

# Using ‘Equitable and Sustainable Wellbeing’ to Build the Post-MDGs Framework

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**Abstract** During the last decade a multidimensional vision of progress of societies has been gathering increasing attention in developed and developing countries. A worldwide effort about the need to go ‘beyond GDP’ as a measure of societal progress has been organised around the OECD World Forums using the concept of ‘equitable and sustainable wellbeing’, which defines 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 and the ecosystem condition. In the context of the future model of development, which has to emerge from the post-2015 discussion, the concept of societal progress may represent a common framework for all countries of the world regardless of their level of income, model of consumption, social or political structure or environmental challenges.

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## 1 Measuring progress

During the last decade a multidimensional vision of progress of societies has been gathering increasing attention in developed and developing countries. For a long time scholars and civil society organisations have been discussing definitions of development and quality of life which are not limited to income growth. Yet, in recent years this debate has made a lot of progress, also thanks to the work done by the OECD during my term as Chief Statistician of the Organisation (2001–09).

In particular, a worldwide debate around ‘statistics, knowledge and policy’, and especially about the need to go ‘beyond GDP’ as a measure of societal progress, was organised around the OECD World Forums held in Palermo (2004), Istanbul (2007), Busan (2009) and New Delhi (2012). In 2005 the OECD decided to launch the Global Project on Measuring the Progress of Societies, which offered a worldwide reference point for those who wished to measure and assess the progress of their societies. The ‘Istanbul Declaration’ (OECD 2007) adopted by the European Commission, the OECD, the Organization of the Islamic Conference, the United Nations, the United Nations Development

Programme (UNDP) and the World Bank, highlighted an international consensus on the need to ‘undertake the measurement of societal progress in every country, going beyond conventional economic measures such as GDP per capita’. The year 2009 saw the publication of the authoritative and influential ‘Stiglitz-Sen-Fitoussi Report’ (calling for a ‘shift [of] emphasis from measuring economic production to measuring people’s well-being’) and of the European Commission communication *GDP and Beyond: Measuring Progress in a Changing World* (European Commission 2009), setting an EU roadmap for action in several areas to improve existing measures and to report on the implementation and outcomes of the listed actions by 2012.

Within its broad stocktaking and analysis, the Stiglitz-Sen-Fitoussi Report provided 12 major recommendations. The report firstly noted that the analysis of the measurement of economic performance should be focused on household conditions (income, consumption and wealth) instead of on the production side as a better proxy of the functioning of an economic system which is seen as a means for people’s wellbeing and not an aim in itself. The report thus identified the Households’ Net Adjusted

Disposable Income as a more appropriate indicator, since it continues to refer to the National Accounts System but focuses much more on citizens' actual economic conditions by looking at disposable income, and also takes into account taxation and social transfer, as well as the major public services which people can rely upon.

The report also provided a framework of analysis for quality of life based over eight domains: material living standards (income, consumption and wealth); health; education; personal activities including work; political voice and governance; social connections and relationships; environment (present and future conditions); and insecurity, of an economic as well as a physical nature. The quality of life domains must be analysed through both objective and subjective measures, and life indicators in all the dimensions covered, and should assess inequalities in a comprehensive way. Finally, the structure of the report, composed of economic performance, quality of life and sustainability, has become a widespread framework of analysis itself, which has been adopted by, among others, the Franco-German Ministerial Council (CAE and GCEE 2011).

Following the recommendations from the Stiglitz-Sen-Fitoussi Report and the Commission communication, the European Statistical System (ESS) established the Sponsorship Group<sup>1</sup> 'Measuring progress, well-being and sustainable development' in order to deliver richer statistical information and further enhance harmonisation at the international level, in particular in Europe. Meanwhile, the 96th conference of European Directors General of the National Statistical Institutes (DGINS ESSC 2010) produced the *Sofia Memorandum*, recognising the validity of the report recommendations, listing a number of improvements that National Statistical Offices (NSIs) should adopt in order to reconcile National Accounts aggregates with household survey data, to give more attention to the household perspective, to capture distributional aspects, to harmonise environmental measures and improve timeliness of quality of life statistics.

