



Case Study: Opportunities for use of alternative indicators in the OECD

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Executive Summary

This report is the final output of action research exploring the use to date of Beyond GDP indicators within the OECD, and identifying the barriers and opportunities for their further uptake in influencing policy. The research was conducted as part of BRAINPOoL (Bringing Alternative Indicators into Policy), an FP7 research programme funded by the European Commission.

The OECD has been at the forefront of the development of Beyond GDP indicators, having produced key products such as *How's Life?*, the *Your Better Life Index*, and the *Guidelines for the Measurement of Subjective Well-being*. We interviewed the staff involved in these initiatives, but also a wide range of staff in other parts of the OECD. In particular we considered other initiatives which have been incorporating Beyond GDP thinking, including:

- NAEC – New Approaches to Economic Challenges
- Going for Growth 2013
- Austria economic survey, 2013
- New Development Pathways
- Valuing environmental quality using life satisfaction

These initiatives reveal that the OECD is at the vanguard in terms of exploring the policy implications of Beyond GDP indicators. The factors that have been important for this success include:

- High-level buy-in for the idea that maximising GDP is not the fundamental goal of policy.
- Recognition that a change in economic policy is needed
- Technical skills and knowledge

- Opportunities for developing new techniques
- Long-term thinking.
- External demand for innovation.

However, the organisation does face challenges in taking the agenda from statistics to actual policy recommendations, some of which are unique to the OECD, and some of which are general:

- A. Dealing with the multi-dimensionality of well-being
- B. Tackling uncertainty in predictions and policy recommendations
- C. Differences in academic backgrounds and world views across Directorates
- D. Differing definitions of well-being
- E. A loose-knit organisational structure

Based on our research in this case study, and the findings from other parts of the BRAINPOoL project, we identified the following priorities for action for the OECD:

1. Spell out relationship between individual well-being and the societal/national concept
2. Develop a single numeraire for analytic purposes
3. Explore the frontiers of uncertainty with an internal working paper
4. Identify crunch policy issues where Beyond GDP indicators might lead to different policy recommendations
5. Enrich the skill base of the organisation beyond economics
6. Develop more horizontal working methods, establishing a central unit to co-ordinate
7. Collaborate beyond the OECD, particularly with academics and think tanks
8. Stimulate demand amongst national governments
9. Strengthen internal communication

Abbreviations used

DELSA	Directorate for Employment, Labour and Social Affairs -
DEV	Development Centre
ECO	Economics Directorate
ENV	Environment Directorate
GDP	Gross Domestic Product
NAEC	New Approaches to Economic Challenges
OECD	Organisation for Economic Co-operation and Development
PAC	Public Affairs and Communication Directorate
SG	Secretary General
STD	Statistics Directorate

1. Introduction

Beyond GDP' indicators are those indicators and indicator sets that have been proposed as being necessary and central to the measurement of societal progress, in a broad sense, as a complement or alternative to GDP. The OECD Statistics Directorate (STD) has been a pioneer in the development and advocacy of these indicators. It has served as a key hub, organising the most important international conferences on the measurement of progress since 2004, and hosting the *Wikiprogress* website. The OECD *Better Life Initiative*, where STD is one of the key players, is one of the best known initiatives in the field of Beyond GDP indicators.

Until recently, there was little evidence that the rest of the organisation was making active use of the ideas emerging from STD. However, in 2011 the OECD marked its 50th Anniversary by changing its motto to “Better policies for better lives”, and showcased the *Better Life Initiative*. This highlighted the potential for these indicators to be used to develop more holistic policy recommendations that lead to improvements in well-being, and reduce environmental impact and inequality.

For that reason, we embarked upon the research that underpins this report. We aimed to develop a picture of the perceptions of the OECD's Beyond GDP activities within the organisation, identify the barriers that prevent Beyond GDP indicators being used more, and highlight opportunities for that to happen.

This research has been conducted at a very interesting time within the OECD. Over the last year, the Beyond GDP agenda has indeed spread out across the OECD, with the launch of the New Approaches to Economic Challenges (NAEC) programme, and the publication of several reports that incorporate Beyond GDP thinking, including *Going for Growth 2013*, the *Economic Survey for Austria 2013*, and the *Multi-dimensional Review* for Myanmar. As such, this report is able to explore some of the successes that have been had, as well as the challenges.

1.1. Report outline

The remainder of Section 1 briefly describes the audiences this report is aimed at (Section 1.2), the BRAINPOoL project which this report forms part of (Section 1.3) and the methodologies used (Section 1.4).

Section 2 sets the scene within the OECD – this will be useful for external audiences, but should not present any novel information for people within the OECD working in this field. Section 2.1 outlines the OECD's history and role. Section 2.2 describes how the STD has been a pioneer in the field of Beyond GDP indicators. Section 2.3 sets out the context in terms of how Beyond GDP indicators were being used beyond STD at the start of this case study, whilst Section 2.4 introduces the key initiatives outside STD which we learnt about during the course of the case study which *are* using Beyond GDP indicators.

Section 3 presents analysis on the findings from our review, interviews and workshop. These include an identification of the key success factors that have brought the OECD thus far (Section 3.1), and five challenges that remain ahead (Section 3.2).

Lastly, Section 4 identifies nine priority actions for the OECD to move forward, based on our research here and in other parts of the BRAINPOoL project.

1.2. *Intended audiences*

The report is written for two audiences. First and foremost, it will be of interest for staff within the OECD who are interested in the idea that Beyond GDP indicators can improve policy, and help the OECD make policy recommendations that move us towards a more sustainable, inclusive and stable economic trajectory, that supports people's well-being.

Secondly, it will be of interest for those outside the OECD who believe that Beyond GDP indicators can help improve policy. Whilst the OECD is of course a fairly unique organisation, the lessons learnt here will be useful for governments, think tanks and other bodies seeking to increase the use of Beyond GDP indicators in policy-making.

This report will also be of interest to political scientists exploring how this type of indicators can influence policy processes, or interested in the workings of the OECD.

1.3. *BRAINPOoL context*

This report was produced as part of the project BRAINPOoL (Bringing Alternative Indicators into Policy). BRAINPOoL is funded by the European Commission through the FP7 research programme, and seeks to help accelerate the use of 'Beyond GDP' indicators in policy-making. It is primarily a knowledge brokerage project working by helping the producers and promoters of Beyond GDP indicators and the potential users of these indicators come together, understand one another, and identify fruitful interactions.

The first stage of the project (work package 1) explored the arena through the perspective of indicator producers and promoters – cataloguing the various initiatives, understanding the producers' intentions, and learning about the indicators' success or otherwise in achieving some form of impact either in policy or elsewhere. In the second stage of the project (work package 2) we took a look from the perspective of the potential users of Beyond GDP indicators – understanding several selected national and supranational organisational contexts, and identifying the barriers to and opportunities for demand for Beyond GDP indicators.

The study of the use of alternative indicators within the OECD was part of the third stage (work package 3), which brought producers and potential users together in seven specific case studies at different geographical levels, from the local to the supranational. In each case study, we sought to identify a problem that Beyond GDP indicators might help solve, and explore steps towards them playing such a role.

This case study was carried out by the Centre for Well-Being at **nef**. **nef** is an independent think tank based in London, which works on developing alternative economic solutions for achieving sustainability, social justice and well-being. The Centre for Well-Being works on the use of well-being and other Beyond GDP indicators in policy-making.

1.4. *Methodology*

The case study involved the following activities:

- Creation of a timeline of alternative indicator developments in the OECD since the 1960s, based on desk research and telephone conversations with OECD staff.¹
- A review of some of the key reports and documents produced by the OECD in recent years. These included:
 - Documents produced by STD on Beyond GDP.
 - Documents associated with key Beyond GDP initiatives beyond STD and outlined below (e.g. the 2013 Austrian economic survey)
 - A selection of reports produced by ECO, DELSA, ENV and other Directorates to get a flavour of ‘typical’ OECD outputs

A full list can be seen in Annex 2.

- Face-to-face semi-structured interviews with 17 staff members in STD, ECO, DEV, DELSA, ENV and SG.
- Regular communication and contact with STD staff.
- Literature review on the role of the OECD in policy formulation.
- Seminar held within the OECD and attended by approximately 30 staff members, two BRAINPOOL researchers, and three invited expert speakers.

2. The OECD, and its Beyond GDP activities

2.1. OECD Background

The OECD was founded in 1961 to stimulate economic progress and international trade. It now has 34 member states, predominantly wealthy democracies – the poorest member states including Turkey and Chile.

Its principal roles are as a forum for convening discussion and mutual learning among member countries, and as a source of analysis and policy advice. It produces reports and analyses, including explicit recommendations aimed at national governments. However these recommendations are not binding. The only legally binding outputs produced by the OECD are OECD Decisions, but there have been less than 30 of these since the inception of the OECD, and even they are only binding for those member states that agree to them.² As such, the OECD is seen as a typical example of ‘soft power’ or ‘soft law’,^{3 4} influencing governmental decisions in more subtle ways that rely upon the organisation’s legitimacy and credibility in the international community.

¹ See Annex 1, produced as part of work package 2.

² <http://www.oecd.org/legal/oecdlegalinstruments-theacts.htm>, accessed 21/09/13

³ Nye J (2004) *Soft Power: The Means to Success in World Politics* (New York: Public Affairs)

⁴ Schafer A (2006) ‘Resolving deadlock: Why international organisations introduce soft law’ *European Law Journal* 12:194-208.

