

The Real Wealth of Nations: Pathways to Human Development

Quality of Life Indices and Innovations in the 2010 Human Development Report

International Society of Quality of Life Studies
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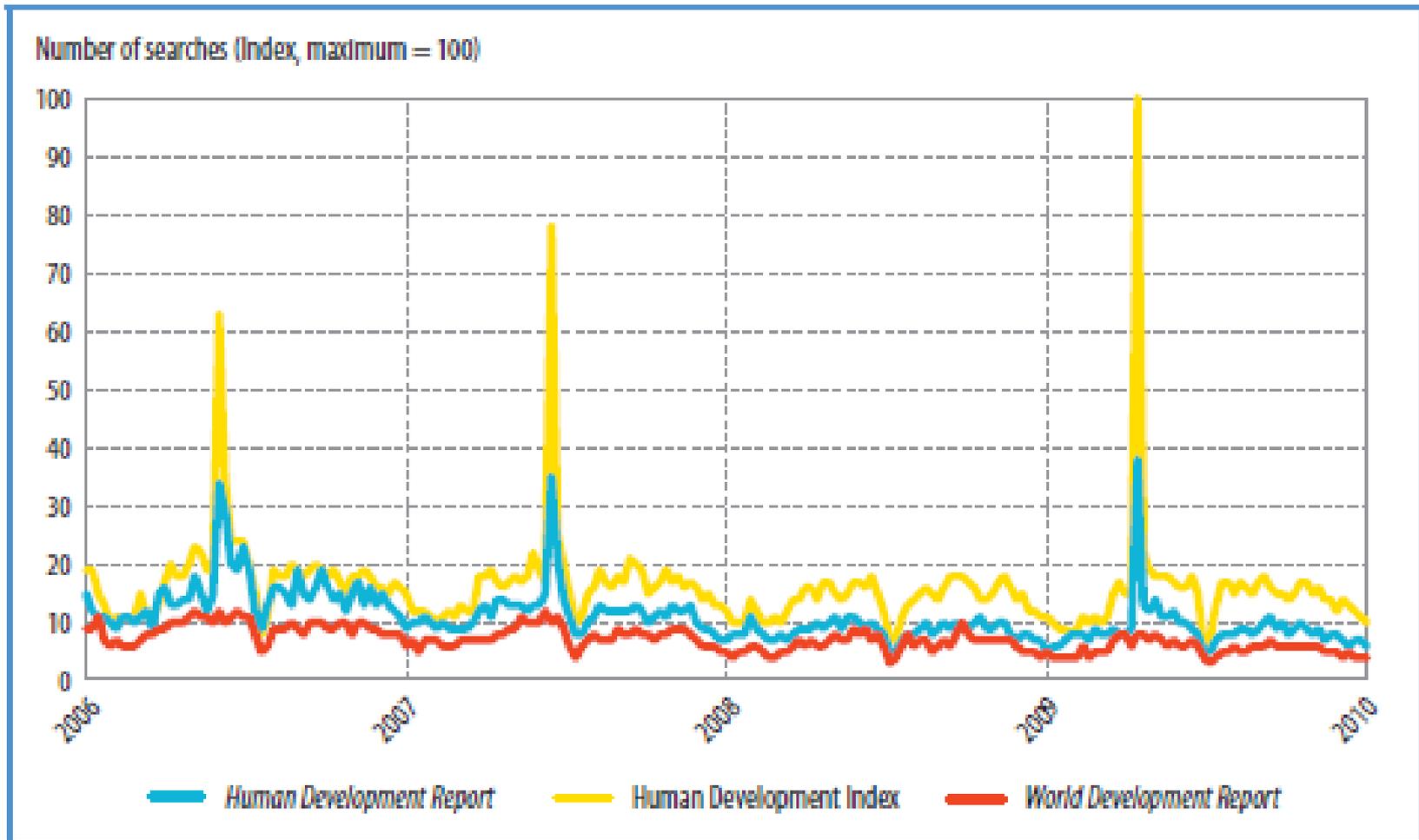
Human Development Reports

- **Introduced in 1990**, first chapter, *Defining and Measuring Human Development*, opened with

People are the real wealth of a nation. The basic objective of development is to create an enabling environment for people to live long, healthy and creative lives. This may appear to be a simple truth. But it is often forgotten in the immediate concern with the accumulation of commodities and financial wealth.

