. The community and voluntary sector has a role to play in supporting the design and delivery of services, and in advocating the needs of disadvantaged people.

Well-being Test

In seeking to do things differently it is helpful to have underpinning principles or criteria driving the reforms. Based on the analysis contained in the report, a ‘well-being test’ is suggested based on a developmental perspective.

Table 1: Well-being Test

Well-being Criteria	Description
<i>Capability</i>	a focus on what an individual can do with a view to developing capabilities
<i>Agency</i>	respect for the capacity of individuals to make decisions about their lives
<i>Purpose</i>	recognising the importance of having a sense of purpose by encouraging and supporting people to engage in meaningful activity
<i>Social interaction</i>	the recognition that we operate in the context of a set of relationships – family, community and wider society
<i>Common good</i>	as individuals and as societies we do better in more equal and fairer societies
<i>Sustainability</i>	we live in a finite world and have to use our resources wisely now and for future generations

Each of the criteria set out in the table have been shown, from the literature and the analysis in the *Well-being Matters* report, to be important to well-being. By focusing on *capability* we are paying attention to what an individual can do rather than what they cannot do. Using this criterion we would focus on the developmental potential of all people from an early age – pre-education, through the education system and into life-long learning.

Agency is an important component of well-being where respect is given to the capacity of people to make decisions about their lives. In empowering people and taking into account their views, appropriate and tailored services can be provided, with the individual also taking responsibility for their needs, in conjunction with service providers.

A related element of well-being is a sense of **purpose**. Having a purpose in life is a motivating factor which acknowledges people's contribution, whether this is in paid employment, household work, care work or voluntary work.

People are **social beings** characterised by their relationships and interactions with others – within families, within communities, and within institutions. While public policy recognises this dimension of people's lives in many of its programmes and initiatives it is helpful to take this wider context into consideration in the nurturing of children, in the sharing of responsibilities and in finding optimal work-life balances.

There is strong evidence to suggest that more equal societies contribute to individual and collective well-being through better health, better educational performance, less crime and greater levels of trust. The implication of this evidence is to put a higher value on the **common good** through ensuring a more equal provision of services, a greater sharing of responsibilities and a greater sense of solidarity.

Well-being and **sustainability** go hand in hand with a longer term view of what is important in our lives. This view recognises that we live in a finite world with finite resources that we need to use wisely now and for the future.

Policy Monitoring

In implementing policy it is important to assess the extent to which long-term goals are being met and desirable outcomes achieved. Just as important is the need to identify where goals are not being achieved, or

where unintended consequences are becoming evident, with possible reasons for these effects. This requires a robust monitoring and evaluation framework which is linked to the policy cycle.

The OECD review of the Irish public service highlighted the importance of linking policy and information processes to focus on outputs and outcomes:

Instead of focusing on inputs and processes, more information needs to be gathered on outputs and outcomes and what has actually been achieved, so that this can better feed back into measuring how the Public Service is meeting overarching targets and objectives. Realistic expectations of performance need to be developed within organisations that cascade from the top to the individual, and additional managerial discretion is needed to achieve these goals. ... But performance measures and initiatives need to be better aligned with overarching outcomes and high-level societal goals in order for the general public to understand the benefits of the Public Service (OECD, 2008: 13).

Theories or understandings of well-being help us to envisage the type of society we want. The extent to which we are achieving this vision of society can be measured, at least to some degree, using social indicators. The well-being trends can be compared to desirable policy goals and policy outcomes. Many factors come into play in designing and delivering policy, but there is potential for understandings of well-being to inform the policy process – both in the indicators used for measurement and in the policy goals and outcomes sought.

Data Requirements

A key factor in monitoring well-being trends and policy outcomes is the availability of good quality, timely data. Many improvements have been made, particularly by the CSO, in recent years. In addition, the National Longitudinal Survey of Children (Growing Up in Ireland) and the Irish

Longitudinal Study of Ageing (TILDA), both currently underway, will provide important longitudinal data which will allow us, in time, to chart aspects of people's well-being across parts of the life cycle. Even though improvements have been made data shortcomings remain, especially in the areas of disability and equality.

Conclusion

In the context of recession and economic crisis it is pertinent to consider alternative measures of social progress. A multidimensional concept such as well-being provides a compelling alternative, taking into account the various dimensions of people's lives. While further work is required in developing understandings and measures of well-being, and linking these to policy frameworks, it is timely to initiate a national discussion on the type of society we want in twenty first century Ireland.