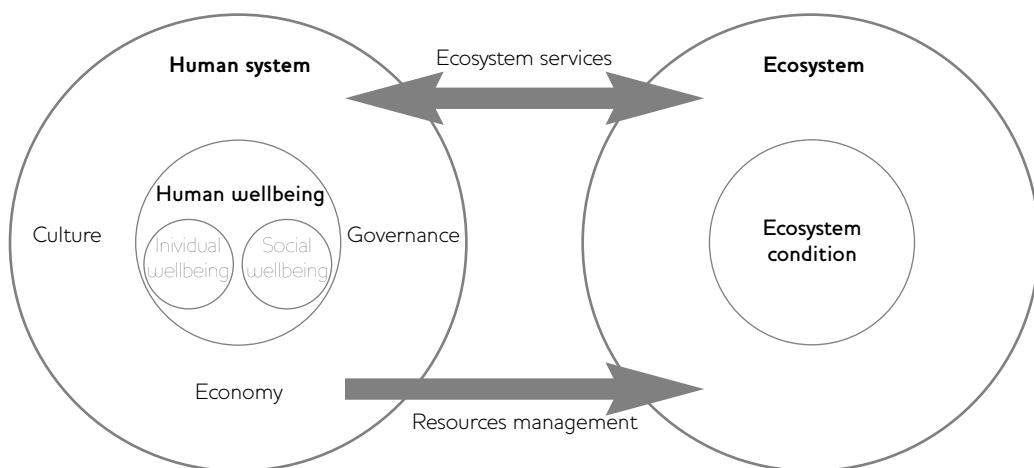
This transnational movement led to a number of initiatives for the actual measurement of national wellbeing in OECD countries. For example, in Canada, Italy and the UK<sup>2</sup> broad national consultations led to the definition of sets of indicators for the measurement of societal

wellbeing, focusing on the living conditions of citizens and households and covering different dimensions beyond the economic one. These experiences highlight in particular how, in the definition of a set of progress indicators, public deliberation becomes an essential step for granting the necessary legitimacy. Essential conditions (Rondinella *et al.* 2011) are the equality of participants, the inclusion of all actors involved, the ability of each one to raise their specific concerns, the pursuit of a discursive agreement and a stance towards the common good. In Italy, for example, the selection of indicators has been done through the dialogue between a scientific commission of experts, a national steering committee with entrepreneurs, unions, and civil society at large, supported by public meetings, a national survey, a blog and an online questionnaire. Most parts of Italian society had then, somehow, the chance to influence the decision-making process (CNEL and Istat 2013).

In 2011 the OECD proposed the 'Better Life Initiative' for an international comparison over 11 quality of life domains analysed separately in the *How's Life?*<sup>2</sup> report, to offer a comprehensive picture of multidimensional wellbeing at international level, highlighting inequalities within and between countries. Moreover, an online software program allows users to freely assign weights to the different domains so as to create a single index and rank OECD countries according to individual priorities. Such a tool helps to communicate the relevance of a discussion on the priorities which every set of indicators implicitly or explicitly suggests, a discussion which can only take place through a deliberative process able to grant legitimacy to the chosen approach.

These national and international experiences developed very recently represent innovative tools for guiding political action and setting economic, social and environmental priorities 'beyond GDP' to be used by policymakers, media and citizens at large. Nevertheless, they still do not fix targets for governments' action. An exception in this sense is represented by the European Strategy for smart and inclusive growth, 'Europe 2020' (European Commission 2010), which proposes a renovation of the European economic model fostering low-carbon industries, investing in the development of new products, promoting a digital economy, modernising education and training and strengthening social cohesion. The Strategy,

Figure 1 Equitable and sustainable wellbeing



Source Hall *et al.* (2009).

adopted by the heads of state and government in 2010, defines measurable targets that actually go beyond GDP and for which the European Commission has proposed a surveillance mechanism. The objectives of the Strategy are based over five pillars qualifying the kind of growth the European Union aims to achieve. They aim to increase the employment rate to 75 per cent; increase research and development expenditure up to 3 per cent of GDP; confirm the climate change objectives of reduction of emissions and energy efficiency; decrease the number of relatively poor people by 20 million; and, in terms of education, reduce the number of early school leavers and improve tertiary education levels. Within the so-called European Semester, that is, the community procedure for harmonising economic policies among member states, each government has to propose a National Action Plan for the attainment of the targets.

## 2 Common emergencies and global challenges

The global landscape now is very different from the one we used to shape and implement policies in the twentieth century. We cannot talk any more of a polarised world divided between industrialised countries and the global South. Emerging countries are now economic powers; in Europe post-Soviet countries in transition are better off than some OECD countries; production, trade and financial systems are deeply globalised. Every country, even if with different objectives, is fighting against poverty, deprivation, social exclusion and universal access

to basic services. Moreover, natural resources distribution and future availability are affecting all countries in the world: the effort towards environmental sustainability needs to be a global and coordinated one.

The multidimensional approach aimed at reaching an equitable and sustainable wellbeing can represent a common ground for every country in the world, thus becoming a universal principle which countries will have to develop according to their specificities, capabilities and priorities. In fact, national experiences and the Strategy 'Europe 2020' demonstrate that progress frameworks are applicable and needed in all OECD countries. At the same time, two of the most relevant experiences at the forefront of measuring national wellbeing are the Human Development Index developed by the UNDP and the Gross National Happiness indicator developed in Bhutan, which shows how the wellbeing framework of analysis is also usefully applicable in non-industrialised countries.

A possible framework to approach this issue is the one based on the concept of 'equitable and sustainable well-being' proposed within OECD (Hall *et al.* 2009) which defines the 'well-being of a society' (or societal wellbeing) as the sum of human wellbeing and the ecosystem condition, and 'progress of a society' (or societal progress) as the improvement in human wellbeing and the ecosystem condition. Moreover, in this definition progress:

- 'is a multidimensional concept, encompassing both material and immaterial aspects of wellbeing;
- is a dynamic concept, which requires both looking back at the past and considering future paths (and particular emphasis is placed on the future when one considers the sustainability of the current level of wellbeing);
- refers to the experiences of people, and what they value as important for their lives and societies. Taking the individual as a point of departure for analysis does not imply neglecting communities, but it requires evaluating them by virtue of what they bring to the people living in them' (*ibid.*).

This framework is built around the concept of human wellbeing which, with its individual and social components, represents the final aim of societal progress. Human wellbeing is supported by three domains which are considered as means: culture, economy and governance. All this refers to the human system which is strongly linked to the ecosystem through the impact of human activities over nature (resource management) and on the 'environmental services' which we can enjoy and that we can provide to the ecosystem.

Of course, such an approach is applicable both in OECD and non-OECD countries. Actually, the objective of using a common framework based on a multidimensional idea of progress for the post-2015 agenda emerged during the Rio+20 conference itself. The final document, *The Future We Want*, mentions in paragraph 3 the idea of mainstreaming 'sustainable development at all levels, integrating economic, social and environmental aspects and recognizing their interlinkages, so as to achieve sustainable development in all its dimensions', while, with regard to the statistical production, paragraph 38 recognises 'the need for broader measures of progress to complement gross domestic product in order to better inform policy decisions' requesting 'the United Nations Statistical Commission, in consultation with relevant United Nations system entities and other relevant organizations, to launch a programme of work in this area building on existing initiatives' (UN 2012a).

Moving along this path, during the last session of the UN Statistical Commission (the 43rd) a High

Level Forum on Official Statistics was held on the issue 'Measuring the Un-Measurable: Challenging the Limits of Official Statistics' which addressed a number of concepts which are increasingly gaining attention in the international debate such as wellbeing, sustainable development or deprivations. The discussion led to address problems of measurement related to the globalisation of economies, global inequalities, happiness, life evaluation, emotions, hunger and poverty which will definitely be part of the debate for the identification of the post-2015 indicators, both with regard to the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs). Moreover, the Commission established a 'Friend of the Chair' group as an interlocutor with the different international fora and groups that during the next two years will be discussing the post-2015 framework.