- **Independence.** Under UNDP umbrella, but not subject to board clearance.
- **Innovation.** In each global report, seek breakthrough(s) on at least one front : conceptual, measurement and/or policy (ways and means)
- **Foster open and informed public debate and discussion.** An alternative outlook on key issues of universal interest.. pragmatic

→ *Human Development Index introduced in 1990 as an alternative to sole focus on incomes – very successful*



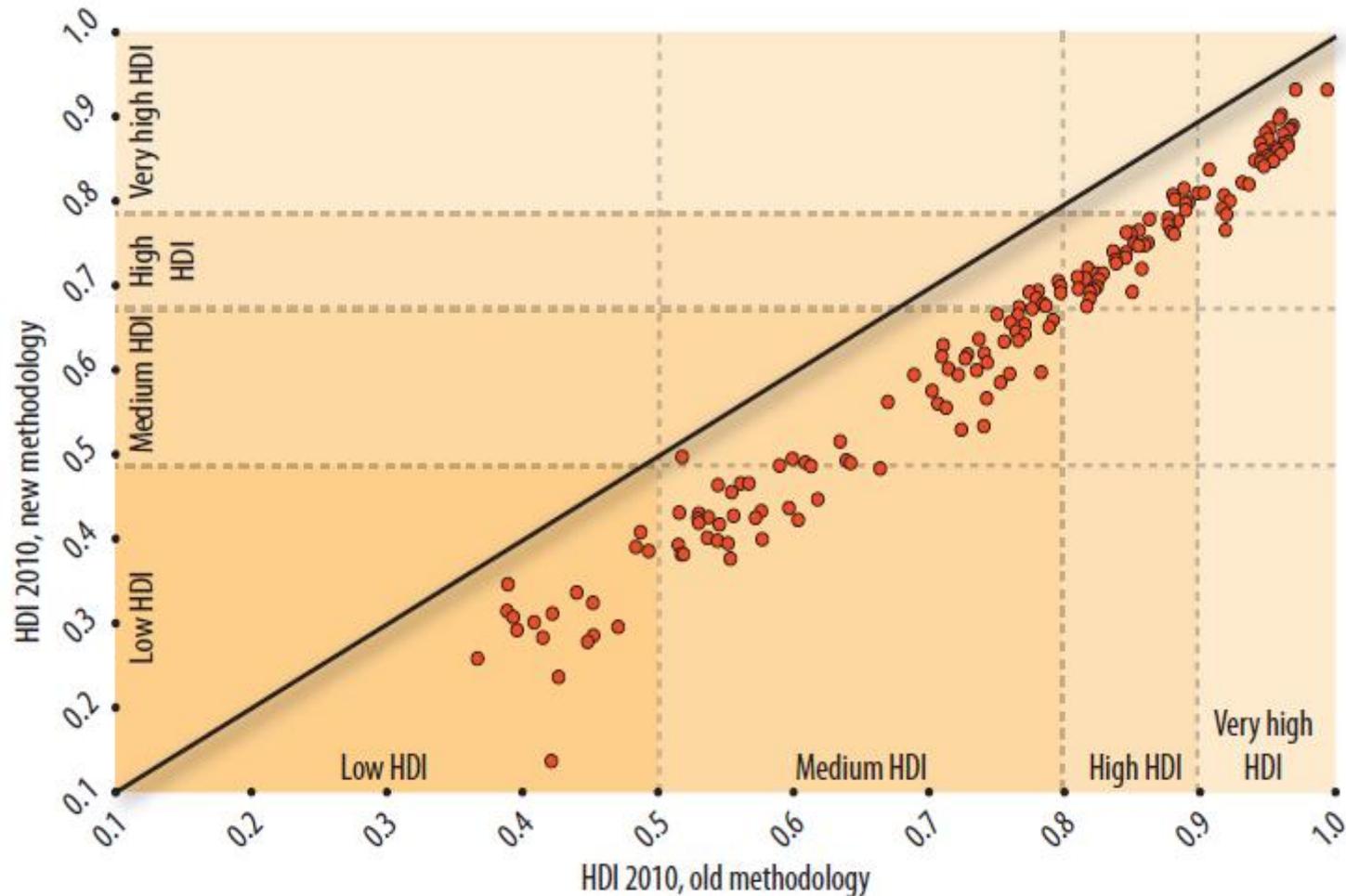
Note: The left axis presents the number of searches expressed as a percentage of the highest number attained by any of the three series.

