



Measuring Well Being: Evolution from GDP to Sustainability

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ABSTRACT

Now a day's quality of life has occupied main concern in development economics. The approach has been shifted from GDP to well being and from well being to sustainable well being. Quality of life cannot be measured only in terms of people's income and wealth, but it also include their health, their capabilities, quality of the environment, where they survive and work, their overall life satisfaction. Moreover not only the quantity of the goods and services, but equality and justice is also important for the welfare. Future circumstances get the equal weight as current situations. So there is need to focus on well-being and progress. Strong facts and verification is required to frame better policies. Present study aims to provide recent trends and systematic development in measuring quality of life. Moreover the study is focused to identify the structure for developing multidimensional index to gauge quality of life. The study classifies the range of various indicators to measure well being for policy implications. There are wide discrepancies between economic progress indicators and household well being so measurement of well being has been expanded from macro to household level.

Keywords: *well being, development, multidimensional index, sustainability*

JEL Classification: C38, I00, R20

1. INTRODUCTION

The ultimate aim of the individual life is to lead a better life. But the description of better life is very difficult in nature. In recent years world economy is more concerned about the well being rather than GDP. As it tries to assess the quality of life but now the problem arises in the explanation of well being. It is a very complicated to measure well being. There has been a long chain of various indicators developed by different organizations and individuals to assess the overall well being. It requires a comprehensive framework determine quality of life that includes a large set of indicators which are interrelated.

This paper explores the reasons behind the concern in measuring wellbeing as well as questions of what to measure and how. The various indicator systems that have been developed internationally to show the widespread interest in the area of wellbeing and to provide examples of the ways the measurement of wellbeing may be approached.



II. CONCEPT OF WELL BEING

Well being is a positive physical, social and mental state which drives from different areas. It requires fulfilment of basic needs and supportive factors. The key thought is to consider the various aspects of life that may be considered within a wellbeing framework. This may include health, relationships, job satisfaction, economic security, the environment, and education.

Well being indicators can be classified into three essential parts i.e. economy, environment and society. The UK Office for National Statistics (2011) stated that national wellbeing is influenced by economic performance, the state of the environment, sustainability, equality, quality of life and individual wellbeing

The French Commission on Economic Performance and Social Progress (2009) defined wellbeing as a combination of different dimensions such as 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.

III. SUBJECTIVE AND OBJECTIVE WELLBEING

Well being is classified into two categories subjective and objective wellbeing. Subjective wellbeing considers individual's satisfaction with reference to their own life whereas objective wellbeing is concerned with the material conditions that affect a person's life such as access to education, employment opportunities, etc.

S Daniel Kahneman (2002) and Angus Keaton classified subjective well being into two parts, Emotional wellbeing which measures the emotional value of an individual's everyday life experiences; and Life evaluation which measures the individual assessment and thoughts about their life.

The Commission on the Measurement of Economic Performance and Social Progress (2009) recognized two categories of objective wellbeing capabilities and fair allocations. Capabilities refer to an individual's ability to pursue and realise the pre-determined objectives. It measures the performance of society. The other one is fair allocations, which measures the various dimensions of quality of life. Capabilities and fair allocations is based on objective indicators of wellbeing, such as health, education, personal activities, political voice and governance, social connections, environmental conditions, personal insecurity, and economic insecurity.

Development in the well being measurements: From the 1980s there has been a shift in approach for the measurement of development. The definitive goal of development planning was recognized as to increase social welfare and well-being of the people. The need for equitable distribution and sustainability came into emergence for the fulfilment of the purpose. So the focus of Development shifted to inclusive development approach which comprises both monetary and non monetary dimensions. There has been many development in the studies of well being, which are presented as below:



1. Social indicators: (Henderson 1974; Land 1971; OECD 1976) worked on social indicators. Three types of social indicators can be identified on the basis on different studies: normative welfare indicators, life satisfaction or happiness indicators, and descriptive indicators. Normative welfare indicators are related to social policy formation. It is a direct measure of welfare and changes in the exact direction with equality, and quality. Second type of social indicators is called life satisfaction, subjective well-being, or happiness indicators. It attempt to measure psychological satisfaction, happiness, and life fulfillment through the subjective reality in which people live. Another type of social indicator focuses on social measurement and analyses to improve our understanding of society. This type of social indicators may be related to public policy objectives, but is not restricted to this use.

