



Task Force 3:  
**LiFE, Resilience, and Values for  
Wellbeing**



# BEYOND GDP: MEASURING THE VALUE OF WELLBEING

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# **Abstract**







**T**he Gross Domestic Product (GDP) is a widely used indicator for measuring per capita income growth, but it throws little light on social and environmental progress. To internalise diverse factors affecting wellbeing, a more comprehensive index is required. Moreover, to overcome challenges like economic crises, conflicts, pandemics, and disasters, the world needs transformative policies with common societal goals. To measure the progress of such policies, an appropriate set of domains and dimensions is required. Several

initiatives have been taken in the recent past to develop indices complementary to GDP. The Sustainable Development Goal (SDG) Target 17.19 commits to developing a measure of progress based on sustainable development that complements GDP. The UN Secretary General's 'Our Common Agenda' also advocates for it. In light of the above, this Policy Brief recommends the development of a standardised wellbeing framework including sustainability and complementing GDP, as well as enhancing the capacity of national statistical systems.



# **The Challenge**

# **1**




## 1.1 Divergent Approaches

National governments and other stakeholders are increasingly realising that Gross Domestic Product (GDP) is a unidimensional indicator that fails to capture the overall wellbeing of people, which is multidimensional in nature. Finding the GDP to be inadequate in measuring the state of statistical information about the economy and society, then French President Nicolas Sarkozy, in 2008, appointed the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) under eminent economists Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi to identify various issues associated with GDP as an indicator of economic and social progress. The Commission was also asked to produce more relevant indicators that measure social progress, assessing the feasibility of such alternative measurements. The Commission examined the limits of GDP and suggested a multidimensional indicator of wellbeing, comprising eight dimensions.<sup>1</sup> The Commission was also of the view that both subjective and objective dimensions of wellbeing are important. However, it did not provide a concrete definition of what constitutes 'wellbeing'. The United Nations 2030

Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs), along with the associated 169 targets, is particularly designed as a roadmap for achieving a more sustainable future, with the underlying principle of leaving no one behind. While SDG Target 17.18 seeks to enhance statistical capacity for the availability of high-quality, timely, and reliable disaggregated data, Target 17.19 demands to build on existing initiatives by national governments to develop a measure of progress on sustainable development that complements GDP.<sup>2</sup>

The UN Secretary General's Report on 'Our Common Agenda' also advocates for moving beyond GDP.<sup>3</sup> The G7 Canada Presidency Summit Communique,<sup>4</sup> 2018, recognised that "... economic output alone is insufficient for measuring success and acknowledge the importance of monitoring other societal and economic indicators that measure prosperity and well-being." The Bhopal Declaration of January 2023 has also realised that "It is an opportune time for G20 countries to engage in discussions with a view to evolve a comprehensive measure of Wellbeing, based on sustainability principles."<sup>5</sup> The Think7 (T7) Communique under the Group of



Seven countries (G7) during the Japan Presidency in April 2023 also advocated for a measurement of wellbeing that complements GDP.<sup>6</sup> In light of these developments, the time has now come to translate these aspirations into concrete action.

## 1.2 Lack of Comprehensiveness

It is evident that the narrow policies based on GDP have, owing to multiple underlying reasons, increased inter- and intra-regional disparities, and resulted in environmental and biodiversity loss; they have also had an impact on climate. The GDP considers only the value of goods and services produced within a defined time period and within the geographical territory of the country, ignoring several aspects of the real world, such as income and wealth inequalities, depletion of natural resources, and sustainability. Further, GDP calculations do not consider the value of unpaid work like household work and care for children and older adults, as well as the psychological, mental, and emotional conditions of the people involved.

Many externalities like biodiversity loss, carbon emissions, pollution, and catastrophic events including

pandemics, conflicts, and crises are not captured by GDP. Environmental sustainability is a critical component that GDP largely overlooks, whereas for a correct measure of wellbeing, how we produce and how much we affect the environment is as important as how much we produce and grow. In addition, various challenges of the 21<sup>st</sup> century, such as technological development and Industrial Revolution 4.0, remain unaccounted for by GDP.

## 1.3 Global Initiatives that Overlook Certain Aspects of Development

GDP gives an aggregate picture of the functioning of the economy but neglects aspects like quality of life, satisfaction from life, and sustainability. Despite these shortcomings and its focus on a narrow segment of society's activities, GDP has become the *sine qua non* for economic progress. Further, GDP computation is based on internationally accepted standards, which allows for cross-country comparisons and therefore, remains a standard measure of economic growth. However, there is a need to develop a complementary indicator to GDP that captures the multidimensional nature of development and has a focus on the wellbeing of the people as well as on sustainability.


Several attempts have been made in recent years to develop broader measures of progress. The System of Environmental Economic Accounting (SEEA) Central Framework was adopted as an international statistical standard at the 43<sup>rd</sup> Session of the UN Statistical Commission in February–March 2012 to measure the interaction between the economy and environment, with a focus on assets like land, energy, water, and minerals. The SEEA Ecosystem Accounting was adopted by the UN Statistical Commission at its 52<sup>nd</sup> Session in March 2021, with a focus on measuring the ecosystem services and estimating depletion in assets like coral reefs, rainforests, and mangroves, as well as interactions with human activity. Another indicator is the Genuine Progress Indicator, which incorporates environmental degradation into economic production. Frameworks of green growth indicators have been developed with the objective of environmentally sound economic development.<sup>7</sup>

All these attempts consider the environmental dimension of development; however, these indicators give less attention to the social dimensions. The other set of measures,

beyond GDP, places greater emphasis on the social dimension of development. Indicators like the Human Development Indicator (HDI) evolved by the United Nations Development Programme (UNDP)<sup>8</sup> and the World Happiness Index (WHI) compiled by the Sustainable Development Solutions Network (SDSN)<sup>9</sup> are included in this category. The Global Solution Initiative (GSI) has also developed a measurement of wellbeing for selected countries in the form of a dashboard of four indices—namely, solidarity (S); agency (A); material gain (G); and environmental sustainability (E). However, it does not yield a single number for wellbeing outcomes.<sup>10</sup>

## 1.4 Regional Efforts Requiring Additions

The Organisation for Economic Co-operation and Development (OECD) releases a biennial publication titled ‘How’s Life?: Measuring Well-being’ that analyses identified indicators under 11 domains for current wellbeing (housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, and work-life balance) and four domains for future wellbeing (natural capital, economic capital, human capital, and social



capital) in OECD members and their partner countries, which are developed countries.<sup>11</sup> Most of the indicators used by the OECD are objective, although a few are subjective and therefore, difficult to measure. Many of the indicators in the OECD framework of wellbeing do not fully represent the ground realities in developing countries. Moreover, some indicators may be relevant for developing countries but are not included in the OECD framework. These could be related to inequality in income and wealth, prevalence of poverty, underemployment, prevalence of various diseases like tuberculosis and diabetes, and the quality of education, including education in kindergarten and lifelong learning.

The Research and Information System for Developing Countries (RIS), a policy think-tank in India, has created the BRICS Wellness Index to address the importance of healthy living, improving the quality of life, and sustainability. The index covers four dimensions—namely, material wellbeing, human proