



Equitable and Sustainable Well-Being Indicators in the Italian public finance process

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Why beyond GDP?

- GDP measures the flow of goods and services produced within the market without considering:
 - a) the difference between positive and negative consumption
 - b) the non monetary value of goods and services
 - c) distributional concerns
 - d) sustainability/long term scenario
 - e) the engagement of civil society
- **Beyond GDP does not mean replacing GDP**

Beyond GDP: conceptual framework

- The importance of measuring well-being for public choices has long been recognized by academia and civil society and has now become crucial in institutional contexts.
- It is time for economic policy to give up an approach to policy-making based on GDP only and to take commitments to improve specific areas of the quality of life.
- Many national governments are looking to fill the gap between standard macroeconomic statistics and indicators that have a more direct bearing on people's life and consider social and environmental issues and their sustainability.

Institutional framework at international level

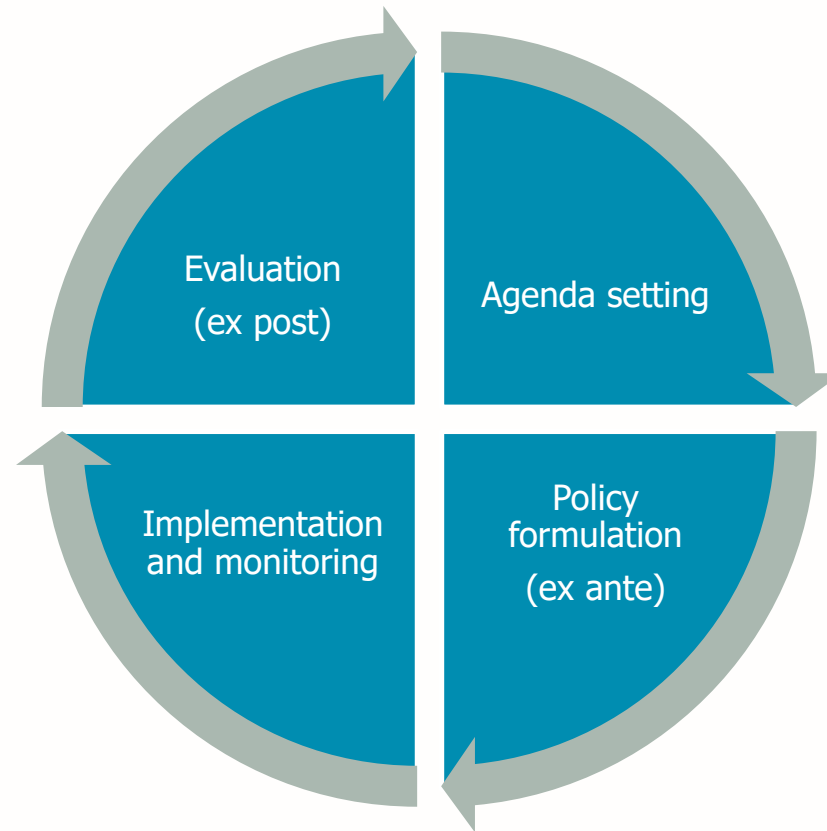
- United Nations *Millennium Development Goals* (2000) and *Sustainable Development Goals* (2015) – Agenda 2030
- Commission Stiglitz-Sen-Fitoussi (2009)
- European Commission's Communication *On GDP and beyond – Measuring progress in a changing world* (2009)
- OECD *How's Life? Measuring well-being* (2011; 2013; 2015; 2017)
- Eurostat *Quality of life - Facts and views* (2015)

Policy use of well-being metrics

- At international level, many institutional experiences to measure well-being and the quality of life
- In the most advanced experiments indicators are used as benchmarks and, in some cases, are linked to the political agenda but ...
 - ✓ the impact of measures planned by governments on well-being is very rarely systematically assessed;
 - ✓ Italy is one of the first countries to link equitable and sustainable well-being (ESW) indicators to economic and budgetary planning, attributing a role to them into policy-making process.