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6.

Moving beyond GDP – Policy Implications

Seán Healy SMA and Brigid Reynolds SM¹

“The indicators a society chooses to report to itself about itself are surprisingly powerful. They reflect collective values and inform collective decisions. A nation that keeps a watchful eye on its salmon runs or the safety of its streets makes different decisions than does a nation that is only paying attention to its GNP”.

Donella Meadows

1996 revisited

In 1996 we wrote a chapter entitled Progress, Values and Public Policy². Thirteen years later we would like to reprint the opening paragraphs of that chapter. This is what we wrote then:

“In Ireland we are living in a time of major paradox. The economy has been growing at an unprecedented rate. The number of people employed is growing rapidly. Articles are being written about the Celtic Tiger and favourable comparisons are being made with the fastest growing economies in the world.... The wealth of the country is growing at such a rate that we are coming close to the EU average and can no longer be considered as one of the poorest countries in the Union.

“Side by side with this, however, sits a quite different reality. The number of people living in poverty has not been reduced significantly as a result of the nation’s growing wealth. The number of people seeking employment remains very high despite endless rhetorical commitment by policy-makers to reducing it

¹ Directors, Social Justice Ireland

² In *Progress, Values and Public Policy*, edited by Brigid Reynolds and Seán Healy.

substantially. The number of people who are long-term unemployed is higher than it has ever been. There is major concern about the crime level. Drug addiction is rampant. Family breakdown is an increasing part of the context of Irish society. Rural Ireland continues to lose its essential population base and there is widespread criticism of poor infrastructure throughout the country.

“One could go on at length expanding on either of the two preceding paragraphs. And therein lies the paradox. If Ireland is supposed to be doing so well then why are there so many problems? Why is the “*feel good*” factor missing?

“Progress is a concept that has been frequently discussed down the centuries. Indicators have been designed to measure progress. Policies have been developed to facilitate progress. Major investment has gone to support initiatives seen as contributing to progress. Economies, political structures and whole societies have been reordered in the name of progress. Yet what constitutes progress is often presumed to be understood and agreed. Its underpinnings and measurements are often taken as given and rarely questioned.

“In Ireland, we tend to have a clear set of assumptions concerning progress, at least within the policy-making process. Economic growth is seen as primary. In turn this growth is supposed to produce jobs which in turn will produce income which in turn will lead to the end of poverty and the eventual emergence of a good life for all Irish citizens. Consequently, when progress is discussed within the policymaking process in Ireland it tends to focus principally on increasing the country’s GNP (Gross National Product) and reducing its unemployment. These are seen as intrinsically connected. While other issues such as housing or healthcare are often referred to, they are not taken nearly as seriously. Issues such as poverty, income distribution, homelessness and the like are referred to occasionally.

“The ongoing monitoring of issues like GNP is an indication of the seriousness with which it is viewed.... Poverty and income distribution are measured every seven years and the results are not

published for a further two years thus ensuring (a) that the results can be dismissed as out of date when published, and (b) that poverty and income distribution are not given any significant priority in the ongoing day to day process of policy development.

“We are not arguing for the elimination of issues such as growth or employment from discussions of progress. Far from it. However, we are convinced that they are far from adequate as comprehensive measures of progress and the present overemphasis on them produces a distorted picture of how well Ireland is doing. The lack of emphasis on so many other important issues also distorts the policy-making process as it reduces it to too narrow a focus. The USA is a good example of the consequences of such a narrow focus. Its economy has expanded and the number of jobs in the country has grown substantially. However, poverty, homelessness and exclusion have also grown dramatically in the USA over the past decade and a half. A wider focus was required if this result was to be avoided.

“In Ireland, other elements such as housing or healthcare are referred to regularly. They do not, however, play a central role at the core of policy development. The bottom line in policy discussion focuses on economic growth and reducing unemployment. In practice, as distinct from rhetoric, the bottom line is economic growth. When questions are raised about this narrow focus, the response is that GNP is not a perfect measure of progress but it is the best available. However, no serious attempt is made by policy-makers to apply many of the already existing alternative measures and indexes of progress to Ireland. Similarly, no substantial funding is provided to develop alternatives that would be specifically applicable to Ireland. This neglect ensures that no serious challenge is mounted to the status quo.

“... There are a variety of ways to proceed. Various indicators could be combined into an index of progress.... Some might argue that a comprehensive index should not be developed but that some key progress indicators could be identified and monitored while leaving open the question of measuring overall progress. Others, again, might argue that a single dominant indicator should be acceptable and pursued as long as other important indicators are not adversely affected.

“Underlying these questions there are two key issues: (a) the values that underpin any indicator or index, and, (b) the process to be followed in deciding what should, or should not, be included in measurement of progress. We do not, for example, believe that it is acceptable for a society to abrogate its responsibility and leave these choices to technicians (or any other single group in society) however well informed and capable they may be.”

We went on in that chapter to address the two questions of values and process. But we argued that it was important to put these questions within a context. In the remainder of that chapter we looked at the historical developments of a mechanistic perception of progress. We followed this with a section on the development of an economic approach to measuring progress. We then asked how progress should be measured and went on to argue that new indicators and indexes of progress were urgently required. We identified a series of values we believed should underpin the choice of progress indicators. We concluded by making a series of proposals on the way forward.

The situation today

It is a little ironic to return to this topic more than thirteen years later and to come to the same conclusions. There have been some strong improvements in the collection of data especially by the CSO. However, it is clear that the dominant development model, focused on generating economic growth as the primary concern of policy, has failed. Failure to address the questions concerning values and process that were raised meant that the excesses of the Celtic Tiger years were encouraged and the potential for major social gains was dissipated. Ireland’s people are left with a serious debt problem, a major fiscal problem, a bank system into which they are pouring millions to rescue people who took totally unjustified risks and/or acted illegally while accumulating great wealth for themselves. Ireland’s social services are under serious pressure, there are serious questions about getting value for money and the public sector is in need of reform. Ireland’s international reputation leaves a great deal to be desired following its ridiculous failure to act in a prudent manner with a focus on the common good. We take no joy from noting that the arguments we

presented all those years ago on how Ireland's understanding of progress was seriously flawed and would eventually lead to destruction have been vindicated. We are not going to repeat those arguments here. An alternative understanding of, and approach to, measuring progress is required.

In 1982 Fritjof Capra made a point that is equally valid today and we recall it here to ensure it is part of the reflection that is required to design an effective way forward. Capra wrote:

“Present-day economics is characterised by the fragmentary reductionist approach that typifies most social sciences. Economists generally fail to recognise that the economy is merely one aspect of a whole ecological and social fabric; a living system composed of human beings in continual interaction with one another and with their natural resources, most of which are, in turn, living organisms. The basic error of the social sciences is to divide this fabric into fragments, assumed to be independent and to be dealt with in separate academic departments. Thus political scientists tend to neglect basic economic forces, while economists fail to incorporate social and political realities into their models. These fragmentary approaches are also reflected in government, in the split between
(Capra 1982, p.194/195)

Please note this comment does not just refer to economists!

Not all economists, however, have gone along with this direction. Again, Capra aptly summarises the situation:

“The fragmentation and compartmentalisation in economics has been noted and criticised throughout its modern history. But at the same time those critical economists who wish to study economic phenomena as they actually existed, embedded within society and the ecosystem, and who therefore dissented from the narrow economic viewpoint, were virtually forced to place themselves outside of economic ‘science,’ thus saving the economics fraternity from dealing with the issues their critics raised. For example, Max Weber, the nineteenth-century critic of capitalism, is generally regarded as an economic historian; John Kenneth Galbraith and Robert Heilbroner

are often thought of as sociologists; and Kenneth Boulding is referred to as a philosopher. Karl Marx, by contrast, refused to be called an economist and saw himself as a social critic, asserting that economists were merely apologists for the existing capitalist order. In fact, the term 'socialist' originally merely described those who did not accept the economists' view of the world. More recently Hazel Henderson has continued this tradition by calling herself a futurist and subtitling one of her books "The End of Economics".
(Capra, 1982, p.195).

The reality, however, is that for the large majority of economists today progress is measured in mechanistic terms e.g. growth of GDP. GDP has been central to economic policy and planning for so long that it is mostly taken as a "given" and goes unquestioned. Progress is measured by policy-makers and planners in terms of growth in this indicator. This development, however, has some major consequences. Writing in 1995 Cobb/Halstead/Rowe had some very interesting observations in this regard with reference to the USA:

"There have been a number of consequences that few saw clearly at the time (when growth in GDP became the key measure of progress). One was that economists became the ultimate authorities on American public policy. Before the war, economists were rarely quoted in news stories except in some official capacity. Now their opinions were sought and cited as canonical truth. Moreover, as the party that nurtured these economists, the Democrats become adherents of technocratic top-down management that purported to act for the people, even if in ways beyond their ken. But the biggest change was in who "the people" now were. Because the Keynesian approach saw consumption as the driving train of prosperity, Washington collectively looked at the public in these terms as well. They were no longer primarily farmers, workers, business people – that is, producers. Rather, they were consumers, whose spending was a solemn national duty for the purpose of warding off the return of the dreaded Depression. Our young men had marched off to war; now Americans were marching off to the malls that eventually covered the land.
In this atmosphere GNP, the measure and means of policy, rapidly became an end of policy in itself. The nation's social cohesion and

natural habitat, which the GNP excluded, were taken for granted. Each week the host of General Electric Theatre, Ronald Reagan, declared to the nation that “progress is our most important product”. Products were progress, and therefore the GNP was progress too”.
(Cobb et al, 1995, p.64).

Traditional indicators of economic progress are now recognised as providing totally inadequate measures of sustainable development. *“National accounts aggregates such as Gross Domestic Product or National Income, no matter how well adjusted to take “green” issues into the reckoning, are designed as measures of economic activity, not as measures of welfare”* (Scott, Nolan and Fahey, 1996). Even as a measure of economic activity, these indicators are called into question:

“The GDP is simply a gross measure of market activity, of money changing hands. It makes no distinction whatsoever between the desirable and the undesirable, or costs and gains. On top of that, it looks only at the portion of reality that economists choose to acknowledge - the part involved in monetary transactions. The crucial economic functions performed in the household and volunteer sectors go entirely unreckoned. As a result the GDP not only masks the breakdown of the social structure and the natural habitat upon which the economy - and life itself - ultimately depends; worse, it actually portrays such breakdown as economic gain”.
(C. Cobb, T. Halstead and J. Rowe, 1995).

Robert McNamara, who was then president of the World Bank, admitted that:

“Progress measured by a single measuring rod, the GNP, has contributed significantly to exacerbate the inequalities of income distribution”.
(Cited by Ivan Illich, Sachs 1992).

This view is shared by Herman Daly and John Cobb. In their extensive critique of GNP as a measure of progress they note that:

“To use it (GNP) as if it were a significant indicator of economic well-being - much worse of well-being in general - is an egregious instance of the fallacy of misplaced concreteness”

(Daly/Cobb, p.84).

Values to guide public policy

The topic of values energises some while making others uncomfortable. Some academics and analysts like to believe that their work is value neutral. We agree with Daly and Cobb when they say that:

“One of the central limitations of the academic disciplines in contributing to wisdom is their professed aim of value neutrality. That there is here a large element of self-deception has been pointed out frequently and convincingly. The ideal of value neutrality is itself a value that is generally highly favourable to the status quo. Which economic questions are taken up and in what terms, even within the range allowed by the disciplines, often depends on the interests of the economists or even of someone who has commissioned the study.

More objectivity is in fact obtained by bringing values out into the open and discussing them than by denying their formative presence in the disciplines... as long as the disciplines discourage any interest in values on the part of their practitioners, they inevitably discourage the ordering of study to the solution of human problems”.

(Daly/Cobb, p.131).

This view is shared by Fritjof Capra who in his critique of economics says

“There can be no such thing as a “value-free” social science... Any “value-free” analysis of social phenomena is based on the tacit assumption of the existing value system that is implicit in the selection and interpretation of data...”

Economics is defined as the discipline dealing with the production, distribution, and consumption of wealth. It attempts to determine what is valuable at a given time by studying the relative exchange values of goods and services. Economics is therefore the most clearly value-dependent and normative among the social sciences”.
(Capra, 1982, p.197).

In our previous work we have identified a series of values we believe should be central to measuring progress and shaping public policy. We repeat them here without developing the arguments for including these as we have done this on many occasions previously. For us the key values should include:

Firstly, the right of every person to:

- Sufficient income to live life with dignity
- Meaningful work
- Appropriate accommodation
- Relevant education
- Essential healthcare
- Cultural respect, and
- Real participation

A second value which should be represented realistically in a new set of progress indicators is that **nature and its resources are for the benefit of all people for all time.**

A third value should be **sustainability – economic, environmental and social.**

A fourth value is that of **Right Relationships – between individuals, institutions and the environment.**

A fifth value is **Equality.**

In highlighting these particular values we are fully cognisant of the need for competitiveness, for financial viability, for getting best value for money and for having an efficient and effective public sector. We are also cognisant of the need to keep appropriate balances between

private sector, public sector and the community and voluntary sector. For us, if the values listed above form the core of our approach to addressing progress then policies can be developed in a balanced and meaningful manner to ensure the emergence of a society where everyone has what is required to live with dignity, where everyone is respected and where society is focused on doing what is necessary to secure the common good. It would require a serious mind-change, a major change in how policy is developed and implemented, changes in how resources are allocated and prioritised and new relationships between sectors and between individuals and institutions. This is what is required if we are to avoid a cyclical return to gross waste, disillusionment and marginalisation of a large minority of people.

