The OECD Better Life Initiative: looking at the many facets of inequality

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What is the OECD Better Life Initiative?

• A coordinated programme to develop internationally-comparable, policy-relevant measures of well-being

• Underpins the OECD’s mission to support “Better policies for better lives” and to “redefine the growth narrative to put the well-being of people at the centre of our efforts.”

• Brings together a broad range of outputs including methodological work, measurement, research and analysis, and policy and public outreach
The OECD framework for measuring well-being

**INDIVIDUAL WELL-BEING**
[Populations averages and differences across groups]

- **Quality of Life**
  - Health status
  - Work-life balance
  - Education and skills
  - Social connections
  - Civic engagement and governance
  - Environmental quality
  - Personal security
  - Subjective well-being

- **Material Conditions**
  - Income and wealth
  - Jobs and earnings
  - Housing

**SUSTAINABILITY OF WELL-BEING OVER TIME**
Requires preserving different types of capital:

- **Natural capital**
- **Human capital**
- **Economic capital**
- **Social capital**
Guiding principles

- Focus on **people**, not just the economic system
- Focus on **outcomes**, rather than inputs or outputs
- Reporting both **averages** and inequalities
- Capturing both **objective** and **subjective** aspects of life
- Concerned with well-being both **today** and **tomorrow**
Different outputs for different audiences

Public outreach

Reporting & analysis

Research & methodological work
How’s Life? 2017 – released today!

Overview of levels and trends:
- 25 headline indicators of current well-being
- 32 indicators of resources for future well-being (natural, human, economic and social capital)

Detailed country notes for 35 OECD countries and 6 partners

Thematic chapters on:
- Inequalities in well-being
- Migrants’ well-being
- Governance and well-being
How’s Life? 2017 explores well-being divides...

...among OECD countries
  • comparative strengths and weaknesses
  • changes over time since 2005

...within OECD countries, including by:
  • gender
  • age
  • education
  • wealth
  • migrant status

...and between people and the public institutions that serve them

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Measuring inequalities in well-being

Debates about inequalities often focus on income and wealth, but inequality can touch every aspect of people’s lives.

Many different ways to think about inequalities in well-being:
• Inequalities **of what?**
• Inequalities **between whom?**
• Overall distribution or **below a threshold?**
• Snapshot or over time?
• Outcomes or opportunities?

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**Inequalities in well-being**

**Of what?**
- Quality of life
- Material conditions

**Among whom?**
- Vertical inequalities
  - look at dispersion among individuals within a society (e.g. Gini index of income)
- Horizontal inequalities
  - consider differences among groups that share some common traits, e.g.:
    - by gender
    - by age
    - by educational level
    - by migrant status (Chapter 3)
    - by region (How’s Life? 2015)
  - Deprivations
    - Focus on the lower end of distribution of outcomes, i.e. those who fall below a given deprivation line (e.g. poverty rates)

**Due to...**
- Efforts
- Circumstances (i.e. inequalities of opportunity)
Vertical inequalities in well-being

...consider the overall dispersion of outcomes among individuals within a society

(e.g. the Gini Index of income inequality, or S20/S80 ratio)
How big are vertical inequalities in the OECD?

For the average OECD country, when we compare people in the top 20% and people in the bottom 20%...

- Time on **social activities** is over 11 times higher
- Household **disposable income** is more than 5 times higher
- Feelings of **having a say in government** are nearly 4 times higher
- **Life satisfaction** is twice as high
- Time devoted to **leisure and personal** care is nearly twice as high

And for other measures...

- The standard deviation in **age at death** is more than 13 years
- Just 10% of households own more than 50% of total **wealth**
Which OECD countries have the lowest vertical inequalities?

Percentage of indicators in which a country shows comparatively low vertical inequalities, latest available year

Low inequalities are defined as falling within the most equal third of OECD countries. Indicators are weighted so that the different dimensions of well-being are accorded equal weights.

Adapted from How’s Life? 2017, Figure 2.2
Patterns of income inequality are not perfectly mirrored in other dimensions

Percentage of countries for which performance in income inequality is similar to performance in vertical inequalities

For a given country, the performance in income inequality is considered “similar to” performance in other vertical inequalities if they both fall in the same third when OECD countries are divided into least equal, middle equal and most equal thirds.