2. State of welfare index: (Drewonoski 1974) presented state of welfare index. (Oscar and Juan 1980) measured the level of welfare (using output indicators) of a population. It is indicated by the level of satisfaction of the needs of a population as a result of goods and services enjoyed by them.

3. Measure of Economic Welfare (MEW)

William Nordhaus and James Tobin (1970) developed Measure of Economic Welfare. The MEW uses personal consumption expenditures as a initial input. To measure economic welfare, total consumption was aggregated in terms of prices.

Physical quality of life index (PQLI) -This index was presented by Morris D. Morris(1979) to measure the conditions of the world's poor in terms of three indicators, namely LEB (Life Expectancy at Birth), IMR (Infant Mortality Rate), and basic literacy (percentage of literates in society).

Index of Social Health (ISH)

Marc Miringoff (1987) developed the Index of Social Health at Fordham University. Different socio-economic indicators measuring sixteen social issues related to health, mortality, inequality and access to services were selected to construct the index for all stages of life; he used separate indicators for each age group

Human Development Index: Human Development Index (HDI) (1990-2017) was prepared by the United Nations Development Programme (UNDP) and published in its annual Human Development Reports. It comprises three basic dimensions of quality of life (i) longevity, (ii) educational attainment, and (iii) standard of living. The computational method of the HDI has been recently been revised.

Genuine Progress Indicator (GPI)

The Redefining Progress Institute (1995) developed Genuine Progress Indicator (GPI) for Canada. The GPI classified welfare into two parts i.e. Current economic welfare and sustainable economic development. It adjusts personal consumption expenditures by income distribution; it also subtracts from expenditures those associated with crime, social costs (such as expenditures arising from divorce), depreciation of environmental assets (e.g., stocks of fossil fuels), and even costs associated with indebtedness. It adds to GDP the value of time spent on household work, parenting, and volunteer work; the imputed benefit, beyond cost of acquisition, of consumer goods Elements of current economic welfare consist of consumer spending, government spending, non-market production and leisure, and external factors. Sustainable economic development includes depletion of natural resources (nonrenewable energy and farmland); net investment in produced business fixed assets; net foreign



lending/borrowing; long-term environmental damage (“greenhouse effect” and ozone depletion); and, long-term ecological damage resulting from the loss of wetlands and the harvesting of old growth forests.

Index of Economic Well-being (IEWB): Lars Osberg (1985) and Andrew Sharpe (1998) of the Centre for the Study of Living Standards constructed an index of economic well-being (IEWB) for Canada. It has four constituent: per capita consumption flows; net accumulation of stocks of productive resources; income and economic insecurity.

Index of Living Standards (ILS)

Christopher Sarlo (1998) developed an exploratory index of living standards for the period of 1973-94 for Canada it is based on eight components, which are given equal weight. The eight components are real household consumption per capita; real household income per capita; index of household facilities, percentage of the population with a post-secondary degree or diploma; one minus the unemployment rate; life expectancy, indicator of household wealth.

Quality of Life Index

The Quality of Life Index was developed by the Economist Intelligence Unit (EIU). It combines subjective and objective measures of life satisfaction. It was calculated for 111 countries in 2005. It consists of measures of material well-being, health, political stability and security, family life, community life, climate and geography, job security, political freedom, and gender equality.

Inequality-Adjusted Human Development Index (IHDI)

The IHDI was first introduced in the 2010 UNDP Human Development Report. It adjusts each indicator of health, education, and income for inequality within a country’s population. It is distribution sensitive average level of HDI. The main purpose of IHDI is to inform nations to frame policies towards inequality reduction.