Next Steps

We believe the next steps required are:

1. Recognise the total inadequacy of traditional indicators of economic progress.
2. Recognise that the headline economic indicator, GNP/GDP, and the other closely-aligned indicators, can be destructive because they dull public awareness about the nature of progress and development.
3. Recognise that economic development, social development and environmental development are simply three aspects of the same reality - they are complementary and none has priority over the other two.
4. Get agreement on sustainable development indicators, covering economic, environmental and social sustainability. Much work has been done on this issue, in Ireland and beyond, as is clear from earlier chapters in this book.

5. Ensure the seven basic human rights referred to in the previous section are systematically promoted in all policy-making arenas i.e. ensuring that every person has
 - a. Sufficient income to live life with dignity
 - b. Meaningful work
 - c. Appropriate accommodation
 - d. Relevant education
 - e. Essential healthcare
 - f. Cultural respect, and
 - g. Real participation
6. Put a higher value on the common good through ensuring a more equal provision of services, a greater sharing of responsibilities and a greater sense of solidarity.
7. Put the indicators identified under 3, 4 and 5 above at the heart of policy development.
8. Involve a wide range of groupings in choosing meaningful indicators and in deciding how these should be applied. It should not be acceptable that only professional elites or powerful institutes have the right to decide what constitutes progress or development.
9. Incorporate these meaningful new indicators of progress into core policy-making and planning processes at local, national and international levels to reflect, among others, the values already identified in this chapter. Progress should be measured on the basis of these indicators.
10. Develop ‘shadow’ national accounts immediately which include the value of items such as unpaid work and the cost of activities such as the use of declining natural resources.

Conclusion

It is clear that the current dominant indicators of progress are very inadequate. New indicators or indexes are urgently needed to measure the real progress of society,

Key questions need to be addressed. These concern:

- (a) the values underlying the various indicators to be included in any new index, and
- (b) the process of choosing what indicators should be included in such an index.

Vision guides policy decisions. The topics placed on the agenda, the perspective taken, the decisions made are all guided by a vision of where society should be focused. We believe that Ireland should be a just society i.e. a society which is inclusive of all its members, a society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. That vision should be at the heart of policy development and decision-making. This will not be easy to achieve but failure to do so will mean that we will condemn ourselves and coming generations to repeating the mistakes of the current generation. Irish people deserve better. The choice will be made by the present generation.

“The future of humanity lies in the hands of those who are strong enough to give coming generations reasons for living and hoping.”
- *Church in the Modern World, Vatican II*

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Ireland's recent experiences raise serious questions concerning the issue of progress. Many believed that increasing economic growth would lead to progress for all. There is general agreement now that this was not the case. While Ireland is more prosperous than it was a decade or two ago it still has problems with poverty, unemployment, healthcare, literacy, housing, transport and a range of other issues. The focus during the economic boom was not on improving people's wellbeing. Across the world there is a growing realisation that too often a narrow measure of market performance, such as gross domestic product (GDP), has been confused with broader measures of welfare.

In these economically turbulent times it is essential to focus on the issue of progress. What is progress? How should progress be measured? Should adjustments be made to the way GDP is measured? Are new measures of wellbeing and happiness needed? What is required to ensure environmental, social and economic sustainability are integrated into the measurement of progress? The papers in this book address these and related questions from a variety of perspectives. Authors include Adolfo Morrone from the OECD in Paris and Nic Marks from the New Economics Foundation in London. They also include Gerry O'Hanlon from the Central Statistics Office and Helen Johnston from the National Economic and Social Council. The book opens with a thoughtful review by PJ Drudy of Trinity College of the problems associated with economic growth and how a better measure of progress might be developed; it concludes with a paper by Seán Healy and Brigid Reynolds of *Social Justice Ireland*, outlining some implications for Ireland's policy-making.

Social Justice Ireland

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