



Dipartimento  
del Tesoro

# Incorporating well-being indicators in the policy-making process

The 2019 Equitable and Sustainable Well-being Annex to the  
Economic and Financial Document

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# Outline

- The well-being conceptual framework
- Institutional framework at international level
- Well-being measurement in Italy
- Well-being into policy-making in Italy
- Most recent data
- Methodological aspects and further work

# The well-being conceptual framework

- Quality of life: from *economic welfare* to the wider concept of *well-being*
- Multidimensionality: economic, social, environmental
- Monetary vs. non-monetary dimensions: trade-offs or win-win situations
- Going beyond GDP: complementing traditional economic measures

# Institutional framework at international level

- OECD's pioneering work (early 2000s)
- Report by Commission Stiglitz-Sen-Fitoussi (2009)
- European Commission's Communication *On GDP and beyond – Measuring progress in a changing world* (2009)
- Eurostat *Quality of life - Facts and views* (2015); *Final report of the expert group on quality of life indicators* (2017)
- OECD
  - Better Life Initiative-Measuring Well-Being and Progress: *How's Life? Measuring well-being* (2011; 2013; 2015; 2017)
  - 2018: *Beyond GDP-Measuring What Counts for Economic and Social Performance + For Good Measure: Advancing Research on Well-being Metrics Beyond GDP*
- United Nations *Sustainable Development Goals* (2015) – 2030 Agenda

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# Well-being measurement in Italy

- **Equitable and Sustainable Well-being (ESW) indicators** by Istat-CNEL
- Framework defined by a committee of experts and civil society (2010): 12 domains and about 130 indicators
- Annual report on Istat-ESW in Italy published by Istat since 2013

## **The 12 domains of Istat-ESW (2018)**

1. Health	7. Security
2. Education and training	8. Subjective well-being
3. Work and life balance	9. Landscape and cultural heritage
4. Economic well-being	10. Environment
5. Social relations	11. Innovation, research and creativity
6. Politics and institutions	12. Quality of services

Source: Istat, Rapporto BES 2018

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# Well-being into policy-making in Italy (1)

- **ESW indicators systematically embedded in the budgetary process**
- Monitoring of ESW indicators throughout the year (reform of the budget law - L. 163/2016)
  - ✓ **April: ESW Annex to the Economic and Financial Document (EFD)** presented by the Ministry of Economy and Finance
    - evolution of ESW indicators over the previous 3 years
    - forecasts for the current year and over the budgetary process horizon (unchanged legislation/policy scenario)
  - ✓ **February: Report on ESW indicators** by the Ministry of Economy and Finance
    - evolution of ESW indicators in light of the budget law (up to year  $t+2$ )
- Data on the evolution of the 12 ESW indicators
  - ✓ Italian National Institute of Statistics (Istat): time series and update up to  $t_0$  (e.g. 2018)
  - ✓ Ministry of Economy and Finance: forecasts/impact evaluations  $t$ ,  $t+1$ ,  $t+2$ ,  $t+3$  (e.g. 2019-2022)



# Well-being into policy-making in Italy (2)

- Committee for the selection of ESW indicators to include in the policy making process: MEF, Istat, Bank of Italy + 2 academic experts
  - ✓ inspired by Istat-ESW methodological framework
  - ✓ Criteria for the selection of indicators: *parsimony, data availability and timeliness, feasibility, sensitivity to policy changes*
  - ✓ **12 ESW indicators** chosen (adopted by means of a Ministerial Decree - October 2017) **covering 8 Istat-ESW domains**
  - ✓ possible future revision of the set of indicators
- Gradual development of methodologies to forecast ESW indicators
  - ✓ at present forecasts/impact evaluations available for 5 ESW indicators
  - ✓ information exchange and collaboration with Istat and other institutions

# Well-being into policy-making in Italy (3)

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

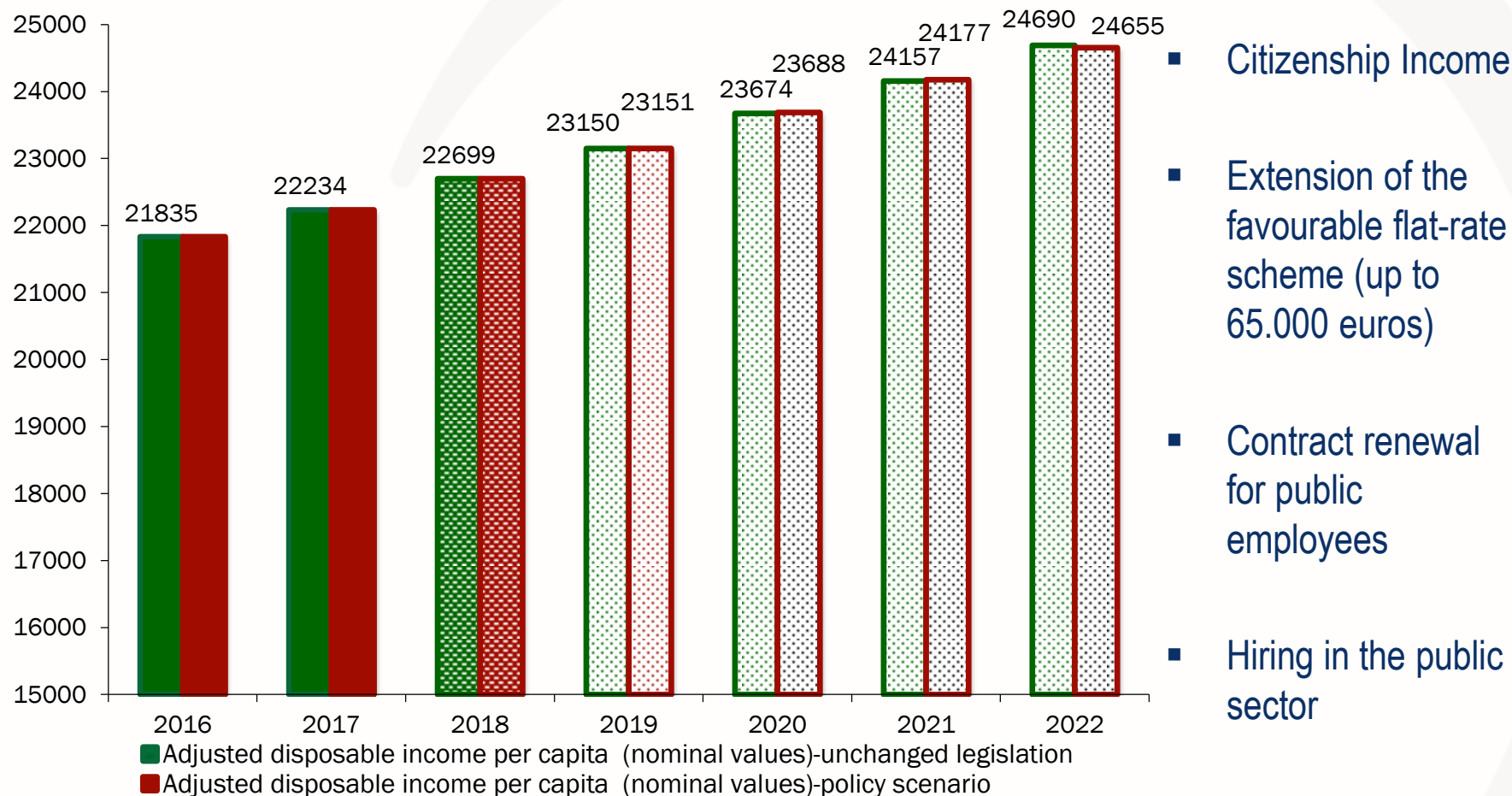
\* In red the 5 indicators with available forecast/impact evaluation methodologies

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# 1. Per capita adjusted disposable income (nominal values, euro)

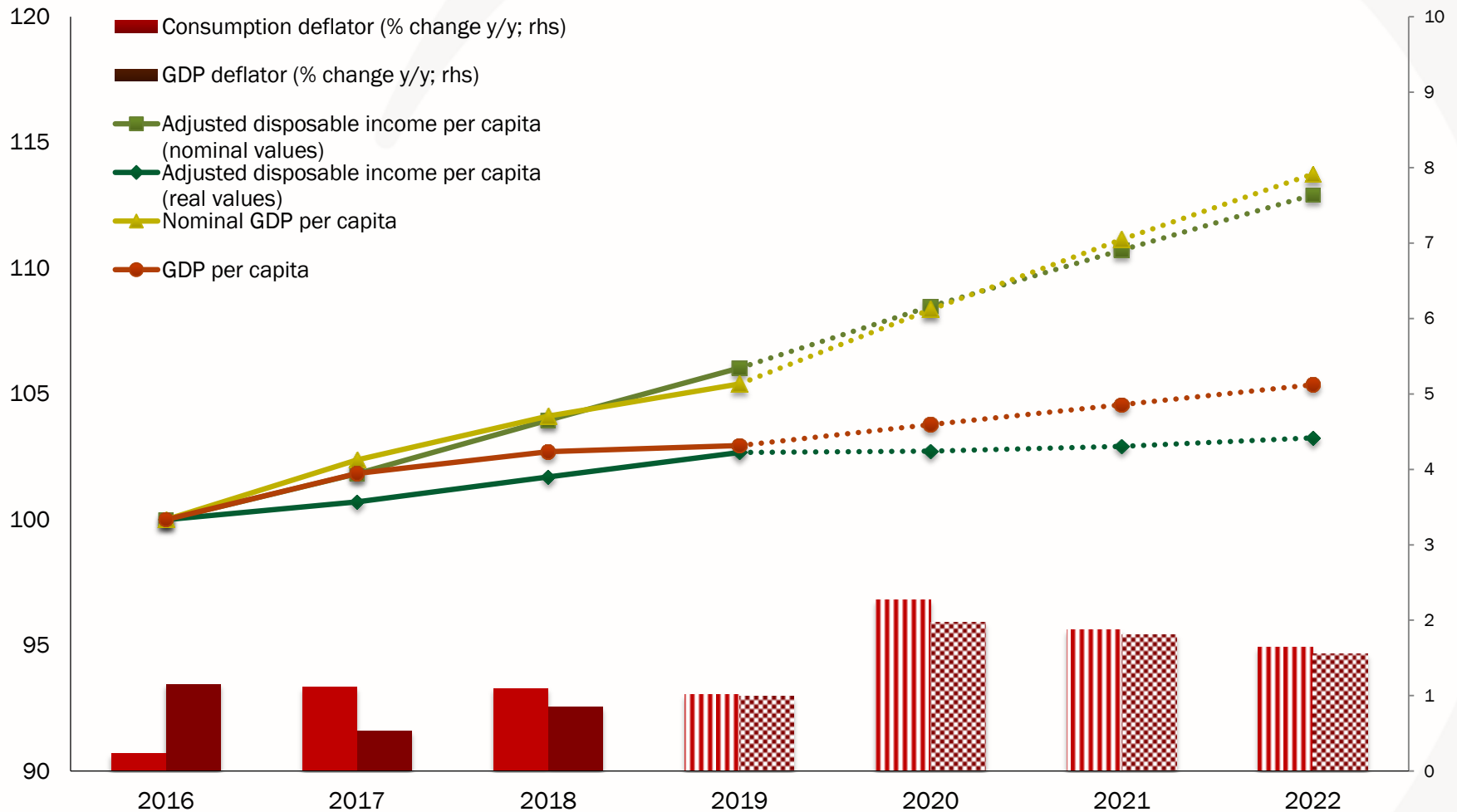


Source: 2016-2018: Istat, *National Accounts*. 2018 data are provisional. 2019-2022: MEF-DT forecasts.

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# Adjusted disposable income, GDP per capita and deflators

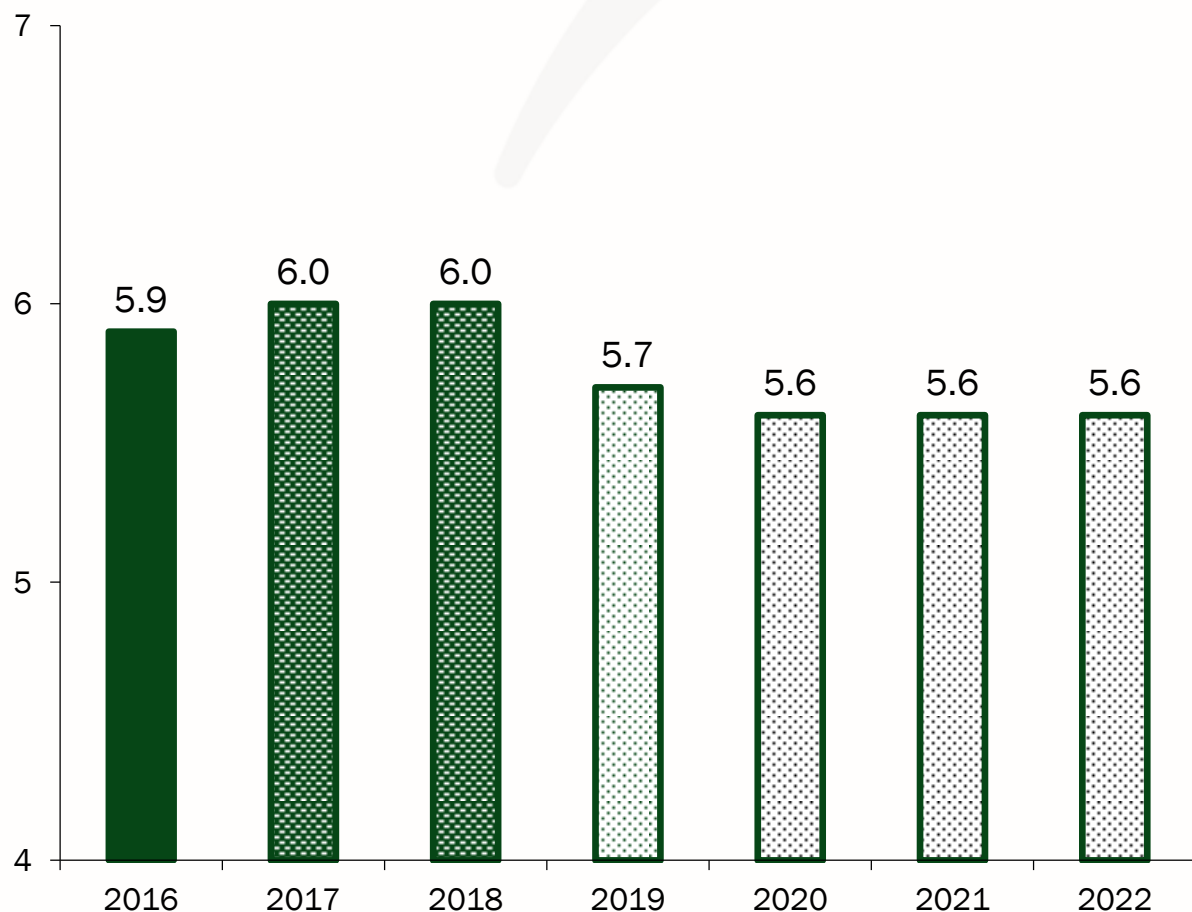
Nominal and real values; index number 2016=100; % change y/y for deflators)



Source: 2016-2018: Istat, *National Accounts*. 2018 data are provisional. 2019-2022: MEF-DT forecasts.

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## 2. Disposable income inequality (S80/S20)

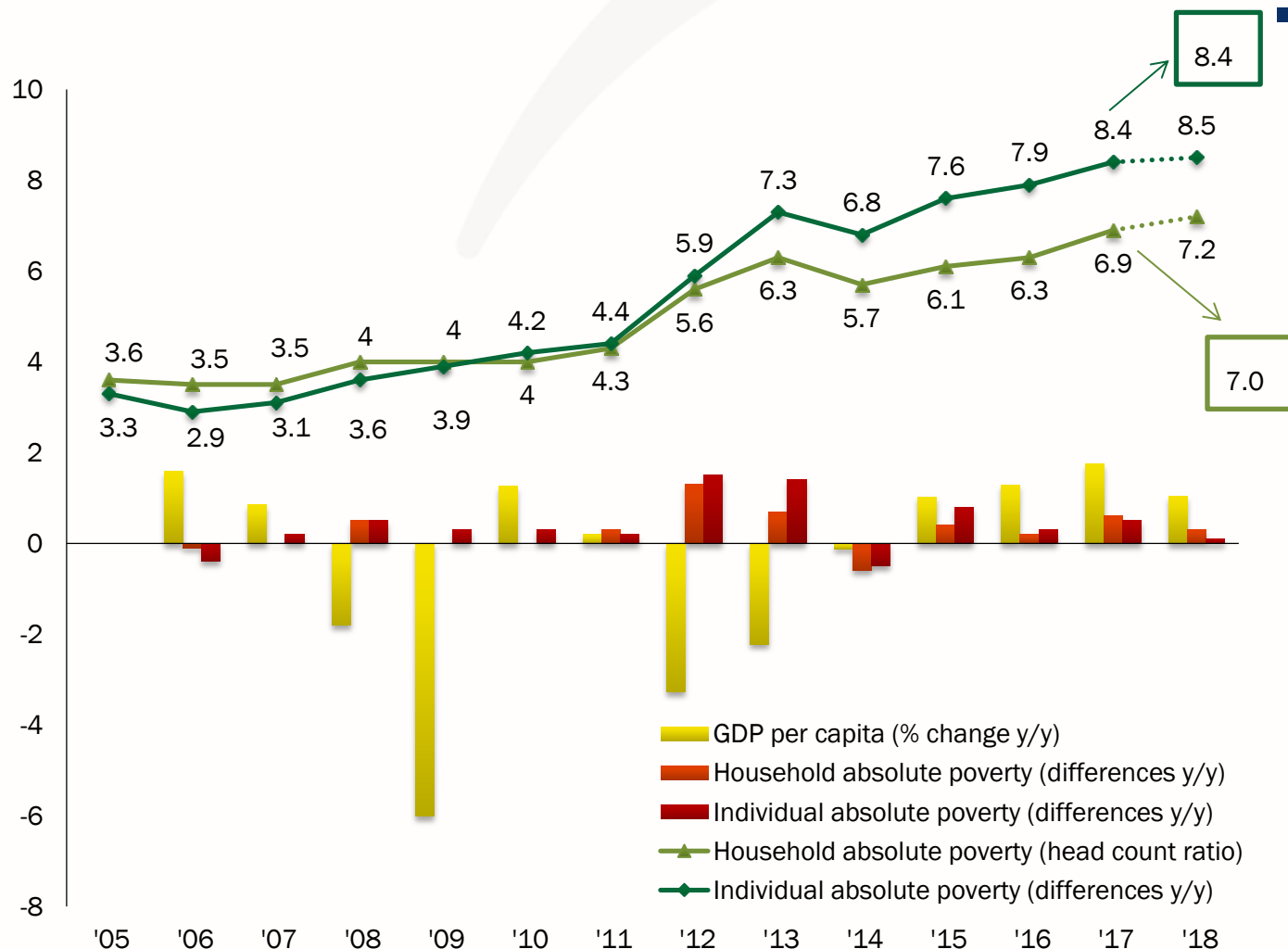


Source: 2016-2018: Istat, Eu-Silc; 2017 and 2018 are Istat flash estimates. 2019-2022: MEF-DF forecasts.

- Income support schemes
  - Citizenship Income
  - Minimum income («Rel» up to 2019)
  - '80-euro bonus'
- Extension of the favourable flat-rate scheme (up to 65,000 euros)
- 20% substitute tax regime for individual entrepreneurs, artists and professionals with revenues between 65,000 and 100,000 euros
- Higher income threshold (4000 euros) for non dependent children (age < 24)

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### 3. Absolute poverty (% values)



Poverty measure on consumption expenditures (household-based)

- Many absolute poverty thresholds (household composition, geographical area, municipality type)
- Istat consumption expenditures survey

Source: Istat, *Indagine sulle spese delle famiglie*; MEF (GDP per capita, 2010 chain-linked prices). 2018 data on absolute poverty are provisional.

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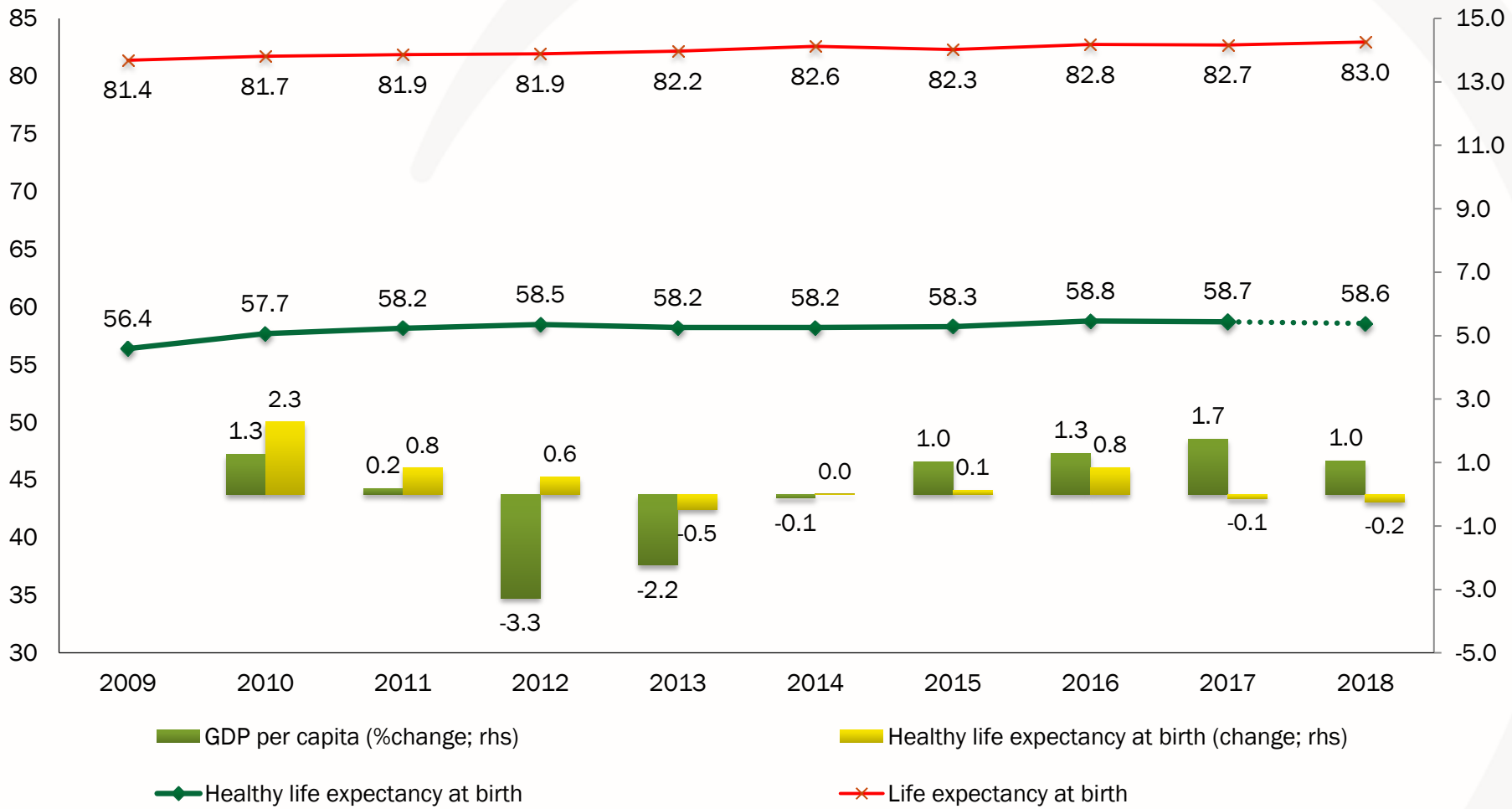
### 3. Absolute poverty (% values)

#### AN IMPACT EVALUATION OF THE CITIZENSHIP INCOME (CI) ON ABSOLUTE POVERTY

	PRE CI (2017 microdata)			POST CI		
	Absolute poverty headcount ratio (households)	Absolute poverty headcount ratio (individuals)	Poverty gap ratio	Absolute poverty headcount ratio (households)	Absolute poverty headcount ratio (individuals)	Poverty gap ratio
North	5,4	7,0	20,1	4,8	6,5	15,9
Centre	5,1	6,4	18,3	4,3	5,6	14,4
South & Islands	10,3	11,4	22,7	6,6	8,4	16,0
Italy	6,9	8,4	20,9	5,3	7,0	15,7

Source: PRE CI: Istat, *Indagine sulle spese delle famiglie 2017*; POST CI: MEF-DT impact evaluation

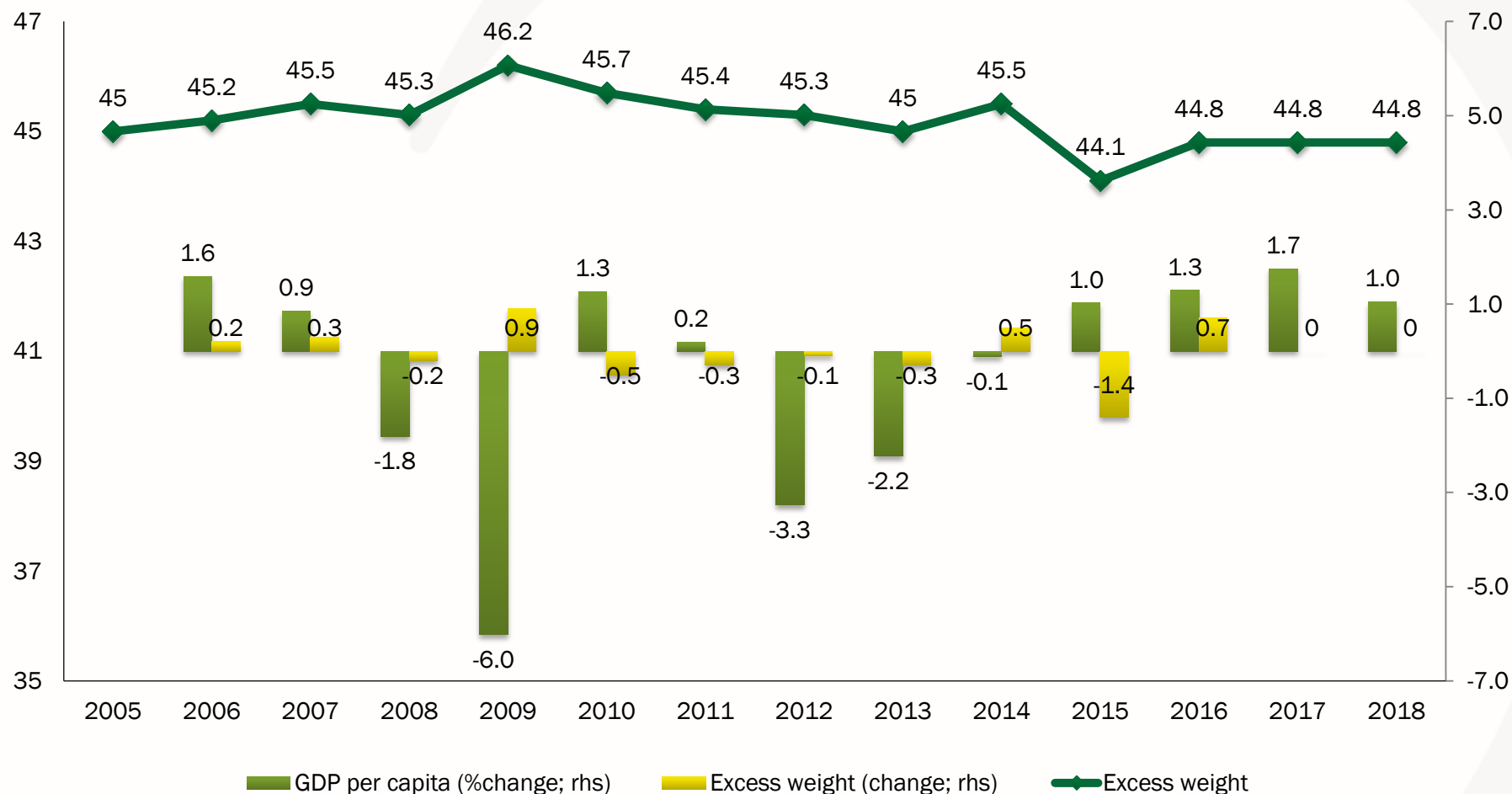
# 4. Healthy life expectancy at birth (average number of years)



Source: Istat, *Tavole di mortalità della popolazione italiana* and *Indagine Aspetti della vita quotidiana*; MEF (PIL pro capite). 2018 data are provisional.

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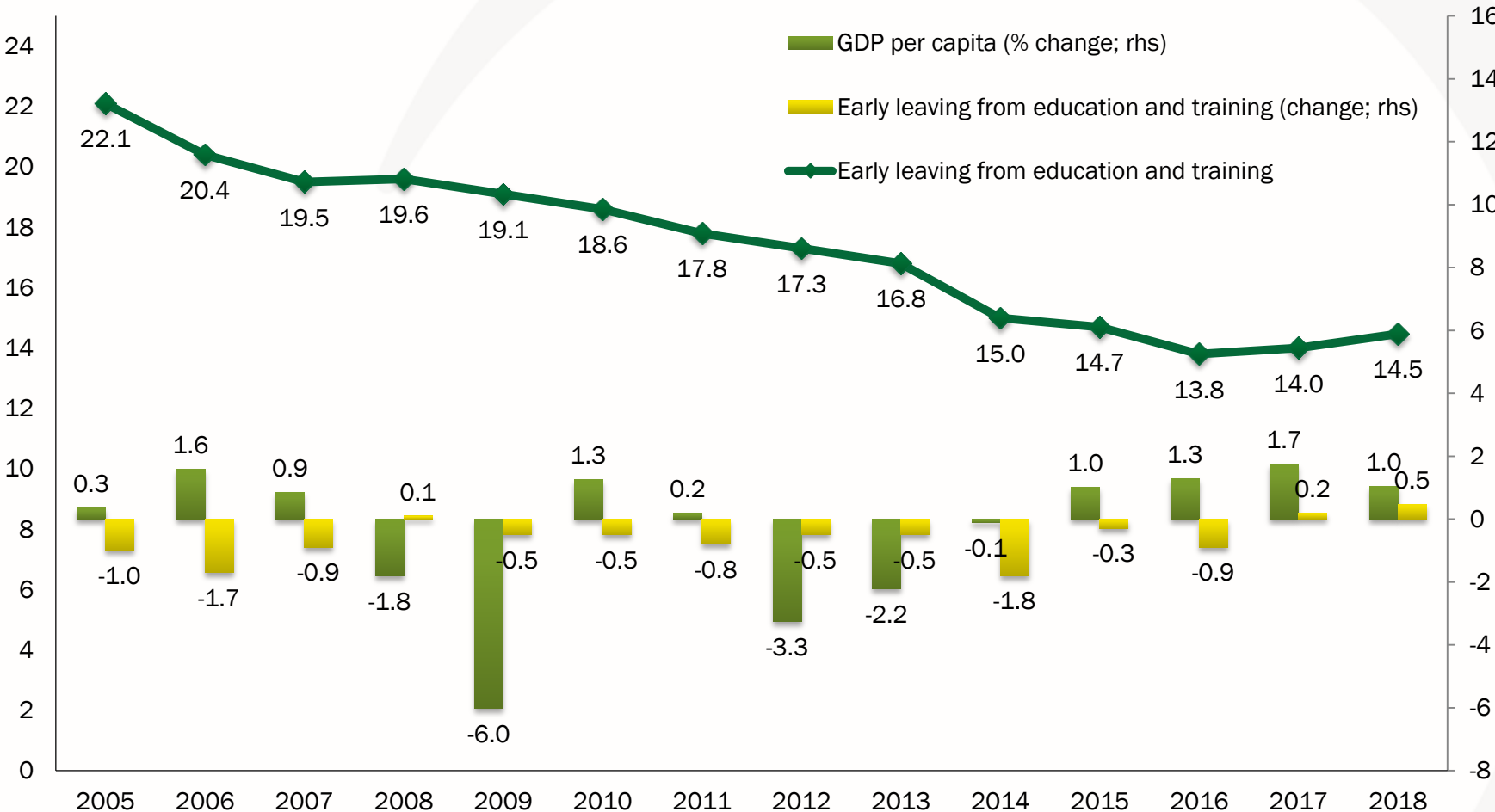
## 5. Excess weight (overweight & obese) (% values)



Source: Istat, *Aspetti della vita quotidiana* (excess weight); MEF (GDP per capita).

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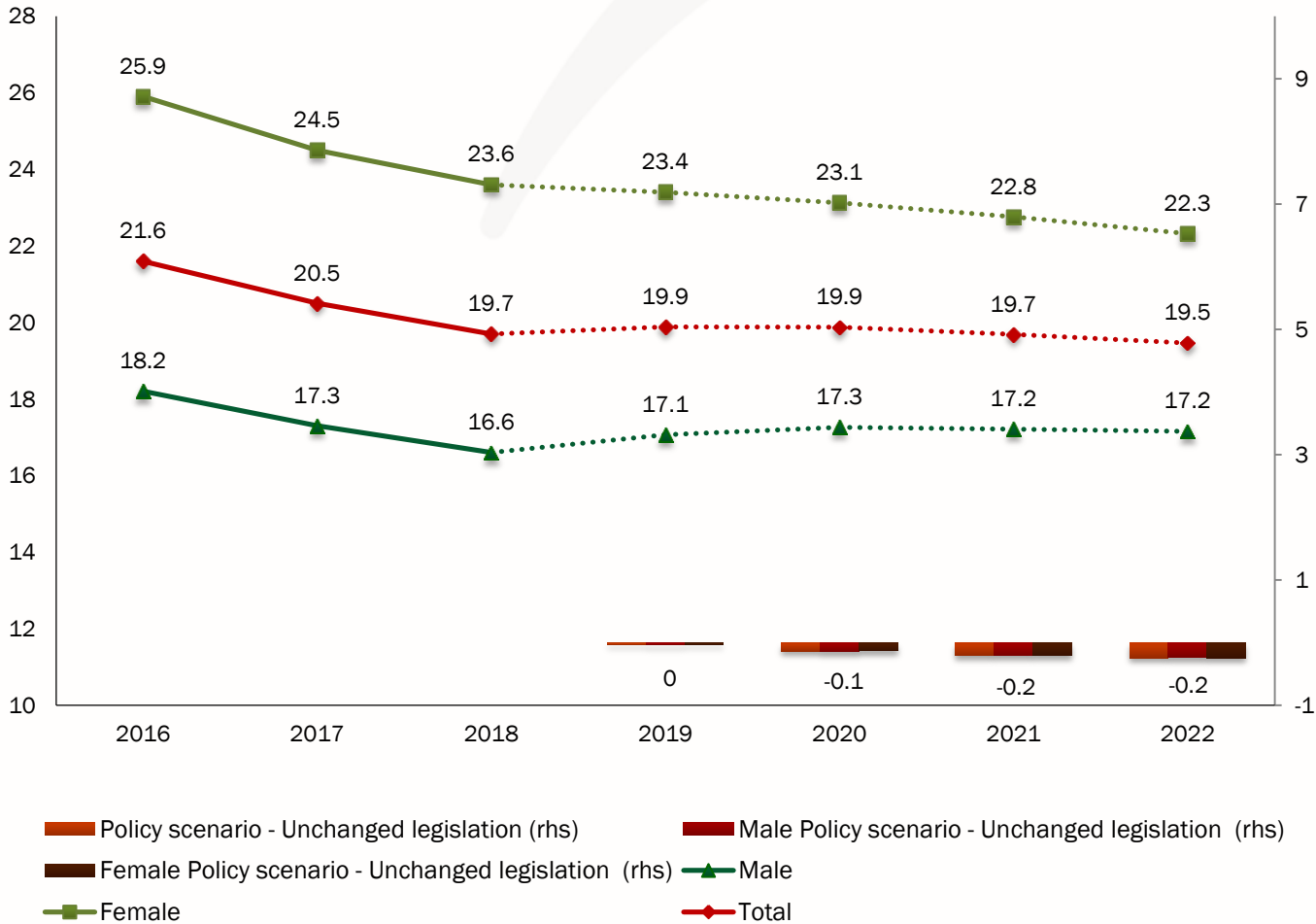
# 6. Early leaving from education and training (%values)



Source: Istat, Labour Force early leaving from education and training), MEF (GDP per capita).