Source: Generated from Google Insights, accessed 9 August 2010.

Improving our summary measure: **Refined HDI**

- The HDI is the geometric mean of normalized indices measuring achievements in education, health and income.
- Major changes this year
 - Indicators
 - Normalization
 - Aggregation

HDI 2010: Old and new methodologies



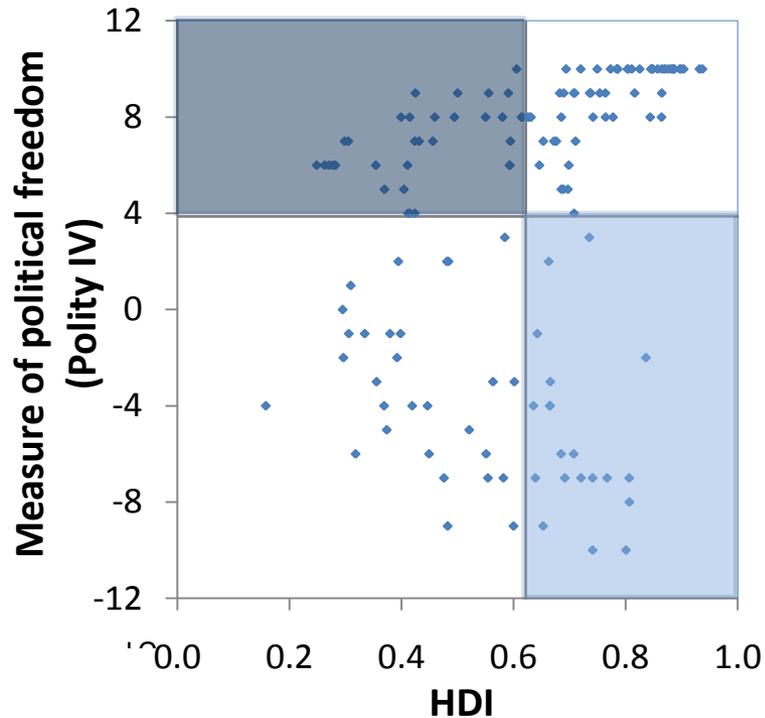
What about missing dimensions?

- The HDI “captures a few of people’s choices and leaves out many that people may value highly – economic, social and political freedom, and protection against violence, insecurity and discrimination, to name but a few.” (HDR1990)
 - (MDGs face similar criticisms)
- New measures for assessing inequality and multiple dimensions of poverty, building on better data and advances in methods