The legitimacy of the OECD stems from several factors. Firstly, the fact that high ranking officials from member states are represented on the OECD Council and on all Committees means that there is a sense that OECD outputs are co-created. The culture within the secretariat is one of consensus-seeking. Member states are part of the development of the outputs produced by the OECD Secretariat, and have opportunities to discuss and shape these outputs. Secondly, the Secretariat is well-respected, having particularly established its credibility on quantitative economic analysis. It is able to look at issues over the long-term in a way that national governments, concerned with the political cycle, tend to do less. Further, it is less influenced by conflicting interest groups. It is thus seen as ‘impartial and disinterested’, and strives to depoliticise issues, presenting them as matters of ‘best practice’.⁵ The OECD has been seen as effective in presenting recommendations in a way which “almost everybody can find an interpretation with which he or she would agree”.⁶

Political scientists have explored the influence of several of the OECD’s outputs, including the *Jobs Study*,⁷ *Babies and Bosses*,⁸ and the economic surveys.⁹ Whilst opinions are mixed as to the direct influence of specific recommendations (plenty of overlap with OECD recommendations by member states can be seen, but it is not always clear that it can be traced directly to the OECD’s influence), there is a clear sense that the OECD has an important role in agenda-setting, shaping discourse, generating policy ideas, providing national-level actors with arguments and evidence, and defining the expertise and knowledge that is considered valid for analysis.¹⁰ One author has stressed the importance of *discursive repetition* for the success of much OECD work – i.e. repeating a particular discourse thereby forming international norms and diffusing ideas.¹¹

2.2. The OECD Statistics Directorate and Beyond GDP

The OECD interest in alternative indicators in a broad sense can be traced to the early 70s, as the timeline in Annex 1 shows. However, the current wave of activity started in 2004 with a conference in Palermo, Italy, organised by the STD. From 2004 to 2009, with strong leadership from the OECD Chief Statistician, Enrico

⁵ Dostal JM (2004) ‘Campaigning on expertise: how the OECD framed EU welfare and labour market policies – and why success could trigger failure’ *Journal of European Public Policy* **11**:440-460.

⁶ *ibid.*

⁷ *ibid.*

⁸ Mahon R (2010) ‘After neo-liberalism? The OECD, the World Bank and the Child’ *Global Social Policy* **10**:172-192.

⁹ Lehtonen M (2009) ‘OECD organizational discourse, peer reviews and sustainable development: An ecological-institutionalist perspective’ *Ecological Economics* **69**:389-397.

¹⁰ e.g. Dostal (2004) *op cit.*; Schafer (2006) *op cit.*; Armingeon K (2007) ‘Active labour market policy, international organisations and domestic policies’ *Journal of European Public Policy* **14**:905-932; Lehtonen (2009) *op cit.*; Mahon (2010) *op cit.*; Watts M (2010) ‘The role of the OECD in the design of macroeconomic and labour market policy: Reflections of a heterodox economist’ Centre of Full Employment and Equity, working paper no. 10-02.

¹¹ Lehtonen (2009) *op cit.*

Giovannini, STD organised a series of large international conferences, as well as workshops and networking opportunities that were integral to the development of an international Beyond GDP community. Beyond GDP initiatives from around the world such as the Canadian Index of Well-Being, Bhutan's Gross Domestic Happiness, the Global Peace Index and the Happy Planet Index were all showcased during these events.

The OECD was also key to the operation of the influential Commission on the Measurement of Economic Performance and Social Progress (often known as the Stiglitz Commission). Giovannini was one of the members of the Commission, and the OECD provided a secretariat role, providing working papers and rapporteurs.

In 2009, Martine Durand became the new Chief Statistician. One of her first steps was to instigate the Better Life Initiative.¹² In a sense, the Initiative was a response to the sense that, for all its excellent work in convening debate, the OECD had until then presented few specific proposals for measuring Beyond GDP.

The Initiative's flagship outputs are the Better Life Index website¹³ and the *How's Life?* reports, the first of which was published in 2011 (the second is due out in autumn 2013).¹⁴ In 2013, STD published three other major outputs as part of the Initiative. Firstly, in April, *Guidelines on Measuring Subjective Well-Being* were published. This report provides evidence on the validity of subjective well-being measurement, makes recommendations to national statistics offices on how to measure subjective well-being and provides an overview of how such data could be used.¹⁵ Then, in June 2013, two reports focussing on the measurement of household economic well-being were published: a set of guidelines on the measurement of the distribution of household wealth, and a framework for the compilation of household statistics on the distribution of income, consumption and wealth.^{16 17}

Lastly, it is worth flagging the OECD's Framework for Measuring Progress and Well-Being (hereafter called the '*Framework*'⁰). This was produced as part of *How's Life?*, but can be found in several outputs since.¹⁸ It replicates the Stiglitz Commission's vision of progress into three pillars – quality of life, material conditions and sustainability.

These and other initiatives provide testimony of an emerging OECD view on the meaning and measurement of well-being and progress including:

- The multi-dimensionality of well-being, as manifested in the *Framework* put forward by the OECD for the release of its publication *How's Life?* However,

¹² See for example <http://www.oecd.org/statistics/betterlifeinitiativemeasuringwell-beingandprogress.htm>

¹³ <http://www.oecdbetterlifeindex.org/>

¹⁴ OECD (2011) *How's Life? Measuring well-being* (Paris: OECD Publishing)

¹⁵ OECD (2013) *Guidelines on Measuring Subjective Well-Being* (Paris: OECD Publishing)

¹⁶ OECD (2013) *OECD Guidelines for Micro Statistics on Household Wealth* (Paris: OECD Publishing)

¹⁷ OECD (2013) *OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth* (Paris: OECD Publishing)

¹⁸ e.g. <http://www.oecd.org/statistics/measuringwell-beingandprogressunderstandingtheissue.htm>

and despite the emphasis on multi-dimensionality, the OECD also recognise the importance of having a single indicator for communication, which it has pursued through the development of the Your Better Life Index, undertaken in collaboration with PAC.

- The highlighting of a set of dimensions as being important, including education, health (more traditional policy goals), but also aspects such as civic engagement and work-life balance.
- The relevance of subjective well-being. This is identified as a separate dimension of well-being in both *How's Life?* and the *Better Life Index*. It is also worth noting that the first major dimension-specific output produced as part of the Initiative were the Guidelines on Subjective Well-Being. Beyond the measurement and statistical aspects, the guidelines also highlight the range of policy uses of subjective well-being data.
- A sense that GDP should be supplemented by other indicators to get a more rounded assessment of people's well-being, rather than simply replaced.
- Emphasis on the importance of comparability and harmonisation of statistics between countries.

The Better Life Index and the guidelines on subjective well-being were explored in the work package 1 report, with a case study on the Index.¹⁹

2.3. Beyond GDP beyond the Statistics Directorate

At the start of the case study, there was little evidence of how these initiatives were having a real influence on the rest of the OECD, aside from the new motto introduced in 2011 ("*Better Policies for Better Lives*"), and a chapter on 'Alternative measures of well-being' included in the 2006 edition of the report *Going for Growth*, released by the Economic Department and, in a similar form, in the report *Society at a Glance*, released by ELS.²⁰ In some cases, the new measures being explored by the STD were included or referred to in reports by other OECD directorates, but without significant analysis or policy conclusions. For example, the Economic Survey for Germany in 2012 noted Germany's mediocre average life satisfaction, but no implications or recommendations were drawn from this.²¹

One related initiative undertaken by the OECD in this period was the *Green Growth Strategy*, launched in 2011,²² before *How's Life?* and spearheaded by the Environment Directorate (ENV). The Strategy is associated with an indicator set, developed by STD, which includes mostly environmental and economic indicators.

Whilst the Green Growth work and the Better Life work do give nods to one another, our sense is that the two projects are still seen as separate and not part of a single

¹⁹ Hák T, Janoušková S, Abdallah S, Seaford C and Mahony S (2012) *Review report on Beyond GDP indicators: categorisation, intensions and impacts*. Final version of BRAINPOoL deliverable 1.1, a collaborative project funded by the European Commission under the FP7 programme (Contract no. 283024).

²⁰ OECD (2006) *Going for Growth 2006* (Paris: OECD Publishing)

²¹ OECD (2012) *OECD Economic Surveys: Germany* (Paris: OECD Publishing)

²² OECD (2011) *Towards Green Growth* (Paris: OECD Publishing)

framework. The original *Towards Green Growth* report does not at any point mention the *Better Life Initiative* or the relevance of measuring well-being (though it does talk about well-being). *How's Life?* does talk about measuring sustainability, and identifies a set of indicators from the Green Growth indicators for measuring it. But it is fair to say that the Green Growth indicator set as a whole does not fit well into the framework for measuring well-being, as it covers more than environmental sustainability. In 2012, the OECD published a document for Rio +20 which presented both initiatives, but the two were described in separate sections, with little attempt to weave them together.²³

It is against this backdrop that we started our case study in the OECD in the second half of 2012. Our understanding was that the OECD was attempting to develop more holistic policy recommendations that considered well-being, environmental impacts, and inequality in a comprehensive way: we were interested in seeing how Beyond GDP indicators could help meet that challenge.

2.4. Emerging Beyond GDP initiatives across the OECD

This backdrop, however, was rapidly changing as this case study developed. In this section, we present the key initiatives that we identified that drew on the Beyond GDP developments *within* STD, but which we led by other Directorates.