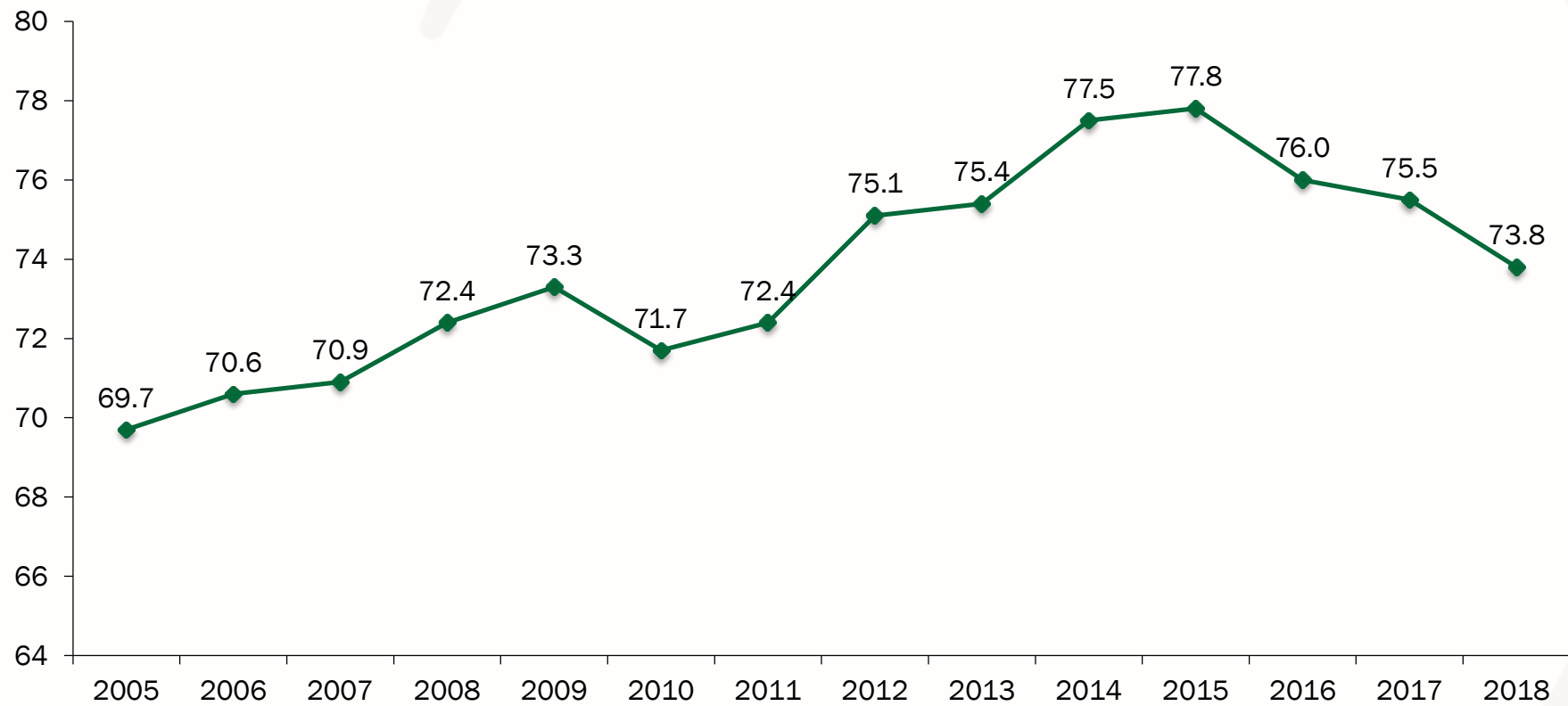
# 7. Non-participation rate (%values)



- Citizenship income
  - «Patto per il lavoro» (labour market active policy)
- Pension reform
- Employment incentives
- Hiring in the public sector
- Childcare vouchers for nursery fees (public and private)

Source: 2016-2018: Istat, Labour Force Survey. 2019-2022: MEF-DT forecast.

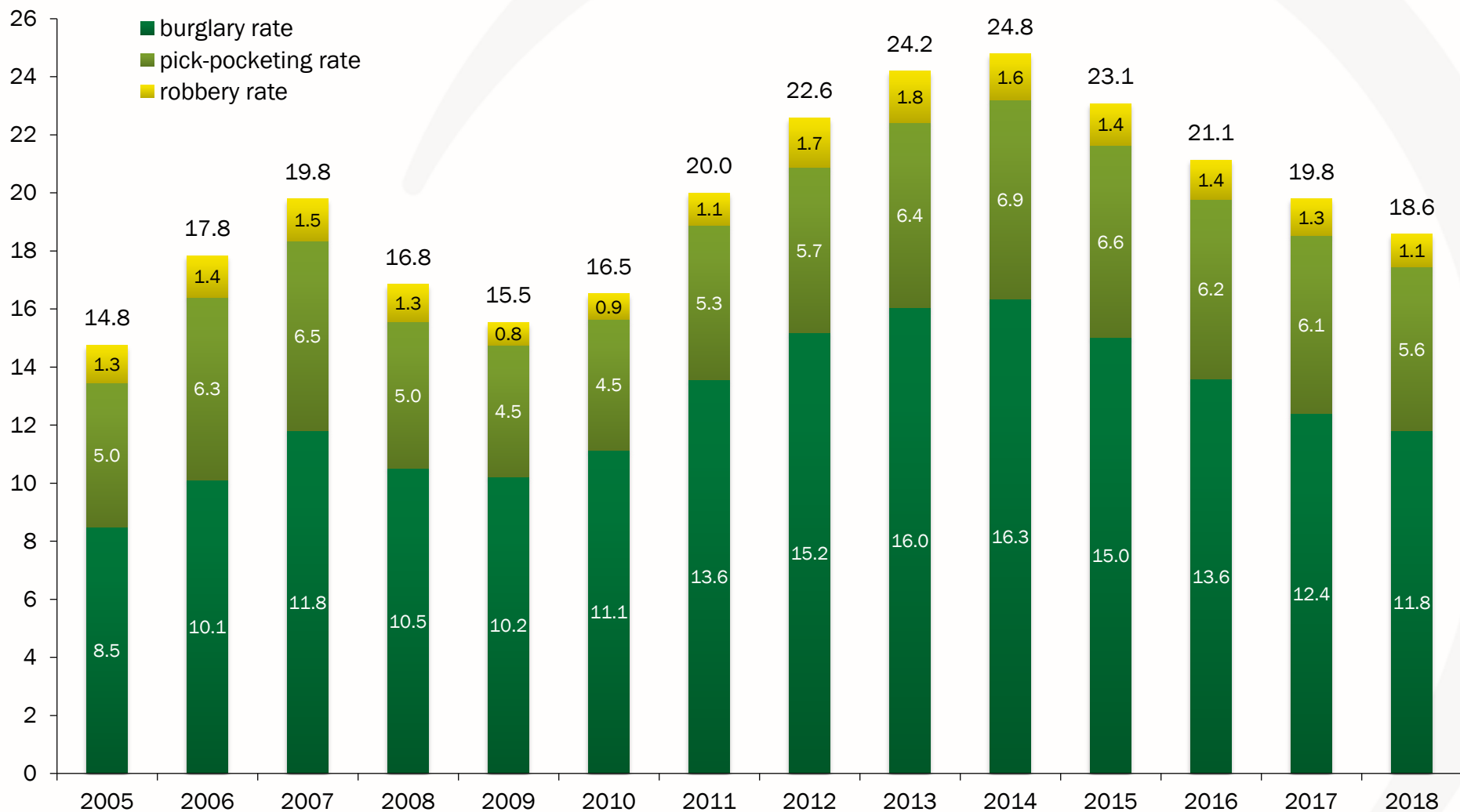
**8. Ratio of employment rate for women aged 25-49 with preschool age children to the employment rate of women aged 25-49 without children**  
**(% values)**