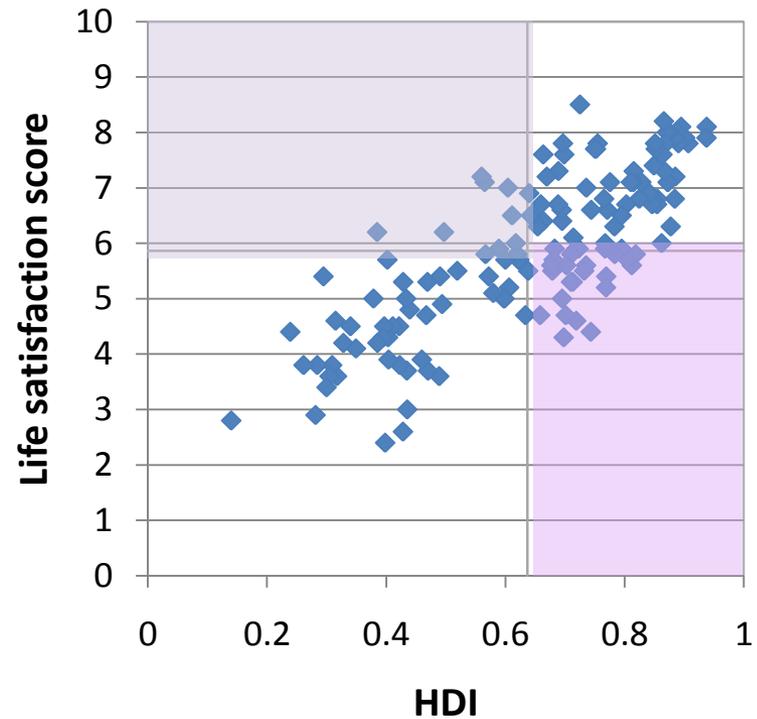


Beyond the HDI: Good things don't always come together

EMPOWERMENT



SUBJECTIVE WELLBEING



Happiness and human development: synergies and contrasts

Happiness	Human Development
Subjective	Open-ended
Likely to differ over time and place	Principles are enduring but can evolve
All countries	All countries
All people	All people, with priorities for the poor
Silent on participation	Requires participation and debate
Acceptance of self-report	Concern over 'physical condition neglect'
Stresses people's values	Stresses what people <i>value and have reason to value</i>

New measures of empowerment & subjective well-being

Empowerment

HDI rank	AGENCY		POLITICAL FREEDOM	CIVIL LIBERTIES			ACCOUNTABILITY		
	Satisfaction with freedom of choice (% satisfied)		Democracy	Human rights violations	Press freedom	Journalists imprisoned	Corruption victims	Democratic decentralization	Political engagement
	Total	Female	Score (0–2) ^a	Score (1–5) ^b	(index) ^c	(number) ^d	(% of people who faced a bribe situation in the last year)	Score (0–2) ^e	(% of people who voiced opinion to public officials)

Perceptions of individual well-being and happiness

HDI rank	Overall life satisfaction ^a (0, least satisfied, 10, most satisfied)			SATISFACTION WITH PERSONAL DIMENSIONS OF WELL-BEING			ELEMENTS OF HAPPINESS (% answering “yes” to having the element)						
	Total	Female		Job ^a (% of employed respondents who are satisfied)	Personal health ^a (% of all respondents who are satisfied)	Standard of living ^a (% of all respondents who are satisfied)	Purposeful life		Treated with respect		Social support network		Negative experience index
							Total	Female	Total	Female	Total	Female	(0, most negative, 100, least negative)