The idea that the approach to be used for the development of SDGs needs to be based on the concept of wellbeing and progress also emerges from the position of the European Commission and the Council of the Union. In its recent communication, *A Decent Life for All*, the European Commission (2013) calls for an overarching framework for sustainable prosperity and wellbeing which has its main elements in 'ensuring basic living standards; promoting the drivers for inclusive and sustainable growth as well as ensuring sustainable management of natural resources; promoting equality, equity and justice; and peace and security'.

### 3 The post-2015 agenda

From what we have argued so far it should appear clear how sustainable development and societal progress may represent a common framework for all regions regardless of their level of income, model of consumption, social or political structure or environmental challenges. Of course, in order to have SDGs working properly, we have to define a single set of achievable goals, limited in number and clearly measurable, but also a coherent set of targets and indicators. Given the broadness of the context in which the SDGs are to be applied it is impossible to imagine the same targets and indicators for all countries of the world. Instead, following the Europe 2020 experience, we should propose global targets for the medium and long term, and single countries' contributions, which

have to be ambitious but still feasible, setting a minimum every country has to reach.

Measurability represents an important limitation in the definition of goals, targets and indicators. The multidimensionality of the concept of wellbeing and the willingness to cover complex phenomena sets an important challenge to the international statistical system. Countries' statistical capacity is very diverse and these limitations are likely to strongly limit the goals which are to be set. Improving statistical capacity and strengthening international cooperation in this field will then represent a key element for reaching a satisfactory set of goals and for the success of the initiative, while new technologies may reduce costs and improve timeliness of data collection (Prydz 2013).

The MDGs were explicitly addressed to developing countries in order to meet a selected group of basic needs. Their success has been widely recognised, but they represent an unfinished work which cannot be abandoned, since the eight objectives are still valid, even if put under a different, broader framework. Moreover, a big effort has been carried out especially in developing countries to produce the indicators relevant for the MDG process. As stated by the UN Statistical Commission, 'Improvements in the reporting from countries to the international statistical system and increased access and understanding by agencies of existing national sources' increased the percentage of countries and territories for which most (16 to 22) of the MDGs indicators series present at least two points in time from 2 to 83 per cent in a decade (ECOSOC 2013). This is another successful component of the MDG initiative and represents an important lesson for the future, to develop a common knowledge of people's living conditions and hold governments accountable.

Therefore, the post-2015 agenda cannot abandon the MDG process which needs to be completed: starting from the centrality of poverty eradication, SDGs need to move to the 'next level', involving all countries. For example, poverty eradication needs to be considered not only from the monetary point of view: the concept of poverty, as already highlighted by UNDP with the introduction of the Multidimensional Poverty Index in the 2010 Human Development Report, cannot be limited

only to an income below a monetary threshold, which, of course, represents a minimum condition. For example, the Europe 2020 Strategy uses as its poverty measure the 'rate of people at risk of poverty or social exclusion' which includes a measure of relative poverty, the share of jobless households and those with severe forms of deprivation.

The evaluation of poverty has to be broadened in order to take into account all relevant aspects of poverty, including different forms of deprivation and relative incomes. We know, in fact, that the concept of poverty is also relative to the socioeconomic context people are living in, making the distributional issue central in the analysis of human and social wellbeing. Integrating absolute with relative poverty may lead to complex results: as recently discussed during the 2013 OECD Global Forum on Development, social cohesion is threatened by increasing inequalities, especially in fast-growing economies, where absolute poverty dropped considerably, while relative poverty has often increased.

Besides poverty, the concept of sustainable development involves a number of other dimensions which have to be taken into account and which have been highlighted in different fora, starting from Rio+20, including decent work, education, barriers to opportunities, good governance, freedom, security, peace, economic stability and growth, gender empowerment, participation and voice, patterns of consumption and production, green economy, climate change and environment protection. This list, which does not mean to be exhaustive, needs to be integrated with two major cross-cutting structural tools for analysis: equity and sustainability.

