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...

→ *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.

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

HDI

Life satisfaction score

Measure of political freedom (Polity IV)
# Happiness and human development: synergies and contrasts

<table>
<thead>
<tr>
<th>Happiness</th>
<th>Human Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subjective</td>
<td>Open-ended</td>
</tr>
<tr>
<td>Likely to differ over time and place</td>
<td>Principles are enduring but can evolve</td>
</tr>
<tr>
<td>All countries</td>
<td>All countries</td>
</tr>
<tr>
<td>All people</td>
<td>All people, with priorities for the poor</td>
</tr>
<tr>
<td>Silent on participation</td>
<td>Requires participation and debate</td>
</tr>
<tr>
<td>Acceptance of self-report</td>
<td>Concern over 'physical condition neglect'</td>
</tr>
<tr>
<td>Stresses people's values</td>
<td>Stressess what people <em>value and have reason to value</em></td>
</tr>
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*Concern over 'physical condition neglect' emphasizes the importance of addressing physical well-being in development strategies, highlighting the need for a holistic approach that considers both mental and physical aspects of human development. This contrasts with the more subjective nature of happiness, which may vary significantly over time and place and among different populations.*
New measures of empowerment & subjective well-being

### Empowerment

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>POLITICAL FREEDOM</th>
<th>CIVIL LIBERTIES</th>
<th>ACCOUNTABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Satisfaction with freedom of choice (%) satisfied</td>
<td>Democracy</td>
<td>Human rights violations</td>
</tr>
<tr>
<td>HDI rank</td>
<td>Total Female</td>
<td>Score (0–2)</td>
<td>Score (1–5) index</td>
</tr>
</tbody>
</table>

### Perceptions of individual well-being and happiness

<table>
<thead>
<tr>
<th>HDI rank</th>
<th>Overall Life satisfaction (0, least satisfied, 10, most satisfied)</th>
<th>SATISFACTION WITH PERSONAL DIMENSIONS OF WELL-BEING</th>
<th>ELEMENTS OF HAPPINESS (% answering “yes” to having the element)</th>
<th>Negative experience index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Job ( % of employed respondents who are satisfied)</td>
<td>Personal health ( % of all respondents who are satisfied)</td>
<td>Standard of living ( % of all respondents who are satisfied)</td>
<td>Purposeful life</td>
</tr>
<tr>
<td></td>
<td>Total Female</td>
<td>Total Female</td>
<td>Total Female</td>
<td>Total Female</td>
</tr>
</tbody>
</table>

### Civic and community well-being

<table>
<thead>
<tr>
<th>HDI rank</th>
<th>CRIME AND SAFETY</th>
<th>SATISFACTION WITH MEASURES OF WELL-BEING (% satisfied)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Homicide rate (per 100,000 people)</td>
<td>Robbery rate (per 100,000 people)</td>
</tr>
<tr>
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</table>
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

Three Dimensions of Poverty

- Health
  - Nutrition
  - Child Mortality

- Education
  - Years of Schooling
  - Children enrolled

- Living Standard
  - Cooking Fuel
  - Toilet
  - Water
  - Electricity
  - Floor
  - Assets
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

- Nepal
- Bangladesh
- India
- Cambodia
- Pakistan
- Lao
- Indonesia
- Mongolia
- Viet Nam
- Philippines
- China
- Sri Lanka
- Thailand

$1.25/day poor

Headcount

0 10 20 30 40 50 60 70

$1.25/day poor MPI headcounts

Headcount
People are the Real Wealth of Nations