NAEC – New Approaches to Economic Challenges

New Approaches to Economic Challenges (NAEC) is an OECD-wide 'reflection process' aimed at improving the OECD's analytical frameworks and policy advice. It was launched at the 2012 Ministerial Council Meeting, with an Interim Report presented one year later in the 2013 Ministerial Council Meeting in May. The project was motivated by a suite of growing concerns, including a determination to learn from the economic crisis, and the awareness of some of the trade-offs and challenges of meeting multiple goals such as reducing inequality, mitigating climate change and achieving smarter growth. The overarching aim was framed in 2012 as helping "build a more solid path for economic growth and well-being".²⁴

Early discussions on NAEC made it clear the need to "revisit the objectives of macroeconomic policies".²⁵ The NAEC Interim Paper asserts that the ultimate goal of policy making should be to increase well-being²⁶ and that economic growth is only part of the story.²⁷ It also reiterates the concern that there may be trade-offs between different dimensions of well-being, and between current well-being and environmental sustainability. The Chief Economist Padoa-Schioppa highlighted this exploration of trade-offs as the OECD's specific 'added value'.*

²³ OECD (2013) *OECD work on measuring well-being and progress towards green growth*. <http://www.oecd.org/std/rioplus20%20to%20print.pdf>, accessed 24/09/13

²⁴ OECD (2012) *New Approaches to Economic Challenges: A framework paper*, pg. 2 <http://www.oecd.org/general/50452415.pdf>, accessed 24/09/13

²⁵ OECD (2013) *New Approaches to Economic Challenges: Interim report*, pg.4. <http://www.oecd.org/mcm/C-MIN%282013%292-ENG.pdf>, accessed 24/09/13

²⁶ *ibid.*, pg.5, pg. 13

²⁷ *ibid.*, pg. 12

Early work in NAEC will include a measurable definition of inclusive growth. At the workshop that we organised at the OECD, we also discovered that the inclusive growth project within NAEC aims to develop an overall monetary measure of 'living standards' to assess the distribution of a number of well-being elements, to allow the multi-dimensional impacts of policies to be considered in the round.

The NAEC project shares much of the philosophy of the Beyond GDP agenda, and members of the NAEC advisory board include some of the key figures from the Stiglitz Commission, such as Nick Stern and Anthony Atkinson. But, whilst the term 'well-being' is used to frame a lot of the process, it is probably not right to see NAEC as a rolling-out of STD work on Beyond GDP. Rather, NAEC brings together several new strands of work, one of which is directly about well-being. Much of the work in NAEC focuses on reforming the financial sector, exploring inequality and increasing trust in government.

Going for Growth 2013

Every year since 2005, the OECD has published a flagship report entitled *Going for Growth*, which presents analysis on the determinants of GDP growth in OECD countries, and provides recommendations – both general, and to specific countries. The OECD began producing *Going for Growth* in response to a perceived disappointment in the strength of economic growth in OECD countries in the preceding years.²⁸ The reports focus primarily on GDP growth, broken down into labour productivity and labour utilisation. The second *Going for Growth* report, in 2006, noted that GDP is only a proxy for overall well-being, and devoted a chapter to considering alternative measures of well-being.²⁹ However, its conclusion was that, if a single proxy measure of economic well-being had to be chosen, GDP per capita was still the best proxy for well-being available. Subsequent reports maintained the focus on GDP growth in fairly narrow terms.

A shift could be seen in the 2012 report, which devoted a chapter to the question of how to reduce income inequality whilst boosting economic growth.³⁰ And in the 2013 report, the second half of the main body of text was devoted to “the effects of growth-enhancing structural reforms on other policy objectives”.³¹ The report takes the five main recommendations for each country based on what is good for GDP, and then systematically considered what their effects might be on inequality, the environment, and public finances.

Generally the report finds more synergies than trade-offs. Of the 205 country recommendations considered, 78 are identified as likely to reduce inequality in the long-term, whilst only four are assessed as likely to increase it.³² With regards to impact on environment, the report identifies 41 recommendations which are likely to have some effect on environment, with their “direction depending on implementation

²⁸ OECD (2005) *Going for Growth 2005* (Paris: OECD Publishing)

²⁹ OECD (2006) *op cit.*

³⁰ OECD (2012) *Going for Growth 2012* (Paris: OECD Publishing)

³¹ OECD (2013) *Going for Growth 2013* (Paris: OECD Publishing)

³² *ibid*, pg. 72

details and policy settings”.³³ The report does not single out any policy recommendation from the OECD as clearly presenting a trade-off between growth and environment. As part of NAEC, ECO is currently assessing the impact of ‘growth-enhancing structural reforms’ on household income, rather than on GDP per se.

Austria Economic Survey, 2013

One of the main activities of ECO, overseen by the EDRC (Economic and Development Review Committee), is the production of country economic surveys – which provide detailed analysis and recommendations for member states (and now also for key partners countries). Country surveys are typically produced every other year..

The latest report for Austria was published in July 2013 (towards the end of this case study).³⁴ The Austrian government had requested that the report consider well-being as a whole, and not just economic performance, making it into what could be considered a Beyond GDP country report. This initiative followed several initiatives which have taken place in the Austria around Beyond GDP.³⁵

The Economic Survey recognises the positive outcomes achieved by Austria on all the well-being dimensions identified in the Better Life Initiative, noting that “Austria has achieved a remarkable level of well-being”.³⁶ It attributes this success to three key factors: steadily growing productivity, resulting from a dynamic medium-sized enterprise sector and a relatively strong manufacturing sector; ‘in-house’ services (i.e. strong families, providing childcare, and geographical stability); and a strong social partnership in terms of policy formation and bargaining around working conditions, as well as a strong public sector.

The report notes that some of these factors were identified in previous OECD reviews as being harmful for economic progress. However, the report argued that these policy approaches have worked for Austria due to context specific factors, even if they haven’t worked so well in some other countries.

The recommendations made in the 2013 economic survey included:

- Ensure that more older people remain in work
- Provide further childcare, thus enabling parents (particularly mothers) to remain in work
- Bolster the human capital of migrants
- Reduce subsidies for commuting and company cars
- Carry out environmental impact assessment of transport infrastructure

³³ *ibid*, pg. 74

³⁴ OECD (2013) *OECD Economic Surveys: Austria 2013* (Paris: OECD Publishing)

³⁵ For example, the Ministry for the Environment in Austria, has organised two conferences under the title *Wachstum im Wandel* (Growth in Transition). These conferences have been supported and attended by other ministries and large corporations within the country.

³⁶ *ibid*, pg. 20.

- Carry out analysis on the interacting effects on well-being of transport, housing and regional policy.

OECD Development Pathways

The three activities summarised above have been led by ECO, with little direct involvement from STD. A fourth initiative, led by the Development Centre, has involved both ECO and STD. The *Development Pathways* is described as a series that will ‘look at multiple development objectives beyond an exclusive focus on growth’ and that ‘recognises well-being as an integral part of development’.³⁷ Three *Multi-dimensional reviews* are currently underway for Myanmar, Uruguay and the Philippines. Each one will involve three volumes, with the first volume representing an initial assessment. The first initial assessment report, for Myanmar, was published in July 2013.³⁸

The report includes a section which considers well-being in Myanmar using the 11 dimensions of the Better Life Initiative. The analytical approach taken is to compare the focus country with peers that have similar levels of economic development (as assessed by GDP), and assess how much better or worse it is doing on the different dimensions of well-being than might be expected. The report concludes that Myanmar faces particular challenges in terms of corruption, civic engagement and social capital.

Overall, the report focuses predominantly on the steps that Myanmar needs to take in terms of macroeconomic stability, rule of law, sustainability, and building a multi-ethnic state. It draws on the ‘capitals approach’ (which assesses the sustainability of economic development by looking at its impact on economic, human, social and natural capital), and highlights Myanmar’s specific problems in terms of institutional and social capital.

Valuing environmental quality using life satisfaction

The last initiative worth mentioning is a working paper produced by ENV in April 2013 “*More than the sum of their parts: Valuing environmental quality by combining life satisfaction surveys and GIS data*”.³⁹ The working paper uses surveys conducted by the OECD which include questions on life satisfaction and perceptions of environmental quality, combined with objective measures of air quality from the European Environmental Agency.

The paper reports that a 1% reduction in air quality has the same impact on well-being as a 0.7% increase in income – quite a sizable effect. It concludes that it “unambiguously identifies a range of environmental factors which determine people’s life satisfaction, and which should be considered in welfare-based policy analysis”. But it also notes that the assumptions one makes can influence the estimates of effect-sizes, thereby stressing the importance of doing valuation well.

³⁷ OECD (2013) *Multi-dimensional review of Myanmar. Volume 1: Initial Assessment* (Paris: OECD Publishing)

³⁸ *ibid.*

³⁹ OECD (2013) *More than the sum of their parts: Valuing environmental quality by combining life satisfaction surveys and GIS data*. Working Paper No. 50

The report represents an example of how ENV have been making use of the kinds of subjective well-being data being advocated by STD in their own analyses. The working paper's citation of the recent *Guidelines on Measuring Subjective Well-Being* allows the authors to make use of the life satisfaction data building upon the work that colleagues have done to demonstrate its validity and reliability.

Future work

As well as the two further *Multi-Dimensional Reviews*, and the outputs of the NAEC, other steps forward envisaged by the OECD include:

- A report by STD on Israel, which will provide a comprehensive and quantitatively-based well-being assessment
- The inclusion of well-being data in all forthcoming economic surveys (for example, we have heard that the forthcoming Finland economic survey will include an analysis of the well-being of older people).
- A desire to roll out the model used in the Austria country economic survey. For example, there was interest in Australia, though some stakeholders were concerned about playing the role of 'guinea pig'.

3. Findings (successes and challenges)

3.1. Successes

The OECD has made substantial progress in terms of developing Beyond GDP techniques and integrating them into their outputs and thinking. Few organisations come close to the degree of thought that the OECD has given to how alternative well-being indicators can actually be used. The key innovations and successes that the OECD has achieved include:

- A cross-cutting platform (in the form of NAEC) for considering the major challenges that the economic system faces.
- Explicit realisation and exploration of the potential tensions between maximising growth and other policy goals (for example, in *Going for Growth 2013*).
- The Austria economic survey report and Myanmar review show that there is a demand for analysis of Beyond GDP indicators from individual states.
- The embedding of well-being analysis across at least three departments –, ECO, DEV and to some extent ENV.

