



**COLLANA DEL
DIPARTIMENTO DI ECONOMIA**

**A REVIEW OF THE LITERATURE ON WELL-BEING IN ITALY:
A HUMAN DEVELOPMENT PERSPECTIVE**

Francesco Burchi - Chiara Gnesi

ISSN 2279-6916 Working papers

(Dipartimento di Economia Università degli studi Roma Tre) (online)

Working Paper n° 175, 2013

I Working Papers del Dipartimento di Economia svolgono la funzione di divulgare tempestivamente, in forma definitiva o provvisoria, i risultati di ricerche scientifiche originali. La loro pubblicazione è soggetta all'approvazione del Comitato Scientifico.

Per ciascuna pubblicazione vengono soddisfatti gli obblighi previsti dall'art. 1 del D.L.L. 31.8.1945, n. 660 e successive modifiche.

Copie della presente pubblicazione possono essere richieste alla Redazione.

esemplare fuori commercio
ai sensi della legge 14 aprile 2004 n.106

REDAZIONE:

Dipartimento di Economia
Università degli Studi Roma Tre
Via Silvio D'Amico, 77 - 00145 Roma
Tel. 0039-06-57335655 fax 0039-06-57335771
E-mail: dip_eco@uniroma3.it
<http://dipeco.uniroma3.it>



DIPARTIMENTO DI ECONOMIA

**A REVIEW OF THE LITERATURE ON WELL-BEING IN ITALY:
A HUMAN DEVELOPMENT PERSPECTIVE**

Francesco Burchi - Chiara Gnesi

Comitato Scientifico:

Fabrizio De Filippis

Anna Giunta

Paolo Lazzara

Loretta Mastroeni

Silvia Terzi

A review of the literature on well-being in Italy: A human development perspective

Francesco Burchi and Chiara Gnesi***

Abstract

In the recent years a large literature on indicators of well-being and quality of life has proliferated, all departing from a strict economic view of these phenomena. While all these indicators sign an important step for the recognition of well-being as a multidimensional phenomenon, they are often rooted in very different approaches –when we can identify a relevant “theoretical” framework-, such as basic needs, happiness, or capability approach, and vary significantly in terms of statistical quality. This paper has a twofold objective: (1) to analyze the state of the art of the literature on well-being in Italy, where research institutes, scholars, and other organizations/institutions have elaborated a large number of alternative measures; (2) to examine this literature from the perspective of the human development approach. Thus, we investigate the pros and cons of the existing approaches/indicators and derive whether they are rooted in the human development approach. This work is deemed necessary for the final goal of constructing a context-based indicator of human development for Italy and its territorial units.

Keywords: Well-being; Human Development; Indicators; Territorial disparities; Italy.

JEL Codes: O150; I000; R580; D630; C430.

Acknowledgments

This paper is an outcome of the National Research Project (PRIN) “Measuring Human Development and Capabilities in Italy: methodological and empirical issues” co-funded by the Italian Ministry of Education, University and Research (MIUR). We would like to thank the participants in the 2012 EAEPE conference held in Krakow and the anonymous referee who has reviewed the paper.

1. Introduction

In the last decade worldwide we have assisted to an astonishing evolution in the debate on the meaning of well-being and quality of life, and on how to measure

* German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), Department II
** Italian Institute of Statistics. Email: gnesi@istat.it

these phenomena. While in the past such debate was primarily focused on developing countries and relegated to the academic world, in the last years its focus moved toward high-income countries and involved national and international institutions. Many statistical offices, as well as Ngos, think tanks and research centers have proposed new indicators, which overcome the traditional economicistic view of well-being.

While most of these new initiatives depart from the view of GDP as an adequate measure of well-being, it is important not to put them all in the same box. The theoretical approach on which indicators are founded is often different, as well as the objective and the statistical methodology. This affects substantially the policies: whether we focus on happiness as measure of quality of life or Amartya Sen's notion of capabilities makes a substantial difference on what type of objectives are to be pursued and which tools are to be used.

This paper has a twofold objective: (1) to analyze the state of the art of the literature on well-being and quality of life in Italy; (2) to examine this literature from the perspective of the human development approach. We perceive these as essential steps in view of the construction of a rigorous context-based indicator of well-being rooted in the human development approach, which can help to portrait the life conditions in the Italian territorial units.

In order to make this review, we need to compare different accounts of quality of life measurement. In particular we need to compare measures of well-being, quality of life and human development. Is it possible to compare indicators that refer to different concepts? Well, we think so. We argue that, for example, well-being and quality of life are almost analogous concepts, both multidimensional and both focusing on life conditions of people in given geographical areas.

While in the past Smith (1973) used the term well-being to refer to objective life conditions of a population and quality of life to refer to people's subjective assessments of their lives, the following literature has contributed to a substantial convergence (Langlois and Anderson, 2002). Sen (1985: 69-70) argues that "the quality of life a person enjoys is not merely a matter of what he or she achieves, but also of what options the person has had the opportunity to choose from", while well-being is just made of people's achievements (*functionings*). This shows that a difference between the two concepts does exist: however, when it comes

to measuring them the choices are exactly the same, i.e., relying on achievements given the lack of information on people's opportunity set.

Similarly, the human development index, elaborated by the United Nations Development Programme (UNDP, 1990), is not a real indicator of the process of "enlargement of people's choices", but rather an indicator of quality of life and a good proxy indicator of well-being. For example, in an important methodological paper, Krishnakumar (2007: 58, note 1) states: "Throughout this paper we use the terms 'human development', 'well-being' and 'quality of life' in an interchangeable manner".

The paper is structured as follows. In the next section we review the international literature on well-being measures; in Section 3 we provide an extensive review of the most important indicators used to measure well-being in Italy; In Section 4, we re-assess critically this literature, identifying pros and cons of each indicator and verifying whether they are consistent with the human development approach; finally, Section 5 includes our concluding remarks.

2. Review of the International literature

For several decades the Gross Domestic Product (GDP) has been considered as the only measure of well-being and development and it is still the most widespread. It is the result of a strictly "economistic" view of the phenomena, and not just of the strictly neoclassical economic theories. International comparisons, therefore, were done on the basis of GDP (or, eventually, the GNI): as a consequence, economic growth was the single objective of economic policy to enhance the well-being levels in a country.

Simon Kuznets (1943) is considered the father of the modern national income accounting systems, being the first one proposing it for the United States. It is, however, necessary to stress that Kuznets himself considered GDP only as a rough measure of the monetary flow of goods and services produced by a country within a given time span, not as an indicator of welfare and, even less, of well-being. The main interest of the Nobel Prize economist was to measure the levels of industrial and agricultural production and to understand how much of the national income was due to consumption and investment. As Kuznets (1934) argues, "The welfare of a nation can scarcely be inferred from a measurement of

national income". This crucial point was soon forgotten and since that moment on economists, policy-makers and governments have used the GDP incorrectly.

Over time some streams of thought have highlighted the drawbacks of GDP as indicator of quality of life. In the field of development, a particular contribution came from theoretical paradigms such as the basic needs (ILO, 1976; Streeten et al., 1981; Stewart, 1985) and the human development approach (UNDP, 1990), and from the early ('60s) work on social development indicators of the United Nations Research Institute for Social Development (UNRISD). In the economic field we need to mention heterodox approaches such the capability approach proposed by Amartya Sen (1984, 1985) and the paradigm of economic development, which, under different facets, looks at objectives of economic policies that go beyond GDP, such as economic and institutional transformation and at the linkages between GDP and inequality, poverty and unemployment (Myrdal, 1973; Meier and Seers, 1984). The Scandinavian school on the quality of life, developed during the '70s and '80s, has influenced significantly the debate on the real goals of social and economic policies in these countries, ensuring a gradual shift towards non-economic aspects of life (Morris, 1976). Last but not least, it is necessary to acknowledge the contribution of the studies in environmental economics, which recognized the potential trade-offs between economic growth and environmental conditions as well as the role of natural resources (Nordhaus and Tobin, 1972; Hamilton, 1994).

At the risk of oversimplifying the debate, we can identify three main critiques addressed to GDP:

- (1) It uses a money metric to define the weights of goods and services. As argued by ul Haq (1995: 46), are we sure that a gun is worth hundreds of times more than a bottle of milk?
- (2) As a direct consequence of point (1), GDP does not consider the commodities without a market value, such as the care work, the domestic work, the environmental services, and often education;
- (3) It is an aggregate measure, obtained using data on the production of goods and services, thus not able to indicate the real life conditions of the population. This type of critic, therefore, concerns the way the indicator is constructed – which does not take into account income distribution – and is not a general

critic to the exclusive use of economic variables and monetary parameters in the evaluation of people's quality of life.

As a consequence of the above critiques, national and international institutions, research centers and various researchers have proposed a series of well-being indicators that differ, in some cases more than others, to GDP. We can group them in three categories: (1) those adjusting GDP; (2) those integrating GDP; (3) those replacing GDP.

2.1 Adjusted GDP Indicators

These are indicators that take the standard GDP and correct it in order to reflect people's well-being. This literature has proliferated after the seminal works of Nordhaus and Tobin (1972), Daily and Cobb (1989), and Nordhaus (1992), which have proposed different measures of "economic welfare". The most recent and advanced indicators are the *Index of Sustainable Economic Welfare* (ISEW) (Jackson et al., 2007; Jackson and Marks, 2002) and the *Genuine Progress Indicator* (GPI) (Hamilton, 1999). Although they differ in some methodological aspects, both the indices detract social and environmental costs and add social and environmental benefits to the GDP. They are constructed by taking the personal consumption expenditures, correcting it for income inequality, adding public expenditures for sectors such as education and health, the value of domestic labour and volunteering, and other economic benefits, and finally subtracting "defensive" private expenditures, costs of environmental degradation, and depreciation of natural capital. The construction of these indicators is done by assigning a monetary value to complex social and environmental benefits and costs. The ISEW has been computed for the US, Thailand, Chile and many European countries. Recently, a Regional ISEW was calculated for all English regions (Jackson et al., 2007).

Another adjustment of GDP has been proposed by Hamilton (1994). His *Genuine Savings Indicator* – also known as *Adjusted Net Savings* – is a sustainability indicator building on the concept of green national accounts. It measures the true rate of savings in an economy after taking into account investments in human capital, depletion of natural resources and damage caused by pollution.

As for the national GDP, also for the stock of wealth there have been attempts to improve the measurement. A significant contribution has been provided by the World Bank through the Wealth Estimates (World Bank, 2006). In 1997, the World Bank estimated the aggregate national wealth for 92 countries (World Bank, 2006, ch. 2-3 and appendix 1.1). Such indicator focuses on non-financial assets and includes the tangible assets and human capital: in order to estimate the value of machineries, equipment and structures the perpetual inventory method was employed. It further includes the estimates of national natural resources.

2.2 Indicators integrating GDP

All the indicators that include both economic and social elements belong to this group. The most famous example is the Human Development Index (UNDP, 1990, 2010). It combines three “functionings”: being knowledgeable, having a long and healthy life and having a decent standard of living. In the new version of the indicator, proposed in 2010, the three dimensions are measured by the following indicators: (1) a geometric mean of the mean years of schooling and the expected years of schooling; (2) life expectancy at birth; (3) purchasing-power-parity adjusted per capita Gross National Income (GNI). First, the variables are standardized and then aggregated through a geometric mean.

In theory, the Human Development approach (see Section 4), which provides the theoretical foundation to this index, would require the use of variables reflecting the development goals and not its means (GDP or national income). Thus, it should be an indicator replacing GDP and not one integrating it. However, the main reason of this choice consists in data availability (Sen, 2000) for the purpose of comparing all countries adhering to the United Nations system. Given that the paradigm of growth has been the dominant one for decades, governments and statistical offices have mainly collected economic data: as a direct consequence, GDP was selected as proxy for all the other relevant functionings not appearing in the indicator (Anand and Sen, 2000).¹

¹ To be honest, according to ul Haq (2003: 104), the founder of the Human Development division within the UNDP, “The merging of economic and social indicators is one of the distinctive features and chief strengths of the HDI”.

2.3 Indicators replacing GDP

Other indicators go even more “beyond GDP”, identifying other dimensions and indicators to portrait the levels of well-being. Most of them are multidimensional indicators and in some cases composite indicators.