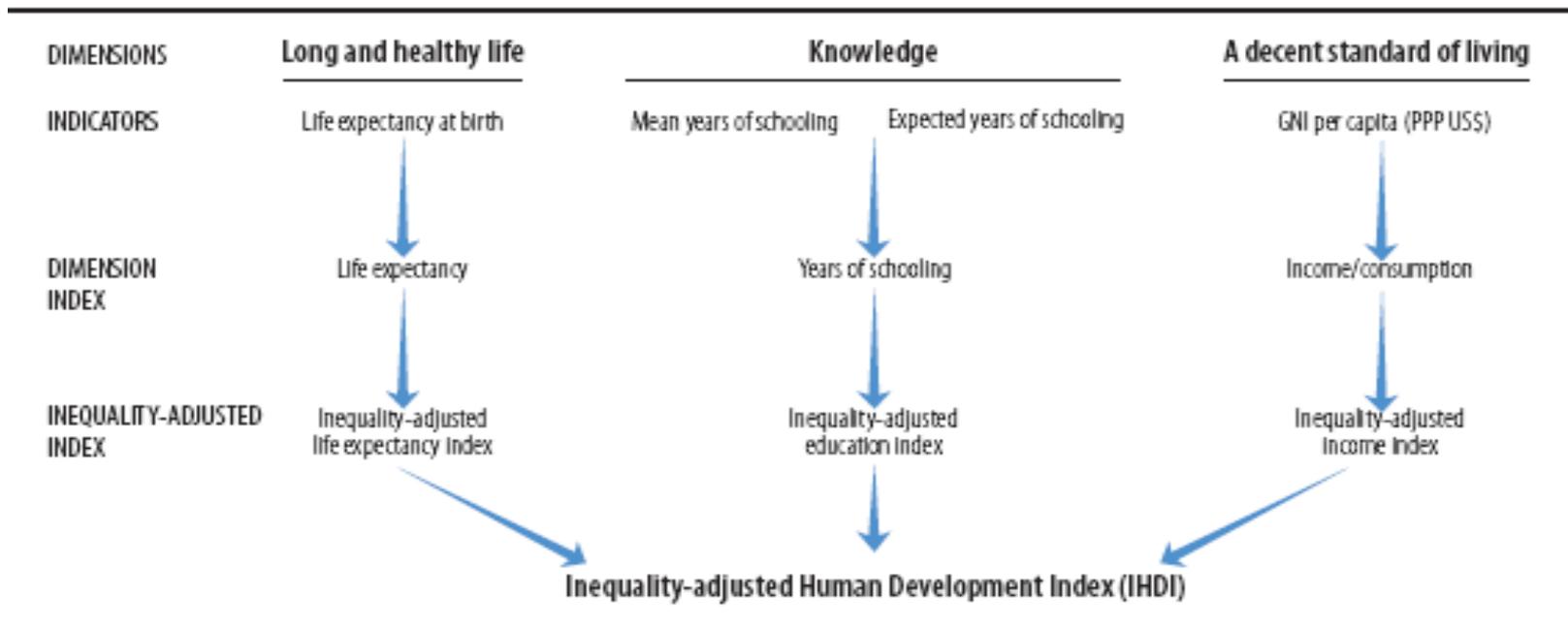
Civic and community well-being

HDI rank	CRIME AND SAFETY				SATISFACTION WITH MEASURES OF WELL-BEING (% satisfied)					
	Homicide rate (per 100,000 people)	Robbery rate (per 100,000 people)	Assault victims (% reporting having been a victim)	Perception of safety ^a (%)	Community ^b	Affordable housing ^b	Healthcare quality ^b	Education system and schools ^b	Air quality ^b	Water quality ^b

Innovative measures offer new insights

- Refined HDI incorporates new indicators and advances in measurement.
- Three new indices address major criticism that HDI is only about averages
 - Inequality Adjusted HDI
 - Gender Inequality Index
 - Multidimensional Poverty Index