Policy use of well-being metrics

Well-being indicators can play a role at different stages of the policy process

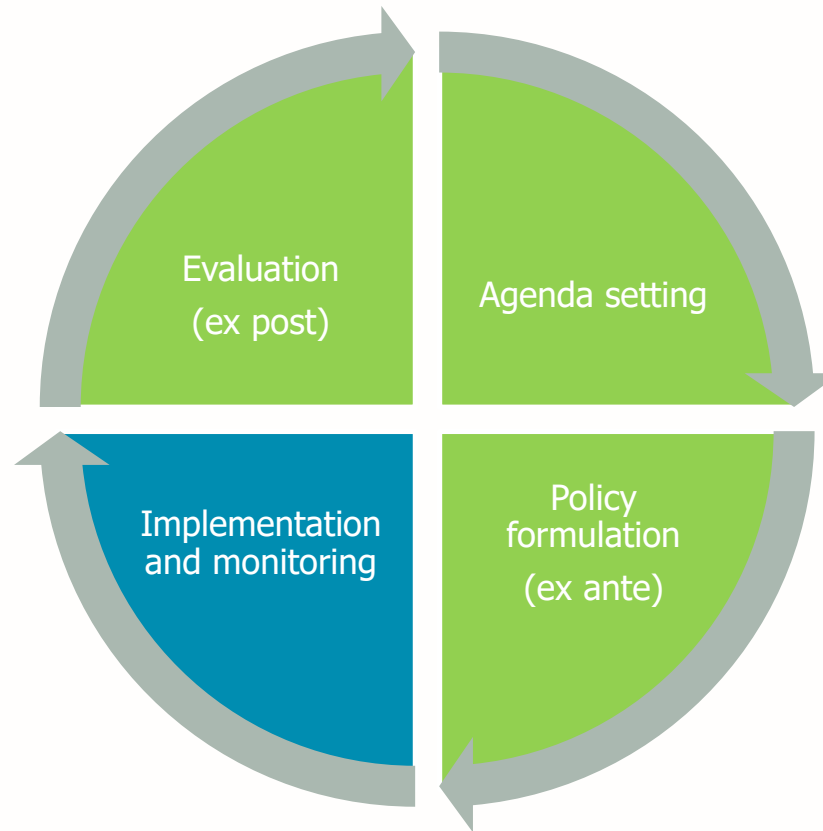


The Italian case: the measurement framework

- Equitable and Sustainable Well-Being (EWS) by Istat (Italian National Institute of Statistics)
- Framework defined by a committee of experts and civil society (2010): 12 domains and 129 indicators
 1. Health
 2. Education and training
 3. Work and life balance
 4. Economic wellbeing
 5. Social relations
 6. Politics and institutions
 7. Security
 8. Subjective wellbeing
 9. Landscape and cultural heritage
 10. Environment
 11. Innovation, research and creativity
 12. Quality of services
- Annual report on EWS in Italy published by Istat since 2013

The Italian case: well-being in the policy cycle

Italy includes EWS indicators besides GDP in its economic planning



The Italian case: well-being in the policy cycle

- The reform of the budget law (2016) provides that ESW indicators have to be integrated into the economic and financial planning cycle:
 - ✓ April: ESW Annex to the Economic and Financial Document
 - evolution of ESW indicators over the previous 3 years
 - forecasts of ESW indicators over the next 3 year period (no policy as well as policy change scenarios)
 - ✓ February: Report on ESW indicators
 - updated forecasts in light of the budget law

The Italian case: well-being in the policy cycle

- Committee for the selection of ESW indicators: Ministry of Economy and Finance (MEF), Istat, Bank of Italy and two academic experts
 - ✓ Developed within the Istat-ESW methodological framework
 - ✓ indicators' selection criteria: parsimony, availability, feasibility, sensitivity to policy changes
 - ✓ 12 ESW indicators chosen (adopted by means of MEF Ministerial Decree - Oct 2017) covering 8 Istat-ESW domains

The Italian case: indicators' selection

Parsimony

- limited number of indicators to facilitate their adoption in the public debate

Statistical availability

- timeliness and availability of long-and high-frequency time-series

Analytical feasibility

- compatibility with the available analytical tools

Sensitivity to policy change

- reaction to policy in a short time scenario

The Italian case: indicators' selection

The 12 ESW indicators by domain

ESW domain	ESW indicator
Economic wellbeing	<ol style="list-style-type: none"> 1. Per capita adjusted disposable income 2. Disposable income inequality 3. People living in absolute poverty
Health	<ol style="list-style-type: none"> 4. Healthy life expectancy at birth 5. Excess (overweight & obese) weight
Education and training	<ol style="list-style-type: none"> 6. Early leaver from education and training
Work and life balance	<ol style="list-style-type: none"> 7. Non-participation rate 8. Ratio of employment rate for women 25-49 years with children under compulsory school age to the employment rate of women 25-49 years without children
Security	<ol style="list-style-type: none"> 9. Predatory crime (burglary rate, pick-pocketing rate, robbery rate)*
Politics and institutions	<ol style="list-style-type: none"> 10. Civil justice efficiency (length of civil proceedings)
Environment	<ol style="list-style-type: none"> 11. Emissions of CO2 and other greenhouse gases (tons of CO2 equivalent per capita)
Landscape and cultural heritage	<ol style="list-style-type: none"> 12. Illegal building rate

*Predatory crime is the only composite indicator

The Italian case: forecasts and evaluations

- Gradual development of methodologies to provide indicators forecasts
 - ✓ at present forecasts available for 4 ESW indicators
 - ✓ exchange with Istat and other institutions

	2016	2017	2018	2019	2020	2021	2022
Per capita adjusted disposable income (in thousands of €)	21.8	22.2	22.7	23.1	23.7	24.2	24.7
Disposable income inequality	5.9	6.0	6.0	5.7	5.6	5.6	5.6
Non-participation rate (%)	21.6	20.5	19.7	19.9	19.9	19.7	19.5
Emissions of CO2 and other greenhouse gases (tons of CO2 equivalent per capita)	7.2	7.2	7.1	7.1	7.0	6.9	6.9

Source: Report attached to the 3 years horizon planning document (DEF – Documento di Economia e Finanza)– April 2019

Challenges



Generating continuous engagement across stakeholders to maintain effectiveness and on-going use of well-being in policy



Investing in the improvement and development of forecasting models for the evaluation of the impact of policies in the well-being indicators

Thank you!

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