The OECD has recently launched an important initiative, “How’s life?”, which, after ten years of work on the measurement of progress, contains the Better Life Index (BLI). It is a tool to compare the quality of life in 34 countries through a large set of indicators for 11 domains in the areas of material living conditions and quality of life: income, community, education, environment, civic engagement, health, housing, jobs, life satisfaction, safety, and work-life balance. While in the “How is life?” report the OECD uses equal weight for all the dimensions, each user can utilize some interactive tools available in the website in order to construct a different BLI, according to personal preferences given to each of the 11 topics that make for a better life.

An important example for high-income countries is the *Canadian Index of Wellbeing* (CIW). This initiative of the Atkinson Charitable Foundation, started in 2004 and lead, after a long process of discussion among many experts of different fields over the well-being dimensions, to the construction of the CIW (Institute of Wellbeing, 2009). The latest version of the index incorporates 64 indicators pertaining to eight dimensions: living standards, healthy populations, community vitality, time use, education, environment, leisure and culture, and democratic engagement (Institute of Wellbeing, 2011). After a long consultation it was decided to aggregate the 8 dimensional indices through a simple arithmetic mean. Both the BLI and CIW do not contain the gross domestic product: however, income still plays a role since in the former there is disposable income and wealth, while in the latter the median disposable income and income distribution.

The *Calvert-Henderson Quality of Life Indicators* fall in this category, too. This indicator is the result of a project in which an international futurist, Hazel Henderson, an asset management firm, Calvert, and twelve experts of different fields worked. Differently from the previous indicators, Henderson Quality of Life Indicators are a set of 12 indicators, which the authors chose to keep separate: one of these is household median income.

Within the sociological literature and the broader field of “happiness”, some composite indicators of quality of life or development have been proposed. Within this school of thought, happiness is considered as a measure of “livability”: the happier residents are, the higher the quality of life in that place. The spread of such literature has been facilitated by the existence of large datasets, which allow cross-country comparisons. Most of these data are included in the World Database of Happiness.

Among the indicators proposed in this literature, a very important role is played by the Happy Life Expectancy Index proposed by Ruud Veenhoven (1996). The author argues that measures of life satisfaction tell us not just whether a life is long or short but also whether people feel satisfied with that life. Veenhoven (1995, 1996) recognizes that aspects related to people’s psychological status and mental well-being are very important, thus they should be incorporated in aggregate indicators. Furthermore, the author argues that information collected through self-reporting, if well formulated, is reliable and comparable across countries (Veenhoven, 1995). Finally, the Happy Life Expectancy Index is constructed by taking the life expectancy at birth and adjusting it for a variable – ranging from 0 to 1 - reflecting people’s average life satisfactions. The characteristic of this indicator is that it combines information present in demographic statistics (life expectancy) with information obtained with ad-hoc surveys (life satisfaction). This way, it measures the degree to which citizens live long and happily. Another example is the *Happy Planet Index*, elaborated by the New Economics Foundation² in 2006: it is a function of a country’s average subjective life satisfaction, life expectancy at birth and ecological footprint per capita.

3. Measuring well-being in Italy

In recent years, also in Italy there has been an increasing proliferation of initiatives focusing on the concept of well-being and quality of life. While until the last decade, the interest in these issues was confined to the research and academic world, today public institutions and local authorities, as well as civil society, are launching a series of initiatives to promote a shared measurement of

² See the website: <http://www.happyplanetindex.org>

well-being. As legitimacy is required for the recognition of a statistical indicator, it is even more relevant for quality of life indicators since the shift to a new paradigm can be realized only through a radical change of values and theoretical point of view. Moreover, considering the crucial support that the statistical indicators provide in the decision-making process, it is essential that the values conveyed by them as well as the objectives to which they are calibrated reflect the collective vision of progress and well-being.

In the present section, a brief overview of the most significant contributions on the measurement of well-being and quality of life carried out in Italy will be provided: from the academy focused on the correction of the human development index to the most famous rankings on the quality of life yearly published, together with the recent contribution of the Italian National Statistical Institute -ISTAT- to the measurement of an Equitable and Sustainable Well-being.

A first group of studies has compared well-being levels in Italy with those of other industrialized countries by using the official UNDP human development index (Conte, Della Torre and Vasta, 2007; Monni and Costantini, 2008). Conte, Della Torre and Vasta (2007) made an analysis of more than a century of Italian human development indexes. The time series analysis from 1870 to 1990 for 17 countries shows that Italy has reached other countries in terms of income but, unfortunately, its improvement in material conditions has not always been translated into a correspondent level of quality of life. The considerable progress in life expectancy at birth was not accompanied by an equal progress in education (measured, by the authors, by literacy that includes participation in primary, secondary and tertiary levels of education). The authors also conduct the same analysis (from 1871 to 1991) at a more disaggregated level considering 4 macro geographical areas of Italy (Northeast, Northwest, Central and South), in order to investigate the dynamics that have occurred from the unification to the recent days. The authors have drawn three main conclusions: 1) Italy obtains better results in terms of income than in human development, mainly due to a significant delay in education which is only partially balanced by the substantial improvement occurred in the life expectancy; 2) The North-East and the Centre have much better results in converting economic growth in well-being of population than the North-west; 3) the process of convergence between the North

and the South has occurred more in terms of human development rather than in terms of income, so the gap of the South is still very strong.

Costantini and Monni (2008) examined the historical trend in human development in Italy, too. They employed an adjusted-HDI for the Italian regions and the official Gender-related Human Development Index: their results reveal a delay of the southern regions in terms of formal and substantial disparities much stronger than that one detectable by the income variables.

A second set of studies focuses on human development indices adjusted for the Italian case (Monni, 2002; Passacantilli, 2003). Monni (2002), for example, elaborated an alternative human development index for the Italian provinces. Given the huge inter-regional differences from many perspectives, this led to focus on a lower territorial scale, the provinces. Moreover, this index adjusts the official HDI in order to reflect the socio-economic specificities of the territories: the knowledge dimension is measured by the participation in higher education and university education, while the health component has been replaced by a labour market indicator (i.e. the inverse of the unemployment rate). On the one hand, the results confirm the north-south dualism that historically characterizes Italy, on the other hand they point out the areas (Tuscany and Triveneto, above all) where the ranking in human development differs the most from the one based on income. Passacantilli (2003) proposed a modified human development index, composed of five dimensions, that allows one to assess the quality of life in the 20 municipalities of the city of Rome. More recently, De Muro et al. (2011) have used this index to evaluate the dynamics that occur in the center and on the edge of the city of Rome, and to investigate the relationship with socio-economic policies implemented over the past years. De Muro *et al.* are going to publish a new study on the municipalities of Rome by using a dashboard of quality of life indicators in order to represent the most relevant aspects of population well-being. In this case, the topics considered for well-being are 11, each one with a weight assigned through a process of consultation carried out on the territory.

