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

Federico Giammusso
Ministry of Economy and Finance, Italy

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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


- Commission Stiglitz-Sen-Fitoussi (2009)


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 7. Security
2. Education and training 8. Subjective wellbeing
3. Work and life balance 9. Landscape and cultural heritage
4. Economic wellbeing 10. Environment
5. Social relations 11. Innovation, research and creativity
6. Politics and institutions 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Requirements</th>
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<tr>
<td><strong>Parsimony</strong></td>
<td>• Limited number of indicators to facilitate their adoption in the public debate</td>
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<td><strong>Statistical availability</strong></td>
<td>• Timeliness and availability of long-and high-frequency time-series</td>
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<td><strong>Analytical feasibility</strong></td>
<td>• Compatibility with the available analytical tools</td>
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<td><strong>Sensivity to policy change</strong></td>
<td>• Reaction to policy in a short time scenario</td>
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## The Italian case: indicators’ selection

<table>
<thead>
<tr>
<th>The 12 ESW indicators by domain</th>
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<tbody>
<tr>
<td><strong>ESW domain</strong></td>
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</table>
| Economic wellbeing | 1. Per capita adjusted disposable income  
2. Disposable income inequality  
3. People living in absolute poverty |
| Health | 4. Healthy life expectancy at birth  
5. Excess (overweight & obese) weight |
| Education and training | 6. Early leaver from education and training |
| Work and life balance | 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 | 9. Predatory crime (burglary rate, pick-pocketing rate, robbery rate)* |
| Politics and institutions | 10. Civil justice efficiency (length of civil proceedings) |
| Enviroment | 11. Emissions of CO2 and other greenhouse gases (tons of CO2 equivalent per capita) |
| Landscape and cultural heritage | 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

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<tbody>
<tr>
<td>Per capita adjusted disposable income (in thousands of €)</td>
<td>21.8</td>
<td>22.2</td>
<td>22.7</td>
<td>23.1</td>
<td>23.7</td>
<td>24.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Disposable income inequality</td>
<td>5.9</td>
<td>6.0</td>
<td>6.0</td>
<td>5.7</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Non-participation rate (%)</td>
<td>21.6</td>
<td>20.5</td>
<td>19.7</td>
<td>19.9</td>
<td>19.9</td>
<td>19.7</td>
<td>19.5</td>
</tr>
<tr>
<td>Emissions of CO2 and other greenhouse gases (tons of CO2 equivalent per capita)</td>
<td>7.2</td>
<td>7.2</td>
<td>7.1</td>
<td>7.1</td>
<td>7.0</td>
<td>6.9</td>
<td>6.9</td>
</tr>
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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

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Thank you!

federico.giammusso@mef.gov.it