Multidimensional Poverty Index (MPI)

The MPI measure the percentage of poor population , the poverty is measured by numerous indicators of health (child mortality and nutrition), education (years of schooling and child enrollment), and standard of living (access to electricity, drinking water, sanitation, type flooring in dwellings, cooking fuel, and the ownership of particular types and numbers of assets). This index is sensitive to the depth of deprivation faced by individuals. One of the main criticisms of the MPI is that it requires the selection of a number of indicators and the aggregation of these indicators into a unidimensional index. Both processes are subject to arbitrariness; there is no consensus on which dimensions of poverty one should consider or what weights each of these dimensions should be assigned to compile the composite index. Assigning weights is an exercise that requires ranking and comparing deprivations: How does the death of a child compare to not owning more than one radio?⁶⁹

Happy Planet Index (HPI)

New economics foundation (nef) launched Happy planet index in 2006. Life satisfaction and life expectancy is measured along with environmental efficiency to construct the HPI. The objective of the index composition is to



provide a strong ground for comparative analysis of well being and use of natural resources at international level. The report stated that HPI for OECD countries was higher in 1961 than in 2005; despite of it shows an increase of 15 percent in the combined measure of life expectancy and life satisfaction during the 45-year period.

Gender Inequality Index (GII)

As a substitute of Gender Development Index and Gender Empowerment Measure, UNDP introduced Gender Inequality Index in 2010, in published Human Development It incorporates three dimensions in gender equality: reproductive health, empowerment and labor market participation. To gauge these dimensions indicators of maternal mortality ratio, adolescent fertility rate, share of parliamentary seats held by each sex, attainment of secondary and higher education labor market participation rate have been taken into account . It quantifies differences between men and women.

The EU Sustainable Development Indicators (SDIs)

The European Commission has since adopted a set of sustainable development indicators (SDIs) to help monitor the strategy and support its ongoing revision (EC, 2005). The indicators were developed with the help of a group of national experts, known as the Sustainable Development Indicators Task Force. The set of indicators is organized within ten themes, reflecting the political priorities of the strategy, and related subsequent political commitments. In 2001 European commission developed ten dimensions with more than 100 indicators to capture the term “development”. It encompasses social-economic, environmental dimensions of development.SDI framework brings together climate change and energy issues as a single theme. It was renewed in 2006

Millennium Development Goals (MDGs)

The Millennium Development Goals (MDGs) have focused in basic development issues; The MDGs originated from the Millennium Declaration adopted by the General Assembly of the United Nations in September 2000. Millennium Development Goals (MDGs) (2000) were set with the objectives to deal with extreme poverty, hunger, disease, lack of adequate shelter, promote gender equality, education, and environmental sustainability.

IV.ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

OECD launched better life initiatives under the theme of better life policies on its 50th anniversary of OECD in its publication “How’s Life?” The report intends to answer to the requirements of citizens for better information on well-being and to give a more precise representation of societal progress to policy-makers. It is concerned with measuring wellbeing and progress and compares wellbeing output in thirty six countries according to eleven dimensions. The OECD gave attention on material living conditions, quality of life and sustainability. Wellbeing is based on the areas of community, education, environment, civic engagement, health, housing, income, jobs, life satisfaction, safety and work-life balance.



V.CONCLUSION

In the recent years there is an appearance of a great literature on new indicators of well-being and quality of life at international and national level. These indicators commonly criticize GDP. This paper has examined the reasons behind the growing interest in measuring both subjective and objective wellbeing. The various approaches to measuring wellbeing have been defined. These studies have identified the benefits for the society if the wellbeing of the persons is improved. Measuring wellbeing improves the quality of democratic system, as it provides inputs for policy decisions and to increase accountability of governments.

In this paper we concentrated on the literature on well-being and quality of life worldwide. This review presents the existence of a large number of studies in shifting the attention towards non-GDP essentials of quality of life. This paper argues for a more thorough approach to the identification of well-being indicators. There is an urgent need for highly structured context-based human development indices, which can represent the territorial differences and help out the work of policy-makers.

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