Other studies propose different methodologies for the measurement of well-being. Colombo et al. (2012) apply the “hedonic price” method to the evaluation of quality of life in 103 Italian provinces. They consider 5 domains (climate, environment, services, socio-demographic features, and economic features) and their relative impact on well-being was estimated by the market prices of housing,

as an expression of willingness of individuals to pay to live in an environment with certain characteristics. The results are expressed in terms of "prices". The quality of services and the economic conditions are the domains that affect the most the final ranking: the price effect strongly influences the definition of the model and the results that emerge from it.³

On a yearly basis, the Sole24Ore and Italia Oggi publish the two most famous surveys on quality of life in Italy. The one carried out by the Sole24Ore measures since 1988 the quality of life in 107 Italian provinces through a set of statistical indicators. In its dossier, quality of life, conceived in terms of livability in the provinces, is measured through six domains considered equally relevant: standard of living, business and labour market, services, environment and health, population, public order and leisure. Each of these domains is measured by more than one indicator; for each indicator 1,000 points are attributed to the province that is at the top, while a proportional score is attributed to all the others, on the basis of the distance from the highest ranking. The average scores achieved in each domain allow one to rank the provinces in the six dimensions and, finally, in the general index of quality of life.

The 1st position in the 2011 ranking is occupied by Bologna - thanks to an outstanding performance in the services, the environment, the health sector, the labour sector and the standard of living -, followed by Bolzano and Belluno. Given that this publication is made by a newspaper, large attention of the media is devoted to the results of this survey.

Next to the publication made together with IISole24Ore, every year Italia Oggi, in partnership with the University of Rome "Sapienza", elaborates a ranking of the quality of life in 103 Italian provinces. The composite index includes 9 dimensions: the dimensional indicators are similar to those used in the survey made by Sole24Ore. In 2011, the best performing Province was Trento, featured by good services and good socio-economic conditions. The province of Bologna, gold medal for IISole24Ore, ranks only 40th.

A very important contribution to the measurement of well-being in Italy is the one promoted by the Italian campaign "Sbilanciamoci!" that since about ten years computes an index of quality of life for the Italian regions - the QUARS (Regional

³ Pisa ranks 1st.

Quality of Development Index) - through a process of consultation of 46 civil society organizations. The final aim is to develop a shared definition of qualitative development "that can claim a legitimacy and stimulate public debate, directing the political choices" (Segre et al., 2011; Sbilanciamoci!, 2006). The consultation process has led to the definition of a framework for the quality of life, consisting of seven dimensions, considered of the same relevance. These dimensions are: Environment, Economy and Employment, Health, Education and Culture, Rights and Citizenship, Equal Opportunities and Participation. Through a deliberative approach various indicators were selected in each dimension, driven by the desire to reward those elements of well-being that can be directly obtained through the implementation of public policies in the various levels of government.

The QUARS is obtained by aggregating the seven dimensional indices through a simple mean. It is a synthetic index that aims to combine the various aspects (economic, social, environmental, cultural) that characterize the development of a territory and reward, through the development of a special ranking, the regions where the economic well-being (welfare) is accompanied by a high quality and sustainable environment, equity and social equality. The QUARS imagine an area in which the forms of production, distribution and consumption have a minimum impact on the environmental system and where it is still detectable a collective effort towards sustainability. The regions in the first part of the ranking (in 2011 Trentino Alto Adige, Emilia Romagna and Umbria) are places where social and health services reach almost all citizens, the quality of services is high, participation in cultural, social and political events is great, the conditions necessary to ensure the basic rights are assured, and where equal opportunities are given to individuals regardless of income, gender or origin.

A recent important contribution in the field comes from the Italian National Institute of Statistics (ISTAT), which follows the experience of an international organization like OECD and countries like France, the United Kingdom and Germany. In particular, in the UK, the Office for National Statistics launched the program "Measuring National Well-being", with the aim of producing a shared set of indicators to measure the country well-being, at the end of 2010.

In Italy, in the past three years ISTAT has shown significant interest in the themes of well-being in many ways. The first is the inclusion of specific questions on welfare and quality of life satisfaction within the traditional Multipurpose

Surveys system. The clear signal of a new direction in the work of the Institute, however, occurred in 2010 with the launch, jointly with the National Council for Economy and Labour (CNEL), of a national research program aimed at creating a "Steering Committee on measuring the progress of the Italian society". The final objective of this initiative is to build a dashboard of indicators of Equitable and Sustainable Well-being (BES).

At the centre of this project there is a conceptualization of well-being as a phenomenon composed of two basic elements: equity, within and between generations, and sustainability, from an environmental, economic and social point of view. Despite the influence of the famous Stiglitz Commission, this initiative stands out for the ambitious aim of arriving to a shared definition of the concept of well-being that can "include all the most significant stakeholders in a common deliberative process" (Giovannini and Rondinella, 2011). The premise behind this approach is that the concept of well-being is closely linked to time and space and, therefore, can usefully be defined only through a process of democratic consultation with all sectors of society and, in particular, with the civil society. To achieve this objective, CNEL and ISTAT formed a Steering Committee in which the social partners and civil society work together to arrive to a common understanding of the phenomenon. Among the objectives of the working group, there is the development of high-quality statistical indicators for what is considered relevant by the country, and the communication and dissemination of their results over time.

The work of the Steering Committee gave rise to 12 dimensions (environment, health, wealth, education and training, reconciliation of work and life, social relations, security, subjective well-being, landscape and cultural heritage, research and innovation, quality of services, policy and institutions) that are at the basis of the framework of BES. Also citizens have been involved in the debate through the publication of a website and a questionnaire in which they can express their preferences on the identified dimensions. Then, the Scientific Commission for the measurement of well-being selected 134 high-quality statistical indicators considered as appropriate in order to measure the 12 domains identified by the Committee.

