

CNEL and ISTAT measure well-being: set of indicators to be identified by 2011

PRESS RELEASE

Antonio Marzano (President of National Council of Economy and Labour - CNEL) and **Enrico Giovannini** (President of the Italian National Institute of Statistics - ISTAT) are setting up within CNEL a "Steering Group on the Measurement of Progress in Italian Society", including representatives from entrepreneurs, trade unions and civil society. The Group aims at developing a multi-dimensional approach to the measurement of "equitable and sustainable well-being" (*BES - benessere equo e sostenibile*), combining GDP with other measures, such as indicators of inequality and sustainability.

Progress measurement involves both political and technical-statistical elements. There is widespread agreement on the fact that we have no single indicator that could ever replace GDP as a comprehensive measure of societal well-being. What is called for is a set of multiple indicators, and their selection should involve the participation of every sector of society as well as of experts in measurement. This is why CNEL and ISTAT decided to launch this initiative, which resembles similar efforts underway in other countries.

Over the course of the next 18 months, the new Group's objective will be to:

- Develop a shared definition of progress in Italian society, by defining the most relevant economic, social and environmental dimensions (health, work, material well-being, pollution, etc.);
- Select a set of high-quality statistical indicators that are representative of the different domains. The number of indicators in the set should be small enough to facilitate its understanding by non-experts;
- Communicate the results of this process, informing citizens of indicator values in the most thorough way possible.

In addition, ISTAT will set up a Scientific Committee to carry out the preparatory work for the development of the statistical indicators, giving due relevance to international recommendations.

The specific activities of the first phase (first half of 2011) include:

- Performing an open, on-line public consultation among experts, civil society and individual citizens in order to gather inputs on the dimensions of well-being that are most relevant for the Italian society. In its 2011 Multipurpose Social Survey ISTAT already uses the categories suggested by the Organisation for Economic Co-operation and Development (OECD) and the Stiglitz Commission to assess the importance attributed by citizens to different dimensions of well-being;
- Using these results as the basis for determining which macro-dimensions of well-being should be placed under observation. The Group's proposal will then be presented for the approval of various Committees and the CNEL Assembly.

During the second phase of the project (second half of 2011), ISTAT will suggest to the Steering Group a number of selected indicators to be used for measuring different aspects of equitable and sustainable well-being. The Steering Group will then consult with stakeholders to formulate the shared proposal to submit for final approval by the various Committees and the CNEL Assembly.

A joint CNEL-ISTAT report on the measurement of progress in Italian society will be drafted by mid 2012. The report will be published in different forms and publicized in the media to ensure the widest possible diffusion.

The CNEL-ISTAT initiative adds Italy to the group of countries (France, Germany, the United Kingdom, Canada, the United States, Australia, Ireland, Mexico, Switzerland and the Netherlands) that decided to measure societal well-being by using a selected group of high-quality statistical indicators that were identified through the joint efforts of union/management representatives and civil society. As recommended by the OECD and the *Stiglitz Commission* instituted by the French President, this approach will give the country a shared perspective on the evolution of primary economic, social and environmental dimensions.

The importance of measuring societal well-being

Statistical indicators are particularly important for outlining and evaluating policies that are designed to promote societal progress. The selection of these indicators is a crucial step, in the sense that "what we measure" affects "what we do". If the tools we use are flawed or unable to encompass all key aspects of the object of study, this can lead to ineffective and distorted decision-making.

The level of complexity reached by society in recent years and the marked distance between standard macroeconomic measures and widespread perceptions of well-being have fueled a growing debate about how well the most common standard indicators are able to provide a meaningful depiction of reality. Gross domestic product (GDP) has taken a central stage in this debate. GDP, as a quantitative measure of macroeconomic activity, has assumed a role over time as the primary indicator of internal socio-economic performance and progress in general. Due to its nature as a measure of economic production, however, GDP alone fails to provide a comprehensive view of societal performance, and must therefore be combined with additional indicators that reflect the quality of life of the citizens, such as social inclusion, inequality, environmental conditions, etc.

This limitation is well known since long: efforts to develop alternative or complementary indicators multiplied over the last forty years (the United Nations Index of Human Development, for instance). However, only since 2004, when the OECD (under the leadership of Enrico Giovannini, at that time Chief Statistician of the Organisation) held in Palermo the first World Forum on "Statistics, Knowledge and Politics", the issue opened up to non-specialists and stimulated discussions on how to go "beyond GDP". Following the "Istanbul Declaration", signed in 2007 by the OECD, the United Nations, the World Bank, the European Commission and the Organization of the Islamic Conference at the conclusion of the 2nd OECD World Forum, and the launch of the "Global Project on Measuring the Progress of Societies" (www.oecd.org/progress), more and more countries started devoting due attention to this issue, by means of different methodological and political initiatives.

The "Beyond GDP" conference held in 2007 by the European Commission (in conjunction with the European Parliament, the Club of Rome, the WWF and the OECD) brought this issue to the attention of Europe's political leadership, and in January 2008 the French President Nicholas Sarkozy instituted the Commission on the Measurement of Economic Performance and Social Progress. Headed by Nobel Prize winners Joseph Stiglitz and Amartya Sen together with Jean-Paul Fitoussi the Commission concluded its work in September 2009, soon after the publication of the EC Communication "GDP and Beyond: Measuring Progress in a Changing World", and the report on measuring societal progress by the OECD. The issues addressed in these documents were raised in the final communiqué of the Pittsburgh G20 meeting and treated even more extensively in the OECD's third World Forum (held in Korea in October 2009) with the presentations, among others, by the Presidents of both CNEL and ISTAT.

OECD recommendations and the Stiglitz Commission

The approach proposed by the "Global Project on Measuring the Progress of Societies" was embraced by the Stiglitz Commission, which formulated a number of recommendations that can be summed up in five key messages:

- Rather than focusing on production-oriented concepts like GDP, greater emphasis should be placed on the economic well-being of the people;
- No single measure could ever encompass the many different dimensions of well-being, and composite indicators like the happiness measure offer unsatisfactory responses;
- Given the inadequacy of single indicators, we should shift our focus to identifying the most critical dimensions in terms of individual well-being. Existing research points to eight important dimensions: psycho-physical state, knowledge and capacity to understand the world we live in, labour, material well-being, the environment, interpersonal relations and participation in societal life and instability. How these different dimensions of well-being are distributed (equity) should also be taken into consideration;
- The environment is just one aspect of sustainability, which also concerns economic and social elements. These can be measured only by observing the capital stocks that the current generation leaves to future generations (stock of produced capital, natural capital, social capital and human capital);
- These results should be considered as a starting point for future work, not a final conclusion. Statisticians shall play a role in the application of these recommendations, but the most demanding task is left to politicians, who need to heed the Istanbul Declaration in every country by establishing "round tables on progress", involving the participation of every different societal component.