Based on the interviews, analysis of documents, and the earlier findings from BRAINPOoL on the barriers to the use of Beyond GDP indicators (see work package 2⁴⁰), the following factors were identified as being instrumental to these successes:

- **High-level buy-in** for the idea that maximising GDP is not the fundamental goal of policy, but rather a tool for increasing well-being. This is an attitude that we found amongst the most senior members of staff interviewed, the Chief Economist, as well as the Secretary General. For example:
 - *“For us, the objective is wellbeing.”*
 - *“Trying to think about how [ECO] can adapt Going for Growth more to look at different aspects of wellbeing.”*
 - *“Secretary General Angel Gurría leads the charge on many of these issues having been quite taken by ... wellbeing.”*
- **Recognition that change is needed in economic policy** across the organisation. This is demonstrated by NAEC, and was seen in many interviews, both of more senior and more junior staff. Aside from the sense of agreement that well-being goes beyond economic growth, there are two other important motivations.
 - Firstly, there is a sense that mistakes had been made in the past, leading up to the economic crisis, e.g.:
 - *“The initial motivation was dissatisfaction ... of the way international organisations have faced the crisis, we failed in a number of cases”*
 - *“All models we are using have failed us in this crisis”*
 - Secondly, that current approaches do not address environmental issues sufficiently:
 - *“If you boost GDP but deplete environmental capital then we need a broader measure above GDP.”*
 - *“Shifting to a green economy will require a radical transformation of the present economic development model.”*

This led to some quite bold statements from the staff interviewed about the need for change:

- *“The bigger ambition is to provide a new approach overall, a new way of looking at policy making.”*
- *“[NAEC is] the mother of all horizontal projects.”*
- *“Do we want to change our policy advice? Do we want to change our policy philosophy? In a way, yes.”*

This recognition of the need for change is critical, given our findings from earlier research in BRAINPOoL that one of the biggest barriers to Beyond GDP indicators entering use in general is the perception by many people that there is

⁴⁰ Thiry G, Bauler T, Sébastien L, Paris S and Lacroix V (2013) *Characterizing demand for 'Beyond GDP'*. Final version of BRAINPOoL deliverable 2.1, a collaborative project funded by the European Commission under the FP7 programme (Contract no. 283024).

no need for them, and that GDP more or less does the job. In particular, there appears to be a distinction between those who see the economic crisis as a reason to refocus efforts on increasing growth, and those who see it as a reason to question the fixation with growth and therefore try to bring in other indicators. The high-level staff we interviewed at the OECD all clearly fall into the latter category.

- **Technical skills and knowledge** – including expertise in econometric modelling, well-being, and a wide range of policy areas. ECO, for example, has already started taking on the challenge of using relatively unfamiliar subjective well-being data to derive different conclusions from those they might have come up with using purely economic data. The ENV report mentioned also demonstrates sophisticated use of subjective well-being data. Obviously, the work done by STD has been critical in building that knowledge base.
- **Opportunities for developing new techniques.** It is a matter of course that the OECD is constantly producing new, and widely read, reports based on new analyses, particularly the country surveys and its annual *Going for Growth* reports. These outputs offer opportunities for the organisation to experiment and include new approaches.
- **Long-term thinking.** Associated with this last factor is the fact that the OECD does not have to respond to policy cycles and can think long-term. The staff we interviewed spoke naturally about developments in techniques which could take many years to finesse.
- **External demand for innovation.** The consideration of well-being in the Austria economic survey was partly at the request of clients within the Austrian government. We heard that some national delegates on the EPC (Economic Policy Committee) felt strongly the need for a broader analysis in *Going for Growth 2013*.

3.2. Remaining challenges

Our research identified two main sets of challenges that must be faced by the OECD to really embed the Beyond GDP agenda into its policy analysis and recommendations – technical challenges and organisational challenges

Technical challenges

A. Multi-dimensionality

“...progress is a multidimensional concept that goes beyond GDP. It must incorporate other dimensions such as the environment, equity considerations and well-being. We need to better understand the interactions, synergies and trade-offs among these different dimensions to draw the appropriate policy implications and advice. We need ...to ... develop policy tools to ensure that the benefits of growth... contribute to an improvement in overall social well-being.” OECD Secretary General Report to Ministers 2012

As discussed in section 2.1, one of the key sources of the OECD's legitimacy is its ability to present itself as neutral and technocratic – simply carrying out analyses and identifying best practice. For such an organisation, multi-dimensionality can pose a problem. How can one identify best practice, when making policies for well-being, which is inherently multi-dimensional? Recommendations made must inevitably involve a decision about which dimensions are more important than others, and such decisions are seen to be value-laden and therefore the job of politicians – a sentiment also echoed in other case studies, including in the Welsh Government and the UK Department for Business.

Decisions about which dimension to prioritise are unlikely to be seen as a test of pure technical economic competence, in the same way as decisions about how to maximise GDP. The result is that the organisation can open itself up to criticisms about the judgements that it makes. For example, when *Going for Growth 2013* identifies policies that have differential impacts on growth, inequality, the environment and fiscal stability, how is a choice to be made regarding the policies to prioritise? Multi-dimensionality also exists within some of these concepts. For example, some of the policies explored in *Going for Growth 2013* are expected to increase inequality amongst the employed, but decrease inequality between the employed and unemployed. The ECO report hence concludes that the impacts of such policies on inequality are mixed. But another OECD report on the same issue (*Divided we Stand*), has drawn different and more clear-cut conclusions.

The alternative to leaving these choices open is to create a single numeraire for analysis, which in some way brings together the multiple dimensions of well-being. One way of doing this would be to use subjective well-being measures as an overall indicator which captures the direct impacts of policies on all the dimensions of the Better Life Initiative, an approach explored in the *Guidelines for Measuring Subjective Well-Being* and discussed in the context of 'cost well-being analysis'. One staff interviewed in ENV, for example, suggested that subjective well-being has a special place in the Better Life Index, sitting on top of the other indicators, implying that it could fulfil the role of providing a single proxy of overall well-being.

We discovered in our final workshop at the OECD in June, that STD is exploring the creation of a single measure of 'living standards', based on a common numeraire based on information on people's preferences regarding some of the dimensions of the *Framework*.

But any numeraire will have its problems and therefore its critics. Subjective well-being on its own is seen by some as too narrow. For example, one staff member we interviewed in ECO said:

"I believe recently this focus on subjective wellbeing is being questioned, and in the OECD exercise subjective well-being is one of the 11 dimensions, it is not meant to be the ultimate synthesis indicator of wellbeing in a society."

Interviewees in ENV also argued that the information one gets from using subjective well-being data in valuation studies is often hard to believe when compared to more traditional valuation techniques, which they believe to be more rigorous.

Conversely, other noted the problems with composite indices within the field of measuring progress - e.g. that they are hard to interpret and communicate, and not always transparent.^{41 42}

Other OECD staff seemed to be more cautious about creating a single numeraire – feeling that it is hiding the facts, and forcing decisions based upon one technocratic view. The argument here is that it is foolish to believe that one can create a single welfare function which allows one to make policy decisions on the basis of equations. And yet, there is a recognition that GDP, whilst not pretending to serve as a single welfare function, tends to be treated that way.

B. Tackling uncertainty

“Our economics department has been built on the idea that, if you cannot measure a phenomenon, it doesn’t exist ...”

Quantification is central to the OECD’s approach. Once a numeraire is chosen, the OECD will want to start developing models of how policies affect it. But there are two types of problem here. Firstly, data and complexity. ECO staff suggested that at least 20 years of data are necessary to build models – such time series are not yet available for all the aspects of well-being that the OECD has included in the *Framework*, nor for key outcomes such as income inequality. Bringing together the data for just one dimension, such as subjective well-being, would be hard enough. It will be even harder if the goal is to model impacts on all 11 well-being dimensions of the *Framework*. The difficulty of this challenge appeared to be perceived more acutely by more junior staff members than by senior ones.

But there is an even more fundamental challenge, which has to do with the fact that, often times we simply do not know what the effects of policies will be. Are we really able to model how the different dimensions of well-being influence one another over the long term? Are we able to model policies that have not actually been used anywhere? Are we able to model the effects of different policies when it is likely that it is the *combination* of policies which will determine outcomes?

With respect to well-being, given that societies have not used well-being evidence to guide policy in the past, it is likely that many of the most promising combinations of policies have not even been tried yet. The authors of the Austria economic survey report noted that the country’s achievement of high well-being results from a *unique* combination of factors – implying that one could not recommend any one of those factors to other countries piecemeal.

A similar problem exists with respect to environmental outcomes. *Going for Growth 2013* notes that it does not consider the CO₂ emissions associated with rising GDP when assessing whether pro-growth policies would have a negative impact on the

⁴¹ ONS (2013) *Measuring change in measures of well-being*. Downloaded from www.ons.gov.uk on 30/09/2013.

⁴² Eurostat and INSEE (2011) *Report of the Task Force: Multidimensional measurement of the quality of life*. Part of the Sponsorship Group on Measuring Progress, Well-Being and Sustainable Development. Downloaded from http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/0_DOCS/estat/TF3_Final_report_Quality_of_Life.pdf on 30/09/2013.

environment. Given the centrality of climate change in environmental policy, this might seem like a gross oversight. But, then again, how can we model the impacts of future GDP growth on CO₂ emissions, both within a given country and globally? Is it enough to simply use past trends?

