Executive Summary

Assessing the progress of society presents a range of challenges: conceptual challenges (e.g. the inevitable trade-off between trying to be comprehensive and the limits in people's capacity to deal with too much information); technical challenges (e.g. how to combine information across micro-data sets dealing with different issues, how to integrate micro-data informing on inequalities with macro-economic accounts dealing with averages); and organisational (e.g. how to improve coordination among different data-collectors, how to balance international harmonisation and local accountability, how to improve timeliness of existing data). The High-Level Group on the Measurement of Economic Performance and Social Progress (HLEG), hosted by the OECD from 2013 to 2018, addressed some of these challenges, building on the report of the Stiglitz-Sen-Fitoussi Commission published in 2009. The aim remains the same – help to develop the means to describe progress and, in this way, to contribute to better policies. This book consists of a collection of authored chapters dealing with those issues that the HLEG felt deserved further attention and have thus been at the core of the Group's deliberations over the past few years. A complementary report by the HLEG Chairs (J.E. Stiglitz, J.-P. Fitoussi and M. Durand, *Beyond GDP: Measuring What Counts for Economic and Social Performance*) provides a broader overview of the issues discussed by the Group.

The Sustainable Development Goals and the measurement of human progress

The adoption of the SDGs by the UN General Assembly in 2015 is the most visible manifestation of how the Beyond GDP Agenda has influenced policy discussions. But the SDGs also highlight the inevitable tension between the pull to broaden the set of measures used for monitoring progress and the imperative to focus on a small number of top-level indicators – a tension that can only be solved through prioritisation of the UN goals and targets at the national level. National Statistical Offices should be given the governance independence and resources needed to fulfil their obligations on monitoring the SDGs, while the international community should support statistical offices in less developed countries starting from those global phenomena requiring good metrics for all countries.

Measuring the distribution of household income, consumption and wealth

The way household income, consumption and wealth are distributed is important in relation to fairness, but an unequal distribution of economic resources also lessens the impact of economic growth on reducing extreme poverty. Unfortunately, analyses in this field often use databases that not only show different levels of inequality from one database to another but, for some countries, also diverging trends. Data in this field suffer from under coverage and underreporting at both ends of the distribution, from limited information on wealth distribution, and from the difficulty in linking information among datasets to know what is happening to the joint distribution of economic resources. More work is also needed to

reflect the value of in-kind benefits such as education and health care services in a broader income concept, and to assess the distributive impact of consumption taxes and subsidies.

Horizontal inequality, intra-household inequality and the gender wealth gap

Inequality in income, consumption, and wealth among individuals ("vertical inequality") ignores systematic inequities among population groups, omits important non-income dimensions, and assumes that each individual in a household receives the household's mean income. Horizontal inequalities (inequalities among groups with shared characteristics), both in income and non-income dimensions, intra-household inequality, and the gender wealth gap are important in their own right, but they also link with each other in important ways (for example, a key aspect of intra-household inequality is inequality between the genders). Progress in all these fields should be a priority for future research.

Inequality of opportunity

Inequalities in income and wealth are more acceptable to individuals and more sustainable for society when people feel they have a fair chance to improve their situation. Inequality of opportunity, that is in the circumstances involuntarily inherited or faced by individuals (such as gender or ethnicity) that affect their economic achievements, also matters: beyond contributing to outcomes inequality, it reduces the efficiency of an economy by weakening incentives for those who think they can never succeed. While it will never be possible to observe differences among individuals across all the circumstances that shape their economic success independently of their will and effort, data on some aspects are available, and should be monitored regularly. But more is needed, for example developing long-term panels linking parents and offspring and including retrospective questions in surveys.

Distributional national accounts and the WID.world wealth and income database

The World Wealth and Income Database (WID.world) project provides annual estimates of the distribution of income and wealth using concepts that are consistent with national accounts, which allow addressing policy questions that could not be answered through other datasets. These data highlight substantial variations in the magnitude of rising inequality across countries, suggesting that country-specific policies and institutions matter considerably. High growth rates in emerging countries reduce between-country inequality but do not guarantee low within-country inequality levels nor ensure the social sustainability of globalisation. Access to more and better data (administrative records, surveys, more detailed national accounts, etc.) is critical to monitor global inequality and to get a better picture of how the benefits of growth are distributed.

Understanding subjective well-being

Subjective well-being has great potential as an indicator of the "health" of a community and of individuals. Measures of societal progress should take into account how people feel about and experience their own lives, alongside information about their objective conditions. At a societal level, subjective well-being measures can signal wider problems in people's lives, capture prevailing sentiment, and predict behaviour in ways that complement more traditional measures. Deepening the measurement initiatives undertaken in this field as a response to the recommendation of the 2009 Stiglitz-Sen-Fitoussi

Commission is needed to provide responses to the many research questions that are still open.

Economic (in)security

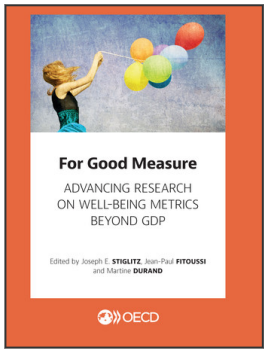
People's confidence in the economic and political system is destroyed quickly when there is a sentiment that economic security is declining. Economic insecurity captures individuals' (or households') degree of vulnerability to an economic loss. Three elements are inherent in this definition: some probability of an adverse event; some negative economic consequence if this event occurs; and some protection (from formal insurance to informal risk sharing, to self-insurance through savings and the like) that could potentially offset or prevent these losses. Measures are needed for each of these elements and for their combined effects. It is also important to distinguish between *observed* security, which can be measured using economic data, and *perceived* security, where people themselves reveal their subjective appreciation of their economic situation.

Capital and systems approaches to measuring sustainability

The UN Sustainable Development Goals framework recognises that progress has to be considered holistically and in a long-term perspective, taking account of trade-offs, spill-overs and unintended consequences of policy and investment decisions. Capturing the inter-temporal consequences of today's decisions requires measures of the various types of resources that will sustain future well-being, i.e. natural, human, social and economic capital. Complex systems theory provides a complementary approach for integrating the analysis of the different types of capital by dealing with the many interactions that shape sustainability. A systems approach could also more adequately capture the extent to which a production and consumption path is sustainable, safe and resilient.

Trust, social progress and well-being

People's trust in others and in institutions is a key determinant of economic growth, social cohesion and subjective well-being. While most of the research on the role of trust and cooperation draws on survey data, this type of information requires caution in use and interpretation. One way forward is to combine surveys with experiments asking participants to make decisions under circumstances where their degree of trust influences their behaviour. Evidence of this type, based on representative samples of the population for several countries, is now starting to become available. It has the potential to deepen our understanding of trust, its causes and consequences.



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