Incorporating inequality: Inequality Adjusted HDI

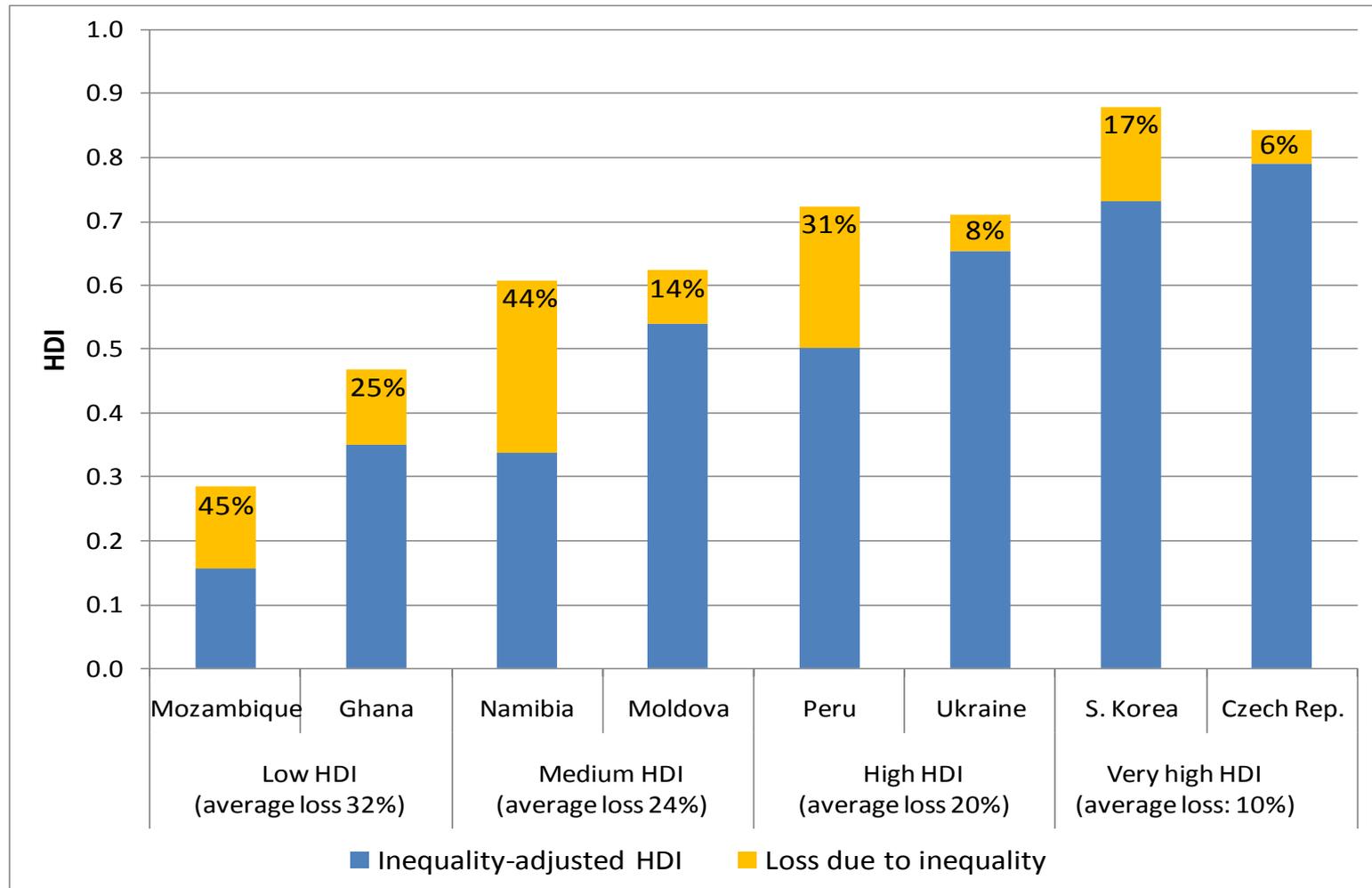


Methodology:

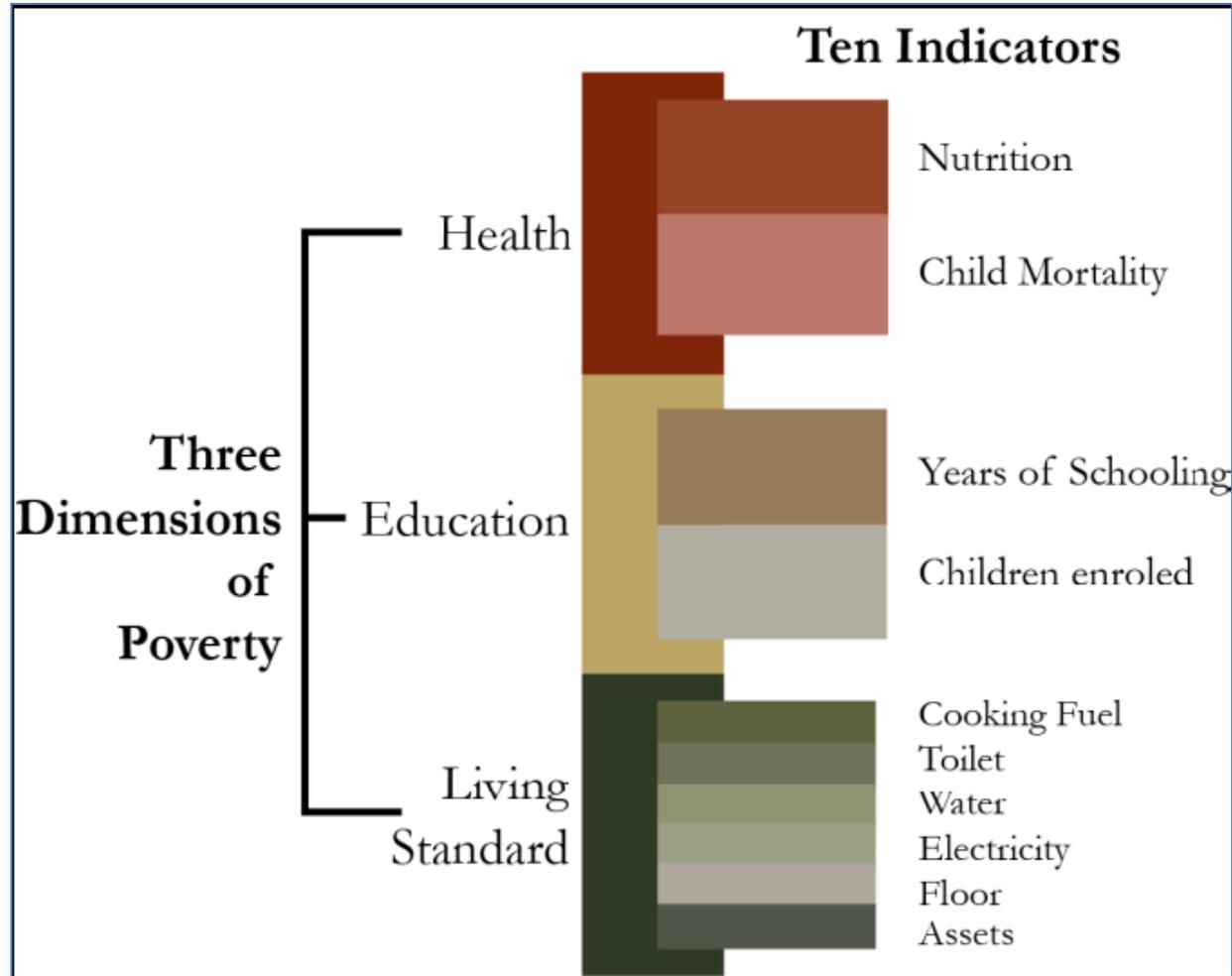
- Based on a distribution-sensitive class of composite indices proposed by Foster, Lopez-Calva and Szekely (2005), with inequality measured within each dimension using Atkinson inequality measure & aversion parameter of 1.
- IAHDI is calculated as geometric mean of geometric means, calculated for each dimension separately.

HDI losses from inequality largest in low and medium HDI countries

Loss in HDI due to multidimensional inequality by HDI level



A different approach to poverty : Multidimensional Poverty Index



Methodology for MPI

The index is the product of two aspects of poverty:

- 1. *Incidence*** of multi-dimensional poverty: the percentage of people who are poor according to a cut-off k (30%) of indicators (*At risk, $k=20%$*)
- 2. *Intensity*** of people's poverty: the average share of indicators in which poor people are deprived

Note: Each dimension is weighted equally.