Meanwhile, we were told that some committee members are resistant to the quantification that is done already based on cross-sectional analysis –arguing that special conditions apply to their own countries.

In summary, it will be very hard to accurately model the impacts on the multiple dimensions of well-being (including future well-being, or the environment) of new combinations of policies, given the interactions between those policies and the feedback loops between different aspects of well-being. Ultimately, we anticipate that the OECD will increasingly have to complement its macroeconomic analyses with a more multi-disciplinary approach, including political economy, sociology, psychology, and history. Such an approach would rely less on quantitative methods.

Organisational challenges

C. Different blood groups

At the heart of Beyond GDP is the notion of holistic decision-making, and of bringing different objectives, and therefore policy areas, together. This is a challenge in any organisation which is divided into departments – the OECD has around 20 directorates and other departments. But perhaps its particular challenge, in terms of cross-organisation, or horizontal working, is that these departments have to respond to some 50 committees representing different policy constituencies from its member states. Perhaps more important than the breadth of opinion that one can expect between a range of members including the USA, Mexico, France and Japan, are the differences of opinion between committees composed of officials from different departments, including finance, education and the environment. According to one OECD staff member, these people typically belong to ‘different blood groups’. At the very least, they have different educational backgrounds, often associated with different ideological stances.

As a result of this situation, we came across plenty of evidence about the challenges faced by the OECD in harmonising its outputs and policy advice. This could be seen in a number of publications by the OECD. For example, as we have noted before, whilst the report *Divided we stand*, produced by DELSA, highlights the negative impacts of technological progress, product market deregulation, weak collective bargaining mechanisms, outward FDI and certain imports on income equality, *Going for Growth 2013*, considering the same issues, is more ambivalent.

Challenges in understanding one another were directly mentioned by interviewees and in informal conversations. We heard comments from other staff in Directorates that staff in ECO suffered from ‘*numerotica*’, that they here were unwilling to change their thinking, or that they have too much influence within the organisation.

Lastly, we detected some mixed attitudes regarding some of the fundamentals of the Beyond GDP agenda. On the one hand, we heard high-level staff within ECO referring to the overall objective for policies being :

“*Going for well-being*”

“*Going for growth and something else*”

“For us, the objective is well-being”

But on the other hand, often the same people who said this also said things which suggested that they found well-being interesting primarily because of its relevance to future economic growth. For example:

“The bottom line for well-being is fact that yes we want to maximise growth, but in longer term perspective. And for this, environment, inequality, if not accounted for, could pose risk to eventual growth”

and

“It is not just GDP that we are concerned about but the future of GDP”.

In other words, according to these statements, it is important to consider other things, not for their own sake, but because high inequality, environmental problems, etc. pose a risk to future growth.

Similarly, the very beginning of the report *Doing Better for Families* reads:

“Families are the cornerstone of society. They play a central economic role, creating economies of scale for people and as the source of home production.”⁴³

In other words, the most important role of families is to reduce costs and produce output – rather than providing love or learning or other factors which are probably more important to well-being.

The staff we interviewed at ECO clearly *did* hold the belief that well-being is the overarching goal. But the occasional comments that they made also suggested that is hard to break the habit of seeing GDP as ‘the left-hand side variable’ – i.e. the value that one is trying to maximise. This is not surprising. Traditionally, policies and outcomes have been kept within silos. So health policy analysts consider health policy interventions and look at their impacts on health outcomes; education policy analysts consider education policy interventions and look at their impacts on education outcomes. One of the challenges that *Beyond GDP* poses to policy makers and analysts is to take education policies and consider the outcomes they lead to in terms of health, crime, subjective well-being and other dimensions, and to take health policies and consider their outcomes on education, etc. In some cases, these ‘diagonal’ effects may be small enough to ignore, but in other cases they may be fundamental.

The fact that the OECD brings together people from a wide range of academic disciplines is one of the strengths the organisation has in terms of moving *Beyond GDP*. But, as we have highlighted in relation to the challenge of dealing with uncertainty, these different groups will need to work closer together for progress to be made.

D. Differing definitions

What does the OECD mean by well-being? *How’s Life?* states:

“Although there is no single definition of well-being, most experts and ordinary people around the world would agree that it requires meeting various human

⁴³ OECD (2011) *Doing better for families* (Paris: OECD Publishing)

needs, some of which are essential (e.g. being in good health), as well as the ability to pursue one's goals, to thrive and feel satisfied with their life."

It is actually unclear whether this is a definition of well-being or not. The key phrase starts "*it [well-being] requires ...*" (our emphasis), suggesting that everything that follows refers to the preconditions for well-being rather than a definition of well-being itself (in the same way that saying that 'to thrive, plants require water and sunlight' is not a definition of thriving, but rather a description of the prerequisites for thriving). If understood like this, the quote actually leaves the definition of what *is* well-being unspecified.

One thing that *does* appear to be clear in the quote above is that well-being is a property of individuals. However, the *Framework*, which is introduced shortly after this quote, appears to stretch the definition of well-being beyond the individual. It identifies the 11 dimensions of the Better Life Initiative which make up or contribute to individual well-being. But then it includes inequality in well-being and sustainability, which is related to well-being in the future. The *Framework* is called a framework for measuring well-being, which could be interpreted as implying that inequality and sustainability are part of well-being.

However, inequality and sustainability are about the *distribution* of well-being - they are not 'parts' of it. By analogy, income inequality is not a part of income. If one defines income as a property of an individual, then one cannot define income inequality as part of income, because it is a property of a whole system. The problem we identify is that the framework leaves ambiguous whether well-being is a property of individuals or society (something echoed in the UK's Measuring National Well-Being programme). The experience in the UK suggests that it might be better to use different terms to refer to the individual level phenomenon (i.e. individual well-being) and the national level one (for example, societal progress, or indeed sustainable development).

The risks of not doing so are several. Firstly, there is a risk to the sustainability agenda. In other research carried out as part of BRAINPOOL, we spoke to people interested in sustainability who have been working within the sustainable development paradigm, who saw the well-being agenda as a threat. If the term well-being is being used as a property of a state, and includes (to some extent) sustainability issues, then it is indeed a competitor for the term sustainable development. Furthermore, the framing 'well-being' puts less emphasis on sustainability issues, and more on the human. In other words, sustainable development agendas risk being replaced by a well-being agenda which put less emphasis on sustainability.⁴⁴ This is not a risk, if well-being is seen clearly as a property of the individual. Seen like that, well-being slots into a definition of sustainable development which is about ensuring the well-being of people today without harming the well-being of future generations.

Another risk can be seen in *Going for Growth 2013*. The report says that it looks at the side effects of economic growth policies on 'well-being', but it only looks at environmental impact and inequality, neither of which are about individual well-being. And, in the case of inequality, the focus is on inequality in just one dimension of well-being – income. Inequality and sustainability are fundamental issues that need more attention in the present day. But in this case, the term well-being is being used

⁴⁴ Thiry et al. (2013) *op cit*

without really addressing well-being itself any more than a more traditional GDP-focused approach would.

E. Loose-knit structure.

Of course, there is a Secretary General who oversees the whole organisation, but the potential for top-down co-ordination at the OECD is limited by two factors. Firstly, the committees, in a way, represent the OECD’s clients and therefore play an important role in deciding outputs. The Secretary General therefore cannot be seen as analogous to a national Prime Minister or even President – his power is softer. Secondly, there is a matter of capacity. Theoretically, the Council plays the role of a cross-cutting committee which could harmonise departmental outputs. But the Council is too high-level to get involved in the details and substance of OECD work.

This decentralisation is probably a contributing factor to some of the challenges mentioned already, and to the differences in tone between some OECD outputs. The need to answer different committees might also explain some of the cautiousness that we perceived in the conclusions of some of the Beyond GDP outputs. For example, whilst the descriptive section of the Austria economic survey identified factors key to Austria’s high well-being that were not typical of OECD reports (including work-life balance, and bargaining around working conditions) , the recommendations made in the latter part of the report were more typical of previous OECD outputs. In other words, it appears there is still a big step to be made in bringing well-being into ECO’s policy recommendations, and not just in its descriptive analysis.

The challenge of horizontal working is known well to high-level staff at the OECD. NAEC will be key to tackling it, and we heard that one positive impact it has already had is that directorates and committees are more willing to work with each other.

But, at the same time, we have also heard that projects which might appear horizontal can sometimes still remain fragmented. So directorates might work together on one report, but they end up writing parallel chapters which might not be entirely consistent with one another.

4. Priorities for action

During the course of this case study we have been consistently impressed and often surprised by the speed of developments within the OECD in terms of bringing alternative indicators into the policy process. On many occasions we were considering suggesting something, only to find that it was already in the pipeline.

Nevertheless, our role in BRAINPOoL is to *accelerate* this process, and we have some thoughts on how this could happen within the OECD. Furthermore, the challenges outlined above are genuine and serious and will require concerted effort if they are to be overcome.

In this section, we suggest a set of priorities for action, based on our research both within the OECD and in the rest of BRAINPOoL.

Recommendation	Meets challenges	Who to action
<i>Technical</i>		

1. Spell out relationship between individual well-being and the societal/national concept	A. Multi-dimensionality D. Differing definitions	STD
2. Develop a single numeraire	A. Multi-dimensionality B. Tackling uncertainty	STD / NAEC
3. Explore the frontiers of uncertainty	B. Tackling uncertainty C. Different blood groups	ECO / NAEC
4. Identify crunch policy issues	-	ECO / NAEC
<i>Organisational and resources</i>		
5. Enrich the skill base	C. Different blood groups	SG / ECO
6. Go horizontal, but keep a head	C. Different blood groups E. Loose-knit structure	SG
7. Technical collaboration beyond the OECD	A. Multi-dimensionality B. Tackling uncertainty C. Different blood groups	all Directorates
8. Identify 'clients' and partners	-	all (particularly PAC, STD, ECO)
9. Strengthen internal communication	C. Different blood groups E. Loose-knit structure	SG, PAC

Recommendations 4 and 8 are both about stimulating demand and maintaining momentum, so as to ensure that the outputs produced so far are not one-offs. Stimulating demand had not been identified as one of the five key challenges in Section 3 because the OECD is already successfully addressing this. The following two recommendations are about ensuring that this remains the case.

1. Spell out relationship between individual well-being and the societal/national concept

Suggested lead: STD

Currently, well-being is understood both as a property of individuals, and a property of societies/states (both in the OECD and beyond). This double use can create confusion and lead to well-being being misinterpreted. We suggest that the term well-being should be used to talk solely about individual well-being, i.e. that set of phenomena currently described by the 11 dimensions of the Better Life Initiative. When talking about the *Framework* as a whole, which includes inequality in well-being, and a set of factors which are believed to be important to the sustainability of well-being, we believe a different term would be appropriate. Previously, the term 'sustainable development' has been used – though we appreciate that this term has

fallen out of favour. An alternative term could be ‘the better society’, to echo the idea of better lives and better policies.

Furthermore, it has not been made clear what the definition of well-being actually is – *How’s Life?* uses language which implies it is thinking about the prerequisites for well-being, rather than well-being itself. A definition of well-being needs to avoid this. Related to this, the role of subjective well-being within the definition of individual well-being needs to be made clear. We would suggest that subjective well-being is not strictly just another dimension of well-being, as indicators of subjective well-being are an attempt to measure well-being as a whole rather than one particular aspect. Of course, using subjective well-being presents challenges, and so it may not always be appropriate to use it to the exclusion of other indicators.

2. Develop a single numeraire

Suggested leads: STD/NAEC

We share the OECD’s opinion that well-being is a multi-dimensional concept. And we agree that ultimately having a dashboard of indicators is more useful in terms of identifying areas where interventions are needed, and for making policy recommendations. But if ECO is to ever supplant *Going for Growth* with a *Going for Well-Being*, or if well-being based cost-benefit analysis is ever to become successful, then a single numeraire will be necessary. In essence, having a single numeraire would allow constructing a single welfare function. Without it, modelling would be too difficult. Furthermore, whilst we noted some disagreement amongst staff within the OECD, we believe (and the academic literature suggests) that part of the strength of the organisation is that it is able to produce clear recommendations based on technical analyses. Were it to carry out analyses showing the impacts of policies on 11 or more outcomes, it would be hard for it to make any clear recommendations.

What the numeraire should be, is another matter. We believe it to be most meaningful that it measures present welfare rather than combine present and future welfare based on estimates of the impacts of climate change, resource depletion and other long-term effects, simply because a measure of discounted future welfare would bring in far too much uncertainty. The environmental impact of policies should be considered in parallel to the impacts on current well-being, similar to the 2013 *Going for Growth* report. A second question is whether that numeraire should be subjective well-being, or some weighted average of the well-being dimensions in the *Framework* possibly expressed in monetary terms.⁴⁵

Of course, given what we have said around the difficulties of modelling with precision, a balance needs to be struck regarding the weight that this numeraire should be given. There may be times when the use of a single numeraire indicates that one policy will maximise welfare, while other non-numerical analyses strongly suggest a different one. At that point, recommendations would need to be based on a reasoned weighing up of the different sources of evidence, which would need to involve a multi-disciplinary panel of analysts.

⁴⁵ For more on the case for using subjective well-being rather than a composite indicator, see Centre for Well-Being (2010) *Measuring our Progress: The power of well-being* (London: nef).

3. Explore the frontiers of uncertainty

Suggested leads: ECO/ NAEC

During our interviews with OECD staff, we often heard concerns about the difficulty of developing good models for predicting policy impacts on well-being. And yet most economists continue to use models to predict economic impacts which, in the words of one senior economist in ECO, “have failed us”. We understand NAEC to be a response to this problem.

The solution, we believe, lies in developing a new understanding of uncertainty. Models should be ‘fit for purpose’ and, where appropriate, uncertainty should be made explicit. OECD economists should strive to be roughly right, rather than precisely wrong. This does of course mean that recommendations may need to be more frank about the uncertainty of the evidence behind them.

We suggest that either ECO or NAEC kick off a discussion on this issue with an internal working paper exploring the frontiers of uncertainty. How accurate have we been in the past? How accurate can we hope to be in the future? How can we model policies or policy combinations that have never been implemented before? What are the unknowns that are realistically knowable, and what are the unknowns that we can only speculate about? How does one make sense of the interface between quantitative and qualitative evidence, or between maths and history?

4. Identify crunch policy issues

Suggested leads: ECO/ NAEC

For the real value of the Beyond GDP approach to be appreciated by policy makers, politicians and the public, the approach needs to be seen as making a difference. The Austria economic survey broke new grounds in terms of the descriptive parts, but one could argue that there were few policy recommendations that could not have been made based on the more traditional GDP-focussed analyses that the OECD is used to making. With little difference in the recommendations, there is a risk that many will question the usefulness of the Beyond GDP approach and the value in investing in it. As such we would argue that analysts should take on one policy area where preliminary evidence suggests that a Beyond GDP approach would produce quite different recommendations, one where there appear to be trade-offs between economic factors and other Better Life Index outcomes, i.e. where there are lots of ‘diagonal’ effects. One option would be to focus on labour market policy and working hours, which the Austria report has explored to some extent. Another option is an area also mentioned in that report – the links between transport policy, housing policy and spatial planning policy. A concerted effort to model the impacts of different policy combinations on multiple dimensions of well-being, and to consider the implications of using an overall numeraire, would be very valuable for showing that the beyond GDP approach can lead to different policy conclusions. Such analysis would need to consider interactions and feedback loops to be convincing. For example, reducing overwork might improve the well-being of workers in the short term, but what would it mean in the long term? The best evidence and theory would need to be incorporated in such analysis, which means adopting a multi-disciplinary approach and linking up with academics and other analysts. We understand that NAEC project B1 may do something like this, and we hope that it is successful.

5. Enrich the skill base

Suggested leads: SG/ECO

The OECD is traditionally perceived as the domain of economists, with most of them having received their academic training in the 1970s and 1980s. But economics is changing. Psychology, environmental sciences and political sciences are beginning to make inroads into the discipline in the forms of behavioural economics, environmental/ecological economics, and political economy. Initiatives such as the Institute for New Economic Thinking are attempting to develop a more heterodox approach to economics. We believe that the OECD could be at the heart of this transformation, and NAEC is the in-house manifestation of much of this phenomenon. It goes without saying that the organisation must therefore ensure that the transformation runs throughout its cadre. New intakes need to include more staff from disciplines other than traditional economics. Current staff should be given the opportunity to attend seminars, massive open online courses (MOOCs), or even more formal training in different disciplines. Of course, this is not about purging traditional economics from the organisation, but rather a matter of enriching the skill base. This will help in tackling many of the challenges mentioned above, such as developing models which consider the ‘diagonal’ outcomes of policies.

6. Go horizontal, but keep a head

Suggested leads: SG

There is much talk of going horizontal at the OECD today, with the NAEC initiative being key to this. The challenge though, is that the NAEC initiative relies on the SG office for co-ordination. For all the good will in the world, there is only so much detail that the head of a €350 million organisation can get into.⁴⁶ To be effective, there needs to be a nucleus to drive the horizontal work. The ideal scenario would be a unit (perhaps entitled the “well-being unit”, or “quality growth unit” or “NAEC unit”) which coordinates the kind of horizontal initiatives we have discussed here. It would respond to an overarching committee, with representatives from central government offices – ministries of planning, prime minister’s offices, etc.

7. Technical collaboration beyond the OECD

All Directorates

The OECD does of course work with academics and other researchers, but there are times when it could do so more. For example, one interviewee initially responded that he did not feel the need to speak to academics more, but later said that “*one idea is to have a better connection with the academic world*”. The challenges we are facing at the moment are not ones that traditional methods appear able to tackle. New thinking is needed, and is indeed emerging. Academics, and indeed think tanks (which have a more policy-focussed approach) are part of this process. An ‘all-hands-on-deck’ approach seems necessary, which means co-operating more closely with such bodies. Another advantage of this course of action for the OECD is that this provides opportunities for the OECD to select and work on elements of the challenge that it is best able to tackle itself, whilst leaving other elements to others. In particular,

⁴⁶ Based on budget on <http://www.oecd.org/about/budget/>, accessed 09/08/13

we understand that the OECD is constrained by having to answer to multiple stakeholders, in a way that academics or think tanks may not be; and by a need to maintain its reputation for robust and credible analysis. Working with others on some of the more experimental approaches may be a way to get round such constraints.

Collaboration with others might sometimes be an alternative to enriching the OECD's skill base. It may be that there are some areas of expertise that the OECD might not feel so important as to hire new staff, but which might be necessary for specific projects or stages in developments.

8. Identify 'clients' and partners

All (particularly SG, ECO & PAC)

The OECD may have to respond to and work to the requirements of its clients (ultimately national governments). But it does have the freedom to stimulate demand and encourage interest. The BRAINPOoL project has begun the process of understanding where the demand for Beyond GDP indicators lies. The OECD could learn from this project and foster interest amongst countries to commission more projects like the Austria's Economic Survey and developing countries' *Multi-dimensional reviews*. It could also draw on the BRAINPOoL learning in terms of the role that civil society, NGOs and social partners can play in stimulating demand for new measures of progress.

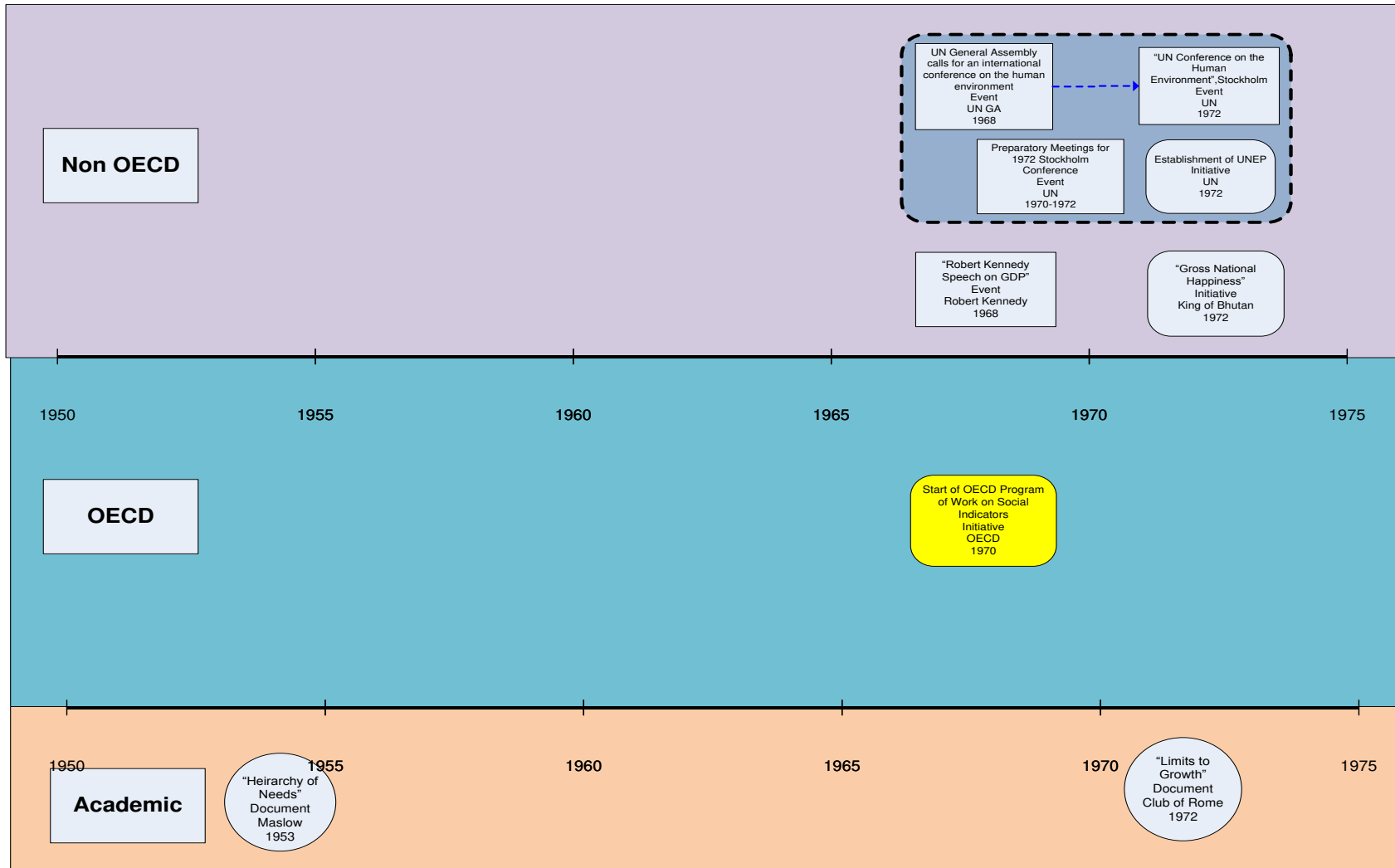
We found in BRAINPOoL that interest in Beyond GDP indicators had declined during the economic crisis, but remained strong amongst those who felt that the over-focus on GDP was part of the cause of the crisis. We suggest that the OECD does 'market research' to identify who are the key potential partners in developing the new approaches.

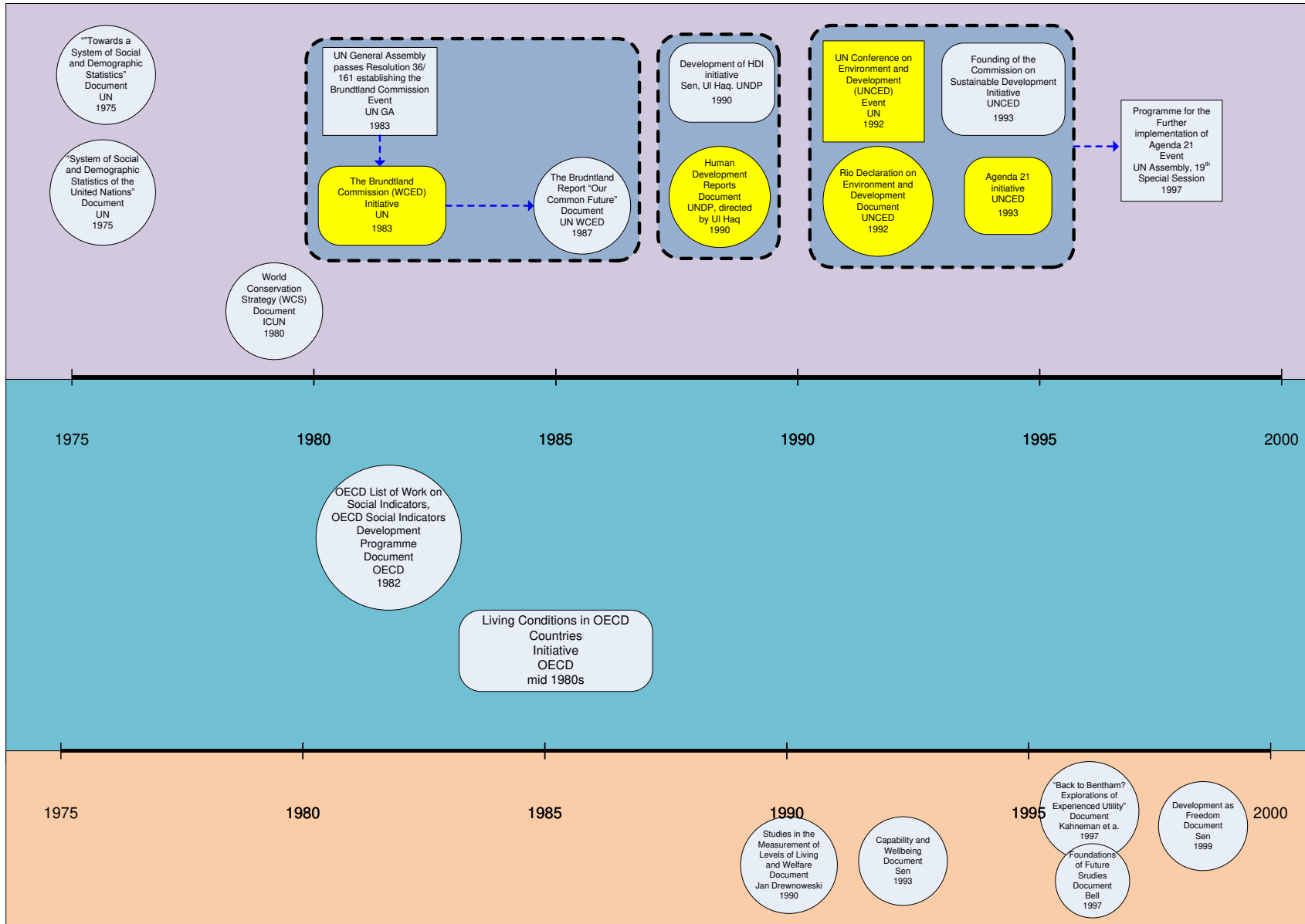
9. Maintain internal communications on Beyond GDP

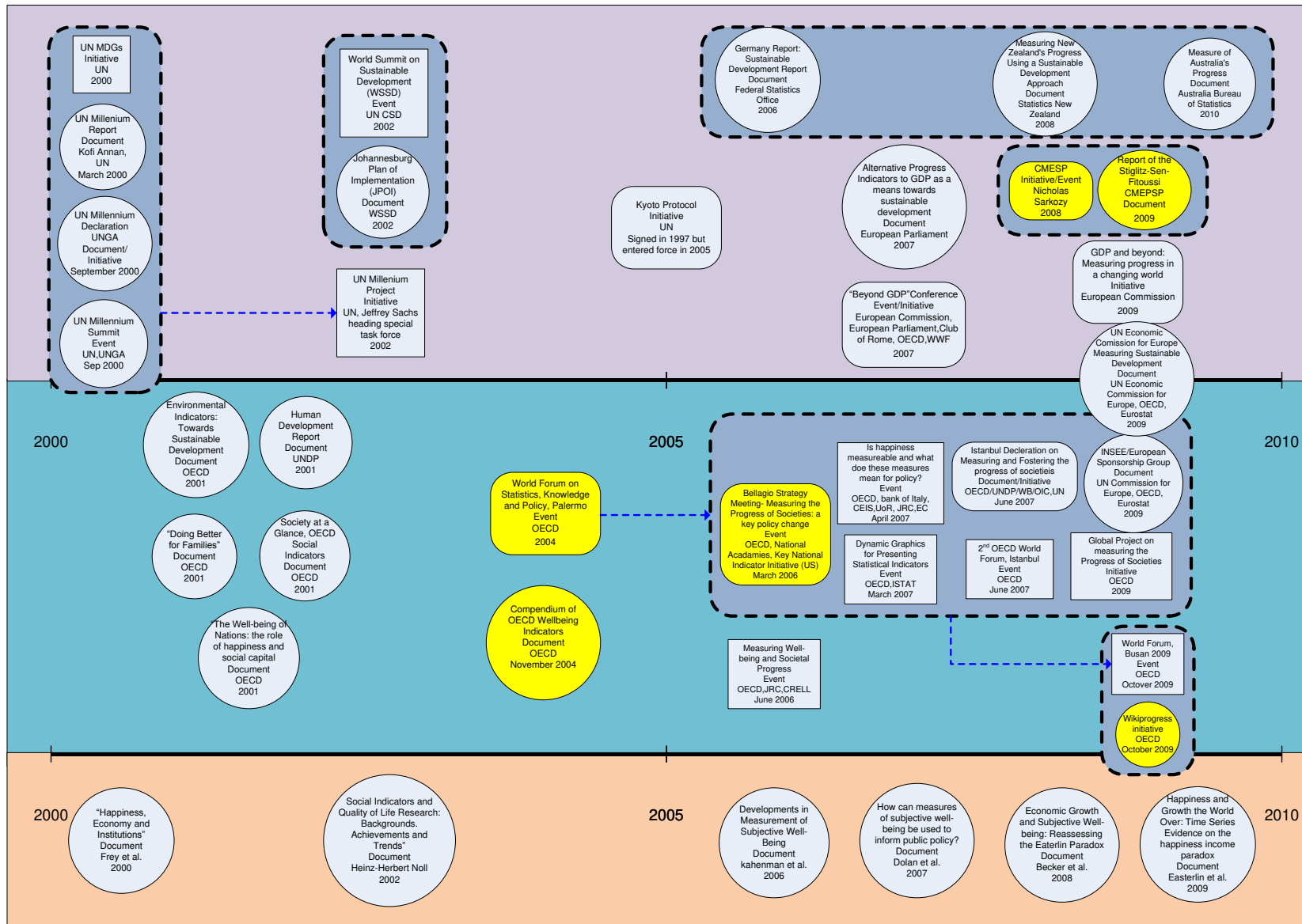
Suggested leads: SG/PAC

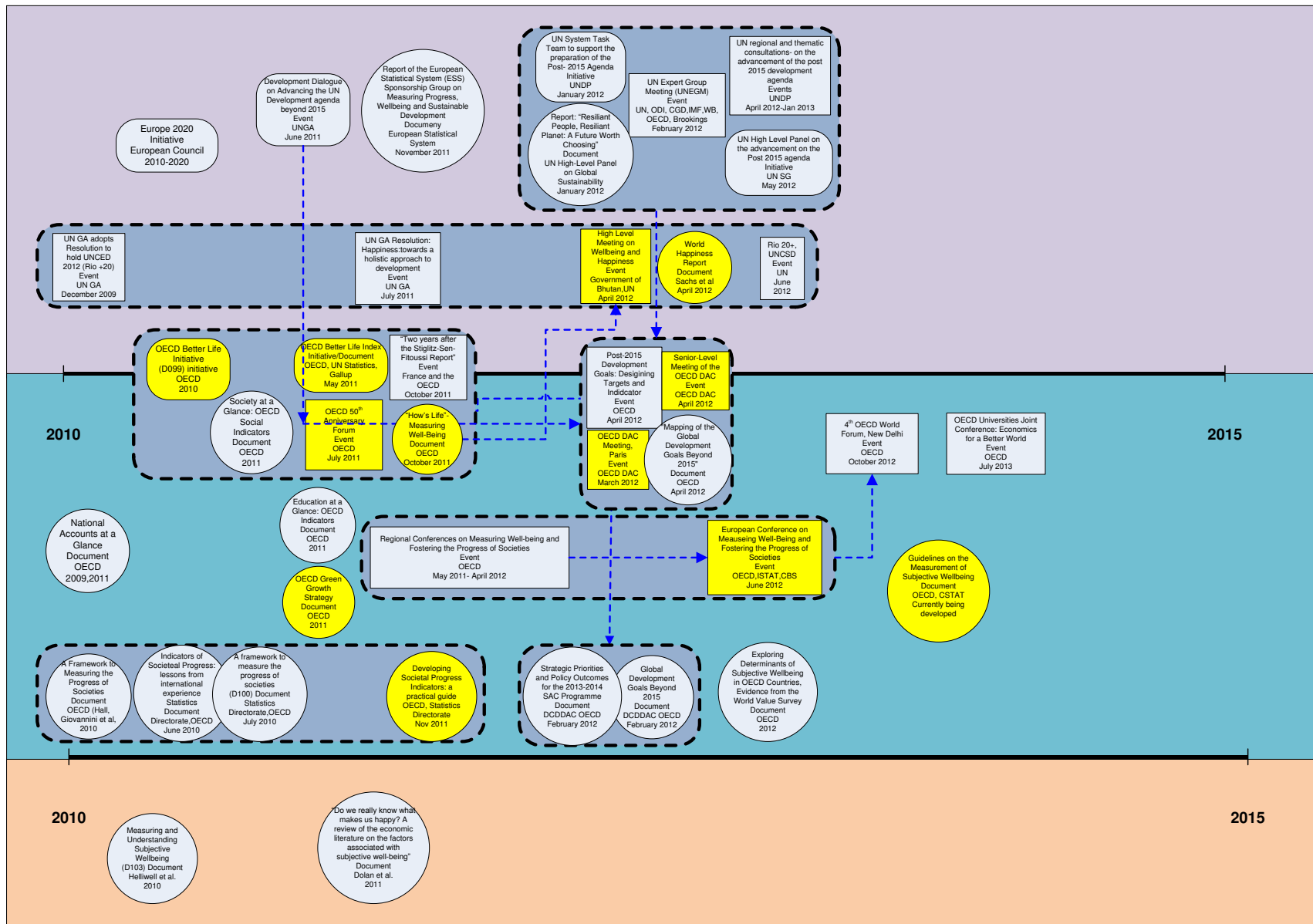
As well as a clear cross-organisational definition of well-being, we felt that the OECD needs to develop a clearer communication about Beyond GDP in general. When we arrived at the OECD, we experienced a lack of knowledge about successes and initiatives in the field that took place in different directorates. For example, there were staff in STD who we felt should have known more about the Austria report, but didn't. Internal communications is always a challenge in large organisations, and it's particularly acute when the topic under consideration is so broad and vague. We believe that having a common language – such as referring to horizontal initiatives, diagonal impacts, and well-being – can help staff recognise when people in other directorates are doing something similar to them. Regular staff meetings between different OECD units can also provide an opportunity to share activities. For example, the UK has a well-being group consisting of officials from different departments to share experiences on using well-being in policy. Lastly, such internal communication can help provide a sense of momentum. Developments will take several years, and it is important for staff to feel that they are part of a process to maintain enthusiasm and energy.

Annex 1 – Timeline of OECD Beyond GDP activities









Annex 2: List of OECD documents reviewed during case study

(not including those reviewed for the timeline in Annex 1)

Published outputs

- *Better policies for development : Recommendations for policy coherence* (2011)
- *Divided we stand: Why inequality keeps rising* (2011)
- *Doing better for families* (2011)
- *Energy and climate policy: Bending the technological trajectory* (2012)
- *Environmental Indicators: Towards Sustainable Development* (2001)
- *Going for Growth 2005*
- *Going for Growth 2006*
- *Going for Growth 2007*
- *Going for Growth 2008*
- *Going for Growth 2009*
- *Going for Growth 2010*
- *Going for Growth 2011*
- *Going for Growth 2012*
- *Going for Growth 2013*
- *Guidelines on measuring subjective well-being* (2013)
- *How's life? Measuring well-being* (2011)
- *Multi-dimensional review of Myanmar: Volume 1. Initial assessment* (2013)
- *OECD Economic Surveys: Austria* (2013)
- *OECD Economic Surveys: Germany* (2012)
- *Off to a good start? Jobs for youth* (2010)
- *Society at a Glance. OECD Social Indicators* (2001)
- *Towards Green Growth* (2011)

Working papers

- *A framework to measure the progress of societies*. Statistics Directorate, no. 34 (2010).
- *Alternative measures of well-being*. Social, Employment and Migration, no. 33
- *Income distribution and subjective happiness: A survey*, OECD Social, Employment and Migration, no. 96 (2009)
- *Indicators of "societal progress": Lessons from international experiences*. Statistics 2010/04 (2010)
- *Long-term growth and policy challenges in the large emerging economies*. Economics department, no. 755 (2010)

- *More than the sum of their parts: Valuing environmental quality by combining life satisfaction surveys and GIS data*, Statistics Directorate, no. 50 (2013)
- *Promoting potential growth: The role of structural reform*. Economics department, no. 793 (2010)

Other documents

- *Green growth and developing countries: A summary for policy makers* (2012)
- *Measuring the progress of societies: A Key challenge*. Conference attendee list (2006)
- *New Approaches to Economic Challenges – A framework paper* (2012)
- *New Approaches to Economic Challenges: Interim report* (2013)
- *OECD Environmental Strategy for the first decade of the 21st century: Adopted by OECD Environment Ministers* (2001)
- *OECD work on measuring well-being and progress towards green growth* (2013)
- *Review of the implementation of the OECD Environmental Strategy for the first decade of the 21st century* (2012)
- *Secretary-General's report to ministers* (2012)
- *Strategic orientations of the Secretary-General: 2013 and beyond* (2013)

Presentations

- *Measuring well-being and progress towards green growth – 21st June 2012, Rio de Janeiro, Brazil*