Finally, other studies focus on happiness, expressed by the degree of individual satisfaction, as main thermometer of quality of life (Rampichini and

D'Andrea, 1997; D'Andrea, 1998). D'Andrea found an increase in the quality of life in Italy during the period 1975-1994; in his work with Rampichini he discovered that, in spite of a strong inter-regional differentiation, an increase in the level of satisfaction from 1973 to 1991 has occurred. D'Andrea, in particular, has taken into account the satisfaction of individuals over the age of 14 years, compared to the one expressed towards work and life in general: the domains on which the population in analysis was called upon to evaluate, on a scale of 4 modes, were work, income, health, family, affections and pleasure.

4. A review through the lens of human development

In this paper we endorse the Human Development and Capability Approach (HDCA) as conceptual framework for measuring and analyzing well-being in Italy. Therefore, in the current section we reassess the status of the existing literature on the measurement of well-being/quality of life in the country from the perspective of the human development approach. In particular we discuss the pros and cons of each indicator and, above all, discuss whether the indicators are theoretically rooted in the HDCA. This implies investigating the dimensions and the variables used to create the indicators. We do not, instead, investigate the technicalities of the indicators such as the variables standardization procedure and whether and eventually how aggregate dimensions in composite indices since they reflect the specific researchers' objectives, such as building only rankings vs. obtaining values to be compared across time, or having a powerful political tool (the one single number of composite indicators) vs. having an immediate focus on separate dimensions.

The capability approach has been pioneered by the Nobel prize Economist Amartya Sen since the 1980s, as a new approach to development, well-being, inequality, poverty and justice (Sen, 1995, 1999; Burchi and Passacantilli, 2013, Rippin, 2012). This approach is centered on two core concepts: *functionings* and *capabilities*. Functionings are the set of things people *are* and *do*, such as being literate, being adequately nourished, and being in a good health status. Capabilities, instead, are all potential functionings of a person, i.e., what people *can* be and do in their life (Sen, 1985; 1993; 1999). This approach focuses on people's life conditions in terms of capabilities and functionings, rather than on their income or commodities: the latter are *one of the means* to enhance people's

capabilities. Well-being is a multidimensional phenomenon, constitutive of several functionings.

Similarly, the UNDP elaborated the human development approach, as a process aiming at expanding “people’s choices” (UNDP, 1990). The HDA is rooted in the capability approach, which is a broader framework for analysis of different socio-economic phenomena. Since the first Human Development Report, released in 1990, this international organization has published country data (also for Italy) on the HDI, a multidimensional indicator of development. However, there is a substantial difference between a standard economic indicator such as economic growth and the HDI: the first is calculated as a percentage variation of a variable (GDP or GNI), while the second indicates the performance of a country in the three dimensions in a given moment. Therefore, it indicates the human development *levels*: for this reason there is no substantial difference between human development and well-being (UNDP, 1990).

In the previous sections we mentioned some problems related to the official HDI. The most important is that it is incoherent with the conceptual framework it derives from since it includes GNI (before 2010 it was GDP). Another critique - which does not concern the technicalities of the statistical methodology such as the standardization of the variables and the aggregation methods – concerns the fact that it includes only three dimensions. However, the ultimate goal of the indicator was to be of direct use for policy makers, politicians, development practitioners. Therefore it was supposed to be relatively simple, with few dimensions (Jahan, 2003; ul Haq, 2003). This explains why the UNDP decided not to add new dimensions such as political freedom or social relations, which, instead, are extensively discussed in the Human Development Reports since 1990.

The problems analyzed above are not so relevant in the case of Italy since more and better data are available and since the objective of scholars and organizations is usually to look at historical trends in different geographical areas of the country or, more often, to compare the well-being conditions of regions or provinces. For example, Monni and Costantini use the official (pre-2010) HDI as well as all the other UNDP indicators in order to compare well-being levels in Italian regions. While this work allows having a comprehensive picture of the human development conditions, by using the dimensions and variables adopted

by the UNDP it seems not sufficient to capture the differences existing in a developed country. As argued by Anand and Sen (2003: 122), the concept of human development incorporated in the official HDI is “concerned only with the enhancement of the very basic capabilities of people”. To make an example, why using life expectancy as indicator of health? This can be suitable for developing countries, while in high-income countries life expectancy depends heavily also on other factors not related to health (car accidents, medical and technological progress, etc). This should be replaced by the healthy life expectancy at birth⁴ – as suggested by the World Health Organization and the European Union – or by morbidity rates for some relevant diseases.

In another article, Monni (2002) offers one of the few analyses of human development for Italian provinces. While the National Institute of Statistics and other administrative sources offer plenty of information on several well-being dimensions at regional level, at this territorial scale data are scarce. Another strength of the paper is an in-depth discussion on the need to contextualize the indicators in order to capture territorial disparities: this is especially reflected in the selected indicator of knowledge. The composite index, however, suffers from three methodological problems: 1) the employment conditions replace the “health” component: while having a “decent job” is with no doubts an important functioning, it is not clear what is its relationship with health; 2) it incorporates the economic dimension, measured by the estimated provincial GDP; 3) since the (reverse of) the unemployment rate is traditionally highly correlated with GDP, some problems of multicollinearity/double counting may appear when they are combined in one composite index.⁵ For example, the Pearson’s correlation coefficient between these two variables in Italian provinces in 2009 is 0.86.

In their very interesting analysis of the trends in well-being in Italian regions from 1871 to 1990s Conte et al. (2007) use the traditional HDI since this is able to highlight the different development pattern in such a long time span.

⁴ A detailed description of this indicator can be found at <http://www.who.int/whosis/indicators/2007HALE0/en/>

⁵ The authors of the present paper do not follow a traditional “statistical” perspective, on the basis of which two or more highly correlated variables can never be inserted in a multidimensional indicator. When these variables reflect different dimensions or aspects of people’s lives, their simultaneous presence is not problematical. It can cause substantial bias in cases – like the presented one – when the two variables indicate more or less the same (economic) dimension. The employment rate, in fact, is a variable traditionally used in standard economic analysis.