Adapted from How’s Life? 2017, Figure 2.4
How do vertical inequalities relate to overall performance?

Average well-being performance, plotted against average inequalities (9 indicators only)

Inequalities are scored from 1 = least equal third in the OECD, to 3 = most equal third in OECD
Performance is scored from 0 = worst performance, to 10 = best performance in OECD

Adapted from How’s Life? 2017, Figure 1.4
...consider differences among groups that share some common traits, e.g.
- by gender
- by age
- by education level
- by migrant status
- by the region people live in

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Horizontal inequalities: the gender divide

OECD average ratio of women's well-being outcomes, relative to men’s (1 = equality)

- Low pay
- Feeling safe walking at night
- Employment
- Average hourly earnings
- Self-reported health
- Adult skills
- Water quality
- Time on leisure and personal care
- Voter turnout
- Student skills
- Life satisfaction
- Educational attainment
- Political efficacy
- Social support
- Unemployment
- Time spent on social activities
- Very long working hours
- Homicide rate

Women are worse off than men

Women are better off than men

Adapted from How’s Life? 2017, Table 2.A.3.
Where in the OECD are women least disadvantaged?

![Bar chart showing percentage of indicators in which a country shows comparatively low gender inequalities, latest available year.]

**Low inequalities** are defined as falling within the third of OECD countries where women are least disadvantaged, relative to men. Indicators are weighted so that the different dimensions of well-being are accorded equal weights.

Adapted from How's Life? 2017, Figure 2.7
Horizontal inequalities: the educational divide

Secondary-educated are worse off than tertiary-educated

Adapted from How’s Life? 2017, Table 2.A.7
Where in the OECD are the less educated least disadvantaged?

% of weighted indicators in which a country shows comparatively low secondary vs. tertiary education-related inequalities

Low inequalities are defined as falling within the third of OECD countries where the secondary educated are the least disadvantaged, relative to tertiary educated adults. Indicators are weighted so that the different dimensions of well-being are accorded equal weights.

Adapted from How’s Life? 2017, Figure 2.9.
OECD average ratio of young people’s well-being outcomes, relative to middle-aged adults (1 = equality)

- Household net wealth
- Unemployment
- Employment
- Hourly earnings
- Voter turnout
- Household disposable income
- Feeling safe walking at night
- Adult skills
- Perceived water quality
- Having a say in government
- Life satisfaction
- Quality of support network
- Time on leisure and personal care
- Educational attainment
- Perceived health
- Time on social activities
- Very long working hours

Younger are worse off than middle-aged adults
Younger are better off than middle-aged adults

The age ranges considered vary slightly by indicator, but typically concern persons aged around 15-24, relative to persons aged around 25-54. For further detailed, see How’s Life? 2017, Table 2.A.4.
Where in the OECD are young people least disadvantaged?

Percentage of indicators in which a country shows comparatively **low young vs. middle age inequalities**

**Low inequalities** are defined as falling within the third of OECD countries where the younger generation are the least disadvantaged, relative to middle-aged adults. Data refer to latest available year. Indicators are weighted so that the different dimensions of well-being are accorded equal weights.

Adapted from How's Life? 2017, Figure 2.8, Panel A
Migrants’ well-being in OECD countries

In How’s Life? 2017 migrants are defined as people living in a different country from the one in which they were born.

→ In the average OECD country, 13% of people are migrants

→ In Luxembourg, migrants make up 40% of the population...this highest share in the OECD, with Switzerland (29%) and Australia (28%) closest behind

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Migrants are diverse: within and between OECD countries

Education levels among migrants aged 15-64 years 2012-13, selected OECD countries

- Migrants - Low-educated
- Migrants - Highly-educated

Adapted from How’s Life? 2017, Figure 3.A.1.

...and capturing the well-being of the most vulnerable migrants is difficult, since they are hard to reach in household surveys
Migrants face multiple well-being disadvantages

Compared to the native-born in OECD countries:

- The median income of migrants is 25% lower, and median average wealth is 50% lower.

- Migrants are more likely to work antisocial hours and be in low-paid jobs.

- Almost 30% of migrants with a tertiary degree are overqualified for their jobs, compared to 20% of the native-born.