Source: Istat, *Labour Force Survey*.

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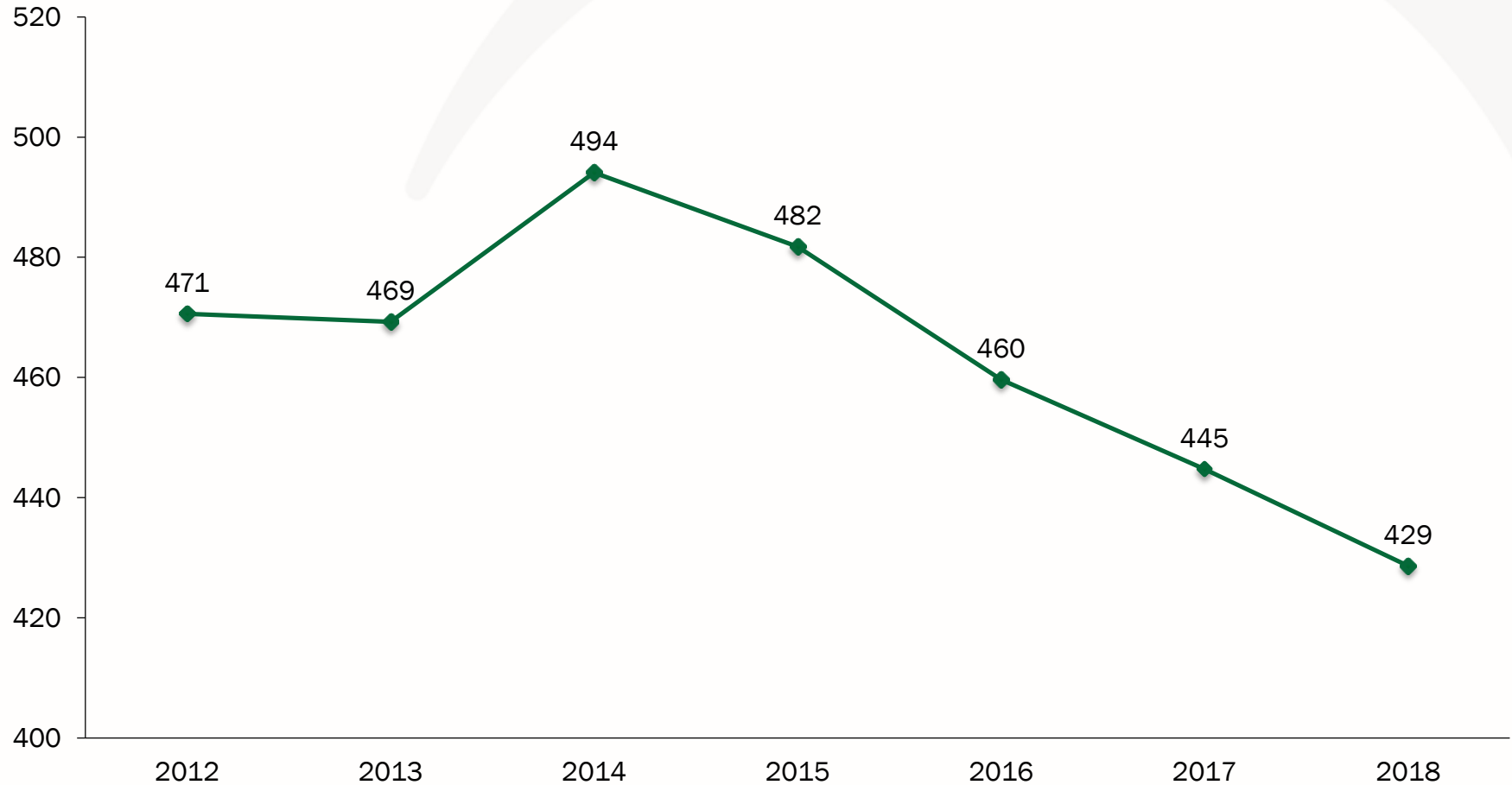
## 9. Predatory crime (burglary rate, pick-pocketing rate, robbery rate)



Source: Ministry of the Interior data and data from Istat (Indagine sulla Sicurezza dei cittadini). 2018 data are provisional.