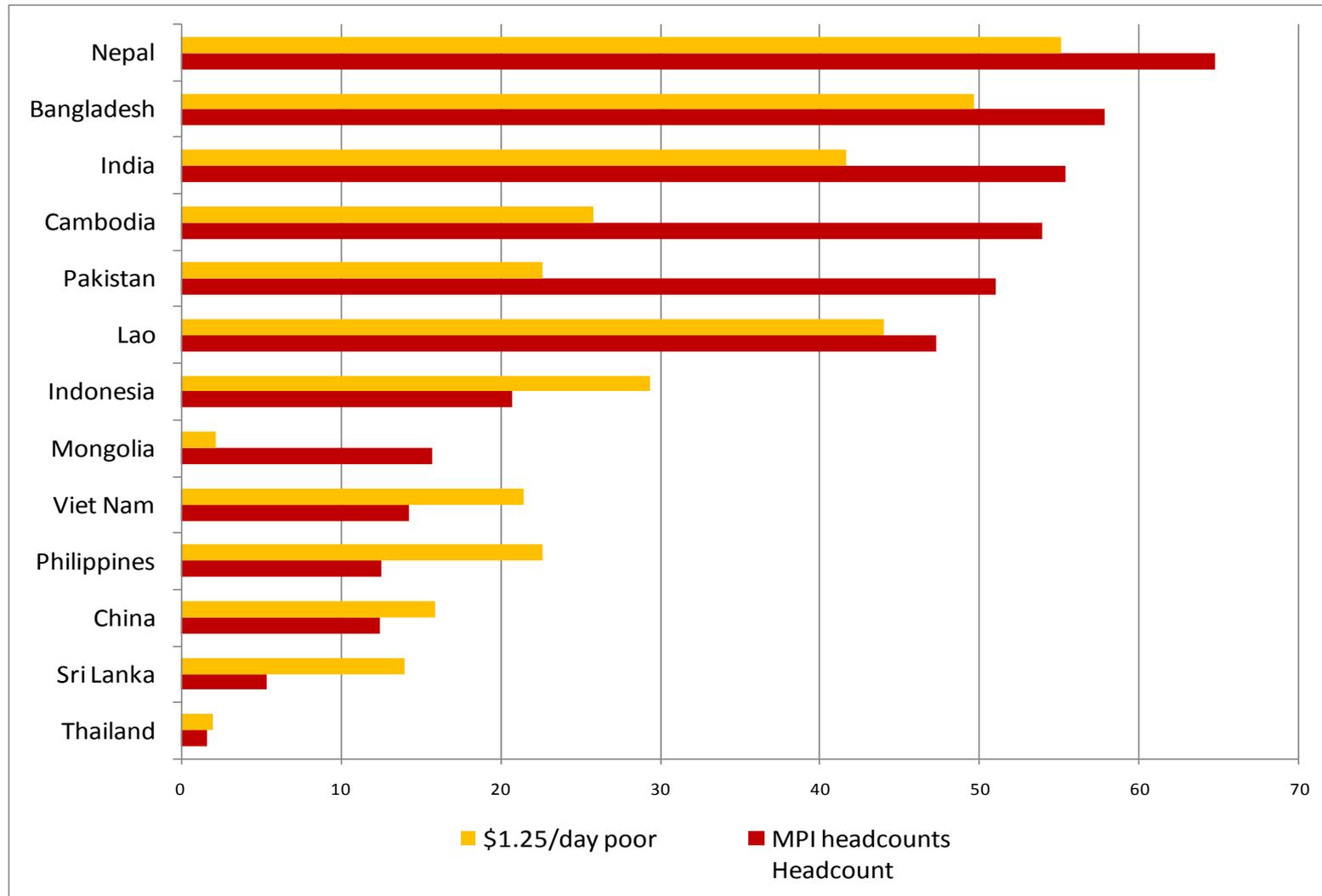
See Alkire and Foster 2009; Alkire and Santos 2010

Understanding the MPI

- Interpretation: Identifies the share of the population suffers multiple deprivations *at the same time*, adjusted by the intensity of the deprivations suffered.
- Insights :
 - Different concept and thus results, compared to \$ day.
 - An improvement on HPI because uses data from the same survey and thus identifies people who are poor in multiple dimensions *at the same time*.
 - Can be decomposed to show extent to which different groups suffer multidimensional poverty and each deprivation.
 - Robustness: Cut offs ranging between 20 and 40% of indicators produce generally robust rankings, as do a range of weights, particularly for the poorest countries.

MPI and income poverty levels across Asia

Percentage of people living in poverty - MPI and income poverty, selected countries





**People are the
Real Wealth of Nations**