- 1 in 4 migrants report being exposed to air and noise pollution in the area where they live compared to 1 in 5 of the native-born.

- Migrants also report worse health, lower social support, and lower life satisfaction than the native-born in most OECD countries assessed.
Deprivations in well-being

...focus on the lower end of the distribution – i.e. those who fall below a given threshold/deprivation line, e.g:
- Poverty rates
- Share of people with no social support
- Share of overcrowded households
Deprivation rates in the average OECD country
(selected indicators only)

**Air pollution:** 37% of people are exposed to PM$_{2.5}$ higher than 15 micrograms/m$^3$

**Voter turnout:** 31% did not vote in the last national election

**Feelings of security:** 26% do not feel safe walking alone at night where they live

**Subjective well-being:** 13% of people report more negative than positive feelings

**Housing affordability:** 11% spend more than 40% of their disposable income on mortgages and rents

**Social support:** 8.5% have no friends or relatives to count on in times of need
Which OECD countries have the lowest deprivation rates?

Percentage of indicators in which a country shows comparatively low deprivation rates

Low deprivation rates are defined as falling within the third of OECD countries with the lowest deprivation rates. Indicators are weighted so that the different dimensions of well-being are accorded equal weights.

Adapted from How’s Life? 2017, Figure 2.10
More than 10% of people are currently poor, but an additional 40% would fall into poverty if they had to forgo 3 months’ of their income.

Share of individuals who are income poor, asset poor or economically vulnerable, by country, latest available year.

Adapted from How’s Life? 2017, Figure 2.11
Distance between people and the public institutions that serve them

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Only one in three people in the OECD feel that they have a say in what the government does.

...over half believe that corruption is widespread, and only 38% have confidence in their national government.

Adapted from How’s Life? 2017, Figure 4.11.
People with fewer economic resources are less likely to feel they have a say in what the government does

OECD average mean score on a 1 - 5 scale (higher scores indicate higher feeling of having a say in what the government does)

** indicates a statistically significant difference at the 95% confidence level, with tertiary-educated, employed and the top income quintile serving as the reference groups, respectively.
Adapted from How’s Life? 2017, Figure 4.12.
Voter turnout is 14 percentage points lower for people in the bottom 20% income bracket, compared to those in the top 20%.

Voter turnout is self-reported and refers to the simple average based on data available for 25 OECD countries. Adapted from How’s Life? 2017, Figure 4.2.
A study of 11 OECD countries found that manual, agricultural and service workers make up 44% of the population at large, but only 13% of members of parliament.

Adapted from How’s Life? 2017, Figure 4.5.
Changes in well-being over time

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Changes in well-being since 2005

In some aspects of life, the average OECD resident is better off than in 2005...

... but progress has often been slow, and unevenly distributed across countries...

... and in some areas, well-being is falling behind
What is true for the OECD on average is not necessarily true for individual countries...

Characterising change in well-being since 2005 for the OECD as a whole is difficult due to:

- the diversity of experience across indicators
- the diversity of experience across OECD countries
- (and of course as always, missing data)

→ How’s Life? 2017 shows results for the OECD average resident
→ ...and the share of countries with gains/losses in well-being
→ ...and provides 41 profiles with detailed country findings
Gains in material conditions since 2005 have not been equally shared among all OECD countries.

Share of OECD countries in which there have been net improvements on each indicator since 2005

Adapted from How’s Life? 2017, Figure 1.9.
Life expectancy is the only headline indicator that has improved since 2005 for all OECD countries where it can be measured.

![Bar chart showing the share of OECD countries in which there have been net improvements on each indicator since 2005.](chart_image)

Share of OECD countries in which there have been net improvements on each indicator since 2005

Adapted from How’s Life? 2017, Figure 1.16.
The picture is also mixed on resources and risks for future well-being...for example:

- In OECD countries, **greenhouse gas emissions** per capita have fallen by around 14% on average since 2005. However, **forest area** per capita has also been reduced by around 5%.

- OECD countries now invest a higher share of their **GDP in research and development** than in 2005. However, the **financial net worth of OECD governments** has fallen by 30 percentage points, and **households have experienced rising debt** in over half of all OECD countries.

- Since 2005, the share of people who **smoke** has fallen from 22% to 18%. However, the share of people who are **obese** has risen from 22% to 24%.

- Both **voter turnout** and **trust in government** have fallen in more than half of all OECD countries since 2005.
How’s Life? in Luxembourg?

In general, Luxembourg performs well in terms of material living conditions relative to the other OECD countries. Household net wealth and average earnings are the highest in the OECD (respectively, around 70,000 USD in 2014, the latest available year, and 62,400 USD in 2016). Job strain is among the lowest in the OECD, and fewer than 4% of employees in Luxembourg regularly work very long hours, compared to the OECD average of 13%. Luxembourg also performs well in terms of housing conditions. Water footprint (91%) is the highest in the OECD, though this may reflect the practice of overbuying. Regarding social support, 92% of people report having friends or relatives whom they can count on in times of trouble, which is higher than the OECD average of 85%. As for personal security, the homicide rate stood well below the OECD average in 2014 (6.4 compared to 3.8 per 100,000). Life satisfaction in Luxembourg is meanwhile close to the OECD average level.

Luxembourg’s average level of current well-being: Comparative strengths and weaknesses

Note: This overview shows Luxembourg’s relative strengths and weaknesses in well-being when compared with other OECD countries. For both positive and negative indicators (such as happiness, ranked at 1), longer data series denote better outcomes (i.e., higher wellbeing); whereas shorter data indicate worse outcomes (a lower wellbeing). If data are missing for any given indicator, the relevant segment of the circle is shaded in white.

Additional information, including the data used in this country note, can be found at:

www.oecd.org/betterlife/luxembourg/country-note-data.xlsx
Luxembourg’s comparative strengths and weaknesses in average well-being
How large are well-being inequalities in Luxembourg?

Diagnostic dashboard shows the size of well-being divides in Luxembourg, relative to other OECD countries.

- *Cognitive skills at 15* are unevenly distributed overall, differ a lot depending on parents’ level of education, and have high deprivation rates... but relatively equal for girls and boys.

- *Household income* is more evenly distributed than in the OECD on average – overall, by age, and in terms of deprivation rates.

### Well-being inequalities in Luxembourg

<table>
<thead>
<tr>
<th>Vertical inequality</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Deprivation</th>
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<tr>
<td></td>
<td>Women relative to men</td>
<td>Young relative to middle-aged</td>
<td>Secondary relative to tertiary</td>
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<td>Household income</td>
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</table>

- Earnings
- Low pay
- Employment
- Unemployment
- Housing affordability
- Rooms per person
- Life expectancy
- Perceived health
- Working hours
- Time off
- Educational attainment
- Cognitive skills at 15
- Adult skills
- Time spent socialising
- Social support
- Voter turnout
- Having a say in government
- Air quality
- Water quality
- Homicides
- Feeling safe at night
- Life satisfaction
- Negative affect balance
## Migrants’ well-being in Luxembourg

### Comparison of migrants’ and native-born well-being in Luxembourg

<table>
<thead>
<tr>
<th></th>
<th>Migrants have a worse situation</th>
<th>Same situation</th>
<th>Migrants have a better situation</th>
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<tbody>
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<td>Household income</td>
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<td>Wealth</td>
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<td>Physical health risks at work</td>
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<td>Atypical working hours</td>
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<td>Cognitive skills at age 15</td>
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<td>Social support</td>
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<td>Housing conditions</td>
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<td>Perceived safety</td>
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<td>Trust in political system</td>
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<td>Life satisfaction</td>
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<td>Feeling depressed</td>
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How’s Life? 2017: The bottom line

• How’s Life? 2017 shows the many faces of inequality
  where you were born, the country you live in, your gender, age and education are crucial factors affecting well-being

• Migrants usually experience lower well-being than the native-born, but there are some exceptions... however, the most vulnerable migrants are hard to reach in surveys, and we are probably overestimating how well-off the average migrant is

• Many people in OECD countries feel distant from the public institutions that serve them

• Since 2005, some aspects of well-being have improved, but some elements (and some countries) are getting left behind
THANK YOU

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www.oecd.org/howslife
www.oecd.org/measuringprogress
www.oecdbetterlifeindex.org