When the authors conclude that the catching-up process of the South with the other regions is much clearer with the HDI than with GDP data, they emphasize some problems of the standard HDI: the combined gross enrolment rate (1 of the 2 variables used to measure “knowledge”) is a problematic variable since it looks at gross rather than net enrolment rates. The authors also argue that the knowledge dimension does not reflect properly the efficiency of the education system; however we think that this is not an appropriate critique since with a functionings-based well-being index we need information on how people are with regard to knowledge rather than on the education system. The main critique, according to us, is that the knowledge dimension focuses only on very basic functionings such as “being literate” rather than pointing on higher skills/abilities, reflected, for example, in the percentage population with a university degree. Using a more context-based human development indicator – still possible with poor data availability for the whole historical period considered – would have contributed to capture more the disparities between the North/Center of the country and the South.

Finally, an original proposal of a human development index at lower territorial scale comes from Passacantilli (2003). This is consistent with the capability approach, but its replicability to other cities is seriously undermined by the specificity of data collected, which are likely not to be of the same quality elsewhere.

Let us now move our attention towards indicators of quality of life that are not explicitly defined HDI. The work of Colombo et al. (2012) is still anchored to a traditional view of quality of life, which is measured in terms of market prices. This is obviously not in line with a human development framework, according to which basic functionings are intrinsically, and not only instrumentally, relevant.

Since 2003 the QUARS elaborated by Sbilanciamoci! has been an important tool for advocacy/political pressure as well as an important attempt to build an index “from a civil society perspective”. The figures they provide have surely contributed to shift the attention of policy makers and local administrators towards non-economic dimensions of quality of life. Moreover, their proposal has probably been the first attempt to use the civil society for the identification of the relevant indicators for each domain. However, these positive results are counterbalanced by a series of weaknesses.

The first one consists in a lack of an adequate conceptual framework for the choice of indicators. The definition of quality of life – the authors sustain that most of the other well-being indicators suffer from a poor definition of the phenomenon being measured (Segre et al., 2011: 51) – is “limited by data availability”. This shows that the authors follow a strictly empirical approach: indicators define the concept (latent variable), and since indicators depend on the data available the concept itself depends on the data available. The fact that within the set of indicators there are “input”, “output” and “outcome” indicators combined together is problematical since they reflect different means (or drivers) and ends (or constitutive elements) of well-being (OECD, 2008, 2011; Burchi and De Muro, 2012). To make an example, we find the number of centres providing health and social services (“*consultori*”), cinemas and libraries, which are policy variables and are coherent with an asset or infrastructure-based approach to quality of life (input variables), and other variables such as the proportion of population with a university degree, which could be a good indicator of human development for Italy. A theoretical approach, such as the human development approach, should contribute to define the phenomenon and provide a guide in the choice of dimensions and variables.

A second problem, related to the first one, concerns the extensive number of variables used to generate the QUARS, 41. With so many variables (and so diverse ranging from input to outcome variables) there is a serious risk not to be able to understand the final value of the dimensional and aggregate indices: moreover, all the traditional problems of composite indicators like the weighting scheme are emphasized.

Finally, a discussion is needed with regard to the massive consultation process the organization Sblanciamoci! has started in order to select the variables. Without a general framework within which having these consultations we can end up with too many and too heterogeneous variables (see previous point). Moreover, 46 Italian civil society organizations were contacted, everyone with a different field of specialization. Looking at the final outcome, it seems that the variable selection was biased toward the area of work of the organization. In some cases, these variables can hardly be considered indicators of a well-being dimension: the index of biological agriculture is a typical example. Finally, this consultation process differs from Amartya Sen’s (2004) idea of context-based list

of basic capabilities, which should theoretically involve people and not organizations, since people are less likely to be biased when it comes to decide what constitutes their well-being. Furthermore, Sen (2004) refers to the list of dimensions (which in turn reflect values); here it is mainly the variables that are decided by the civil society.

The Sole 24 Ore index is even weaker from a theoretical point of view. There is no comprehensive definition of quality of life neither a reflection on the relevant dimensions and indicators.⁶ One weakness of this indicator is that it goes only partially beyond GDP or economic parameters: indeed, 2 out of 6 macro dimensions concern the economic sphere. Another drawback is that the choice of dimensional indicators reflects a relative weight assigned to the different elements of the quality of life: to make an example, the equal opportunities for women is measured only with regard to employment opportunities, while the integration of migrants is measured only in terms of regularization of their presence. Moreover, in the case of variables like the divorce rate it is not clear whether they should have a positive (more freedom) or negative (social breakdown) sign. Finally, the definition of dimensions and variables is top-down, and not the result of a consultation process.

In the index Italia Oggi, as well as in the Sole24Ore, we encounter the problem of a massive presence of economic variables, ranging from individual income to variables related to the managerial system and to a large set of services available in the territory. As for the other dimensions, the problem of social exclusion receives much importance given the presence of networks against social exclusion, the suicide rate, and the youth crime rate. On the other side, a dimension present in almost all indicators of human development and quality of life – education/knowledge – is missing: the only exception is the number of professors per 100 students, which, however, is only an input indicator.

With respect to the ongoing process leading to the construction of the BES index, it is worth noticing its participatory nature: not only associations and NGOs but also citizens have been involved in expressing their preferences on the selected dimensions, contributing to create an Italian definition of quality of life (three or more domains that describe the quality of life of their country). However,

⁶ We could use the famous expression “measuring without theory” (Koopman, 1947).

the same rigor was not used for the selection of indicators. The dashboard includes 134 indicators, consisting of input, output and outcome indicators, as well as subjective and objective ones. Though the leading institutions desired to strike a balance between the representation of the corresponding domain and the availability of data, this massive number of indicators can hardly help portraying the quality of life in Italian territorial units.

Moreover, the BES includes dimensions (e.g. environment, research and innovation) which are not necessarily constitutive elements of a concept of quality of life, but also drivers: for example, it is argued that “The environment in which people live affects heavily the well-being of citizens”; this signs a difference with human development-related indicator of well-being.

Finally, the framework on which the BES is built is the same of the OECD Better Life Index (see Hall et al., 2010: 15), which puts at the same level the environmental and the human sphere and considers human well-being as composed of individual and social well-being. This framework is clearly different from that offered by the human development approach, which ultimately puts people at the centre of well-being and considers the person as a social agent. This is why the capability/human development approach is said to be characterized by *ethical individualism* – the individual is the main unit of analysis – but not *methodological individualism* – the individual is assumed to interact with other people, to care about the others, and thus to consider them when taking decisions (Robeyns, 2007).