Equity should not only refer to income distribution, and sustainability should not only refer to environmental issues. The importance of inequalities in the analysis of wellbeing derives from different elements. First of all, the need to qualify mean values which can hide very different phenomena and critical conditions for selected social groups. Inequalities also have a relevant impact on perceived personal wellbeing, which can be strongly influenced by the individual's relative position within society or their peer groups. Finally, a principle of social justice suggests that excessive inequalities affect overall national wellbeing detrimentally, even if

it is not clear up to which threshold the reduction of inequalities, at least the income ones, is desirable. Therefore, all wellbeing dimensions need to be fairly distributed and national statistical systems must be able to identify excluded groups and those lacking opportunities, through measures of distribution among individuals or the breakdown of indicators for different groups (e.g. territories, gender, age, education, income, nationality, etc.). Concrete applications of overarching analysis of wellbeing inequalities are reported in the OECD *How's Life?* report (OECD 2011) for each of the 11 domains, as well as in the Italian BES 2013<sup>3</sup> Report in which, whenever applicable, indicators are analysed with respect to their distribution throughout territories and social groups.

The second cross-cutting issue, representing maybe the most challenging obstacle for the post-2015 goals, is the measurement of sustainability. When building the SDGs the recent works of the UNECE/OECD/Eurostat (2012) Task Force on sustainable wellbeing should be taken into account. Starting from the 'classical' Brundtland definition of sustainable development and from three conceptual dimensions of human wellbeing ('here and now', 'later' and 'elsewhere'), the Task Force identifies a flexible set of indicators based on commonalities in different indicator sets and availability in international databases and a reduced list of globally available indicators.

Alternatively, approaches based on a 'capital approach' as a way to evaluate the current and future stocks of capital and therefore sustainability are available. The World Bank (2000 and 2006) has carried out research in this field proposing the so-called 'Genuine Saving' or 'Adjusted Net Saving' which includes in the measurement of human-made capital (Gross National Saving) not only the depreciation of fixed capital, but also discounts the damages caused by pollution and adds education spending as a measure of human capital for future welfare. The genuine saving shows how the use of non-renewable resources without an investment in renewables cannot continue indefinitely by reducing the value of the resource stock (Daly and Posner 2011). A sustainability index of this kind is the Inclusive Wealth Index (IWI) presented at the Rio+20 conference (UNU-IHDP

and UNEP 2012), following the United Nation's call for new ways of measuring progress in a green economy (UN 2012b). The IWI proposes a stock of measures of productive capital assets, natural capital and human capital which moves forward with respect to previous measures, but recognises the need for additional research, in particular for the measurement of ecosystem services which the IWI has started to untangle.

The difficulties in the application of the capital approach has also been addressed by the Italian BES initiative through the development of a method based on risk factors and vulnerability. For each relevant phenomenon, it includes indicators able to flag possible future risks or to identify people and society's lack of reliance against potential misfortunes from various sources (economic recession, crimes, adverse weather, natural disasters, physical illnesses and/or mental disabilities). At macro level, vulnerability can also refer to the economic and the environmental systems as a whole or to the community, in this case through the identification of imbalances of social welfare.

#### **4 Conclusions: comment on the potential for continuing to engage OECD countries in issues of global significance**

The future model of development which has to emerge from the post-2015 discussion must be a common one for all regions of the world. In a globalised world all countries need to take their responsibilities and OECD countries have major ones. On one hand, their engagement must keep on moving on the mobilisation of resources: the eighth MDG objective on developing a global partnership for development is still an open issue; finance for development processes needs OECD countries' active contribution and the promotion of financial stability as a global common good is an objective which should also be on the agenda. On the other hand, the achievement of global SDGs is impossible without a change in the way people look at material consumption, climate change and transnational impacts of production, all topics widely discussed (not necessarily practised) in developed countries. This is why the determinants of the progress of societies which OECD countries have identified during the last decade are totally consistent with the multidimensional vision of development needed to build a future global framework for the post-2015 debate.

## Notes

1 Sponsorship Group co-chaired by the Eurostat and FR-INSEE (National Statistical Institute of France) Directors General, with the participation of 16 member states (Participants/Directors General of NSIs: AT, BG, CH, DE, DK, ES, FR, IT, LU, NL, NO, PL, SE, SI, SK, UK) as well as OECD and UNECE.

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2 Other initiatives are taking place at local and national level and also in the USA, Australia, New Zealand, Israel, Austria and Luxembourg.

3 BES stands for 'Benessere equo e sostenibile', i.e. equitable and sustainable wellbeing.

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