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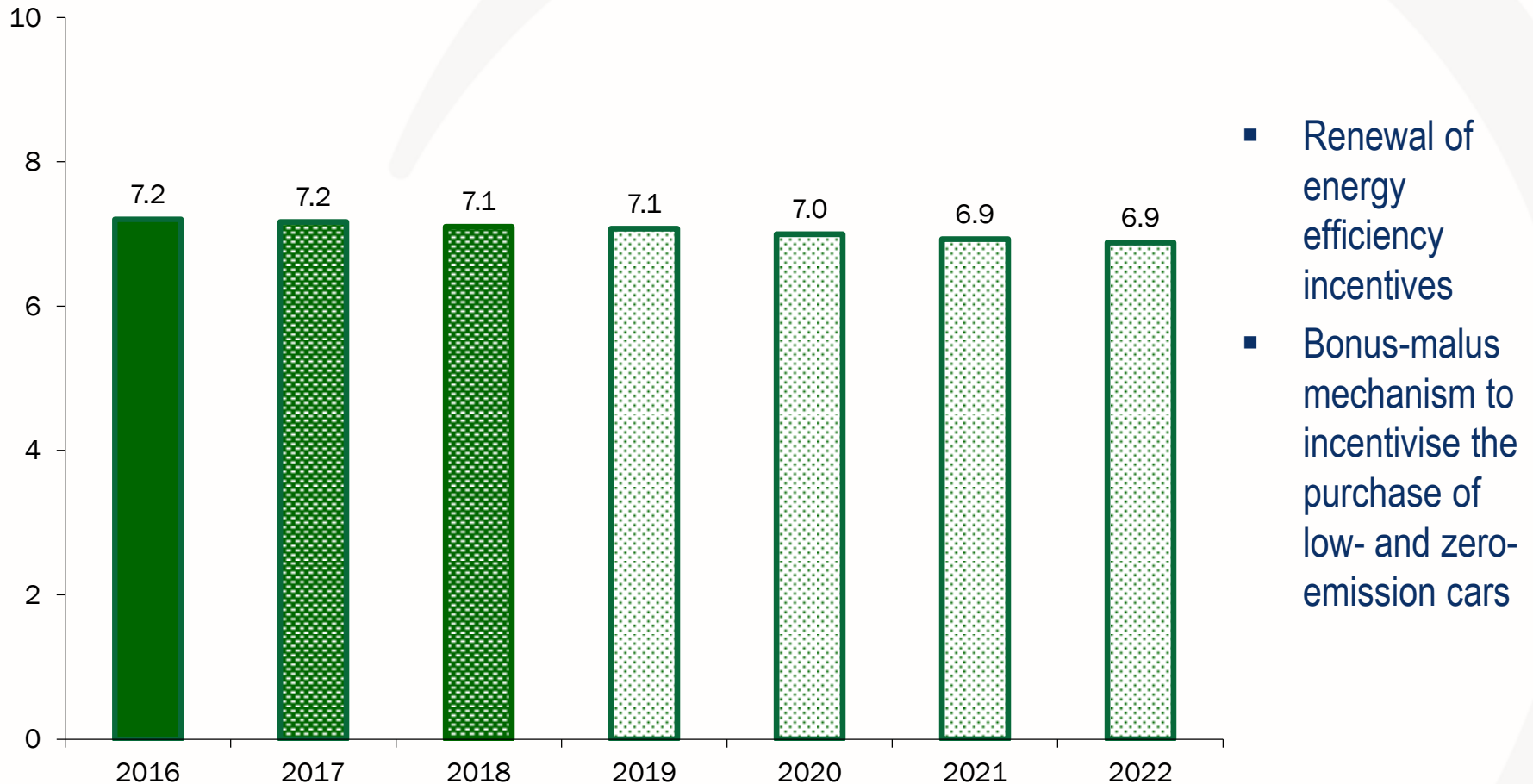
## 10. Efficiency of civil justice (average length of civil proceedings)



Source: Ministry of Justice, Dipartimento dell'organizzazione giudiziaria, del personale e dei servizi - Direzione Generale di Statistica e Analisi Organizzativa. \* Settore CIVILE - Area SICID al netto dell'attività del Giudice tutelare, dell'Accertamento Tecnico Preventivo in materia di previdenza e dal 2017 della Verbalizzazione di dichiarazione giurata.

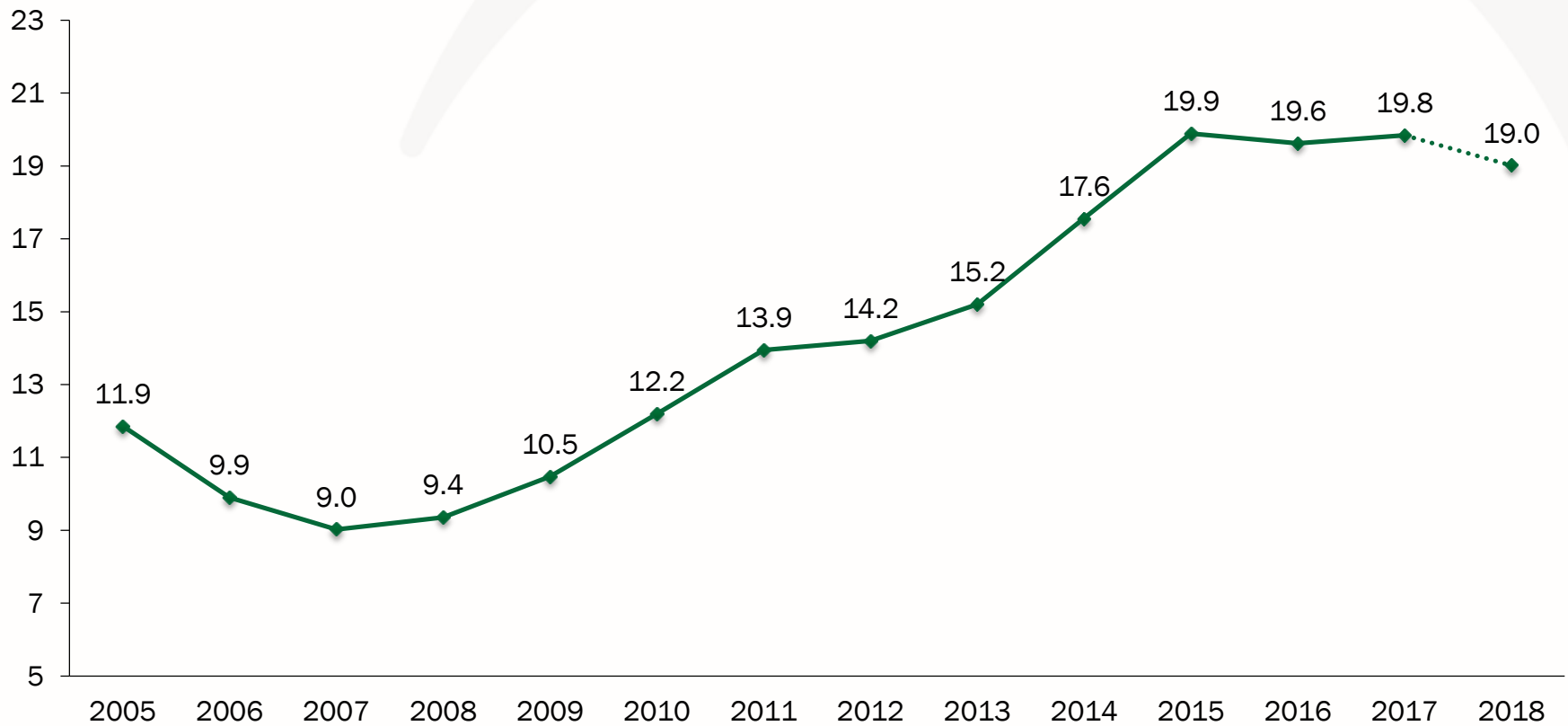
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# 11. Emissions of CO<sub>2</sub> and other greenhouse gases (tons of CO<sub>2</sub> equivalent per capita)



Source: 2017: Istat provisional data; 2018: Istat estimates; 2019-2022 MEF-DT forecast.

## 12. Illegal building rate (number of illegal buildings/100 legal buildings)



Source: Cresme, Centro ricerche economiche sociali di mercato per l'edilizia e il territorio. 2018: Istat, provisional data.

# Methodological aspects and further work

- Innovative and challenging approaches (research activity)
  - Literature review (theoretical and empirical) for each ESW indicator
  - Development of adequate analytical tools
  
- Indicators/phenomena heterogeneity
  - Data sources (microdata, national accounts)
  - Availability, timeliness of data (e.g. territorial disaggregation)
  - Underlying dynamics, sensitivity to public policies
  
- Economic models
  - Micro approach: microsimulation, impact evaluation (e.g. inequality and poverty)
  - Macro approach: forecast (e.g. CO<sub>2</sub> emissions)
  - Connection with Macroeconomic forecasts