Another school of thought tends to consider life satisfaction as an indicator of well-being (Kahneman et al., 1999).⁷ The work of D’Andrea (1998), for example, goes in that direction: life satisfaction is treated as a subjective indicator, which appears to be often highly correlated to “objective” socio-economic indicators. Indicators related to demography, participation and environmental sustainability are not part of the concept of well-being, but only factors that influence individual satisfaction. That is why these factors are used as explanatory variables of life satisfaction.

Following the capability approach, one main critique can be addressed to this measure: life satisfaction, as well as happiness, is only a state of the mind and

⁷ For a comprehensive review of this approach to quality of life, see Stiglitz et al. (2009).

people tend to adapt their preferences (and answers) to the context and conditions in which they live (Sen, 1985). Moreover, the exclusive use of subjective variables makes it difficult to extend results to populations because of problems in the aggregation of individual preferences. Life satisfaction can be *one* of the well-being dimensions (itself being multidimensional because related to work, family, social relations, etc).

In conclusion, it is clear that this whole movement “Beyond GDP” has led to the proliferation of indicators of well-being and quality of life. However, the fact that more or less all these indicators were elaborated starting from a strong critique to GDP does not mean that all belong to the same cluster. The conceptual frameworks – a necessary element in order to avoid “measuring without theory” – standing behind the indicators proposed in Italy in the last 10-15 years are often different. In this section we argued that even indicators defined as human development indices can be only loosely linked to the HDCA framework.

5. Conclusions

In the last years we have observed the emergence of a large literature on new indicators of well-being and quality of life, at both international and national level. The commonality of all these indicators is the critique to GDP – at least in the way it is currently measured worldwide - as single measure of well-being. For this reason, we often hear about an overall movement “Beyond GDP”. However, there is a serious risk of generalization by putting all these initiatives in the same cluster. Tremendous differences exist among the indicators proposed in terms of theoretical approach – when a consistent theoretical framework can actually be inferred – which affects the choice of dimensions and variables, in terms of statistical rigor and, often, in the objectives for which they have been elaborated.

In this paper we concentrated on the literature on well-being and quality of life in Italy. This review, on the one hand, highlights the existence of a large number of efforts in shifting the attention towards non-GDP elements of quality of life. This shows a general interest in the topic, which is gradually involving national and local institutions in the country. On the other hand, it reveals a series of limits and weaknesses of these proposals, in addition to a general low consistency with the human development approach, which is endorsed in this paper.

We argue that many indicators seem to be the outcome of a strictly empirical approach, based on the selection of a large number of available indicators. A reflection on the relevant dimensions and on the indicators to use – for example, whether they should be input, output or outcome indicators – is often missing. Some of these proposals are, implicitly or explicitly, rooted in other approaches, such as the basic needs and happiness approaches. Moreover, even those indicators that are specifically defined human development indices, are based on a narrow view of human development as expansion of very basic capabilities, which is suitable for low-income countries and not for high-income countries like Italy. Generally speaking, we notice that researchers do not exploit adequately the increasing statistical information available in the national statistical offices.

As a conclusion, this paper argues for a more rigorous approach to the identification of well-being indicators. There is an urgent need to elaborate context-based human development indices for Italy, which can reveal the territorial differences and assist the work of policy-makers.

References

- Anand, S. and Sen, A. (2000), "The Income Component of the Human Development Index," *Journal of Human Development*, 1(1): 83-106.
- Anand, S. and Sen, A. (2003), "Human Development Index: Methodology and Measurement" in S. Fukuda-Parr and A.K. Shiva Kumar (Eds.), *Readings in Human Development*, New York: Oxford University Press.
- Burchi, F. and De Muro, P. (2012), "A Conceptual Framework for Measuring Human Development in a High-income Country," paper presented at the 2012 HDCA Conference, Jakarta, September.
- Burchi, F. and Passacantilli, A. (2013), "Inequality in the Monetary and Functionings spaces: The case of Peru under the first Garcia Government (1985-1990)," *Journal of International Development*, 25(3): 340-361.
- Colombo, E., Michelangeli, A. and Stanca, L. (2012), "La Dolce Vita: Hedonic Estimates of Quality of Life in Italian Cities," *Regional Studies*. DOI:10.1080/00343404.2012.712206

- Conte, L., Della Torre, G. and Vasta, M. (2007), "The Human Development Index in Historical Perspective: Italy from Political Unification to the Present Day" Departmental Working Paper, N. 491, University of Siena.
- Costantini, V. and Monni, S. (2008), "Gender Disparities in the Italian Regions from a Human Development Perspective," *Journal of Socio-Economics*, 38(2): 256-269.
- D'Andrea (1998), "Italian Quality Of Life" *Social Indicators Research*, 44: 5-39
- Daly, H. and Cobb, J. (1989), *For the Common Good*, Boston: Beacon Press.
- De Muro, P., Monni, S. and Tridico, P. (2011), "Knowledge-Based Economy and Social Exclusion: Shadows and Lights in the Roman Socio-Economic Model," *International Journal of Urban and Regional Research*, 35(6): 1212-1238.
- Giovannini, E., and Rondinella T., (2011), "Italia. Misurare il benessere equo e sostenibile: la produzione dell'Istat," *Rivista delle Politiche Sociali*, n. 1.
- Hamilton, C. (1999), "The Genuine Progress Indicator: methodological developments and results from Australia," *Ecological Economics*, 30: 13-28.
- Hamilton, K. (1994), "Green Adjustments to GDP," *Resources Policy*, 20(3): 155-168.
- Hall J., Giovannini, E., Morrone, A. e Ranuzzi, G., (2010), "A framework to Measure the Progress of Societies," Working Paper n.34, Paris: OECD Statistics Directorate.
- Haq, M. (1995), "The Birth of the Human Development Index," in M. Haq (Ed.) *Reflections on Human Development*, New York: Oxford University Press, Chapter 4.
- ILO. (1976), *Employment, Growth, and Basic Needs, a One World Problem*, Geneva: International Labour Organization.
- Institute of Wellbeing (2009), "How are Canadian really doing?" Institute of Wellbeing, Canada.
- Institute of Wellbeing (2011), "How are Canadian really doing?", Institute of Wellbeing, Canada.
- Jackson, T. and Marks, N. (2002), *Measuring progress*, New Economics Foundation and Friends of the Earth, London.

- Jackson, T., McBride, N., Marks, N., and Abdallah, S. (2007), *Measuring Regional Progress: Developing a Regional Index of Sustainable Economic Well-being for the English Regions*, London: New Economics Foundation.
- Jahan, S. (2003), "Evolution of the Human Development Index" in S. Fukuda-Parr and A.K. Shiva Kumar (Eds.), *Readings in Human Development*, New York: Oxford University Press.
- Koopman, J.T. (1947), "Measuring without Theory," *Review of Economics and Statistics*, 29: 161-172.
- Krishnakumar, J. (2007), "Going beyond Functionings to Capabilities: An Econometric Model to Explain and Estimate Capabilities", *Journal of Human Development*, 8(1): 39-63.
- Kuznets, S. (1934), "National income 1929-1932," U.S. Senate Document 124, 73d Congress, Washington: US Government Printing Office.
- Langlois, A. and Anderson, D.E. (2002), "Resolving the Quality of Life/Well-being Puzzle: Toward a New Model", *Canadian Journal of Regional Science*, XXV(3): 501-512.
- Meier, G. and Seers, D. (eds) (1984), *Pioneers in Development*, Oxford: Oxford University Press.
- Monni, S. (2002), "L'Indice dello Sviluppo Umano nelle Province Italiane," *La Questione Agraria*, 1: 115-130.
- Morris, D. (1976), "A Physical Quality of Life Index," *Overseas Development Council*, The United States and World Development Agenda, pp. 147–171.
- Myrdal, G. (1973), "Growth' and 'Development,'" in G. Myrdal (Ed.), *Against the Stream: Critical Essays in Economics*, New York: Pantheon Books, pp. 182-96.
- Nordhaus, W. and Tobin, J. (1972), *Is Growth Obsolete?* New York: Columbia University press.
- Nordhaus, W. (1992), "Is Growth Sustainable? Reflections on the concept of Sustainable Economic Growth," Paper presented at the International Economic Association Meeting on Economic Growth and Sustainability.
- OECD. (2011), *Compendium of OECD Well-Being Indicators*, Paris: OECD.
- OECD. (2010), "A Framework to Measure the Progress of Societies", Working Paper 34, OECD, Statistics Directorate.

- OECD. (2008), *Handbook on Constructing Composite Indicators: Methodology and user guide*, Paris: OECD.
- Passacantilli, A. (2003), "Una misura per lo sviluppo umano locale: un'applicazione ai municipi di Roma," M.A. Dissertation, Roma Tre University.
- Rampichini, C. and D'Andrea, S. (1997), "A hierarchical ordinal probit model for the analysis of life satisfaction in Italy," *Social Indicators Research*, 44: 41-69.
- Rippin, N. (2012), "Operationalising the Capability Approach: A German Correlation Sensitive Poverty Index," Discussion paper, 132, Georg-August-Universität Göttingen.
- Robeyns, I. (2007), "Sen's capability approach and feminist concerns", in S. Alkire, F. Comim and M. Qizilbash (Eds.), *The Capability Approach: Concepts, Measures and Application*, Cambridge: Cambridge University Press.
- Sbilanciamoci! (2005), "Assessing the Quality of Development in Italian Regions", Roma: Lunaria.
- Sbilanciamoci! (2008), "Come si vive in Italia? Indice di Qualità Regionale dello Sviluppo QUARS 2008", Roma: Lunaria.
- Sbilanciamoci! (2011), "Come si vive in Italia? Indice di Qualità Regionale dello Sviluppo QUARS 2011", Roma: Lunaria.
- Segre, E., Rondinella, T. and Mascherini, M. (2011), "Well-Being in Italian Regions: Measures, Civil Society Consultation and Evidence," *Social Indicators Research*, 102: 47-69.
- Sen, A.K. (1984), *Resources, Values and Development*, Oxford: Blackwell.
- Sen, A.K., (1985), *Commodities and Capabilities*, North Holland, Amsterdam.
- Sen, A.K. (1995), *Inequality Re-examined*, Cambridge, MA: Harvard University Press.
- Sen, A.K. (1999), *Development as Freedom*, New York: Oxford University Press.
- Sen, A. (2000), "A Decade of Human Development," *Journal of Human Development*, 1(1): 17-23.
- Sen, A.K. (2003), "Development as Capability Expansion," in S. Fukuda-Parr and A.K. Shiva Kumar (Eds.), *Readings in Human Development*, New York: Oxford University Press, pp. 3-16.

- Sen, A.K. (2004), "Capabilities, Lists and Public Reason: Continuing the conversation," *Feminist Economics*, 10: 77-80.
- Smith, D.M. (1973), *The Geography of Social Well-being in the United States: An Introduction to Territorial Social Indicators*. New York: McGraw-Hill.
- Stiglitz, J.E., Sen, A. and Fitoussi, J.P. (2009), *Report by the Commission on the Measurement of Economic Performance and Social Progress. The Commission*, Paris. <http://www.stiglitz-sen-fitoussi.fr/en/index.htm>
- Stewart, F. (1985), *Basic Needs in Developing Countries*. Baltimore, M.D: Johns Hopkins University Press.
- Streeten, P., with Burki, S. J., ul Haq, M., Hicks, N., and Stewart, F. (1981), *First Things First*, Oxford: Oxford University Press.
- UNDP. (1990), *Human Development Report 1990: Concepts and Measurement of Human Development*, New York: Oxford University Press.
- UNDP. (2010), *Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development*, New York: Oxford University Press.
- Veenhoven, R. (1991), "Is happiness relative?" *Social Indicators Research*, 24: 1-34.
- Veenhoven, R. (1995), "The cross national pattern of happiness. Tests of predictions implied in three theories of happiness," *Social Indicators Research*, 34: 33-36.
- Veenhoven, R. (1996), "Happy Life-Expectancy: A comprehensive measure of quality-of-life in nations," *Social Indicators Research*, 39: 1-58.
- World Bank. (2006), *Where is the Wealth of Nations? Measuring Capital for the XXI century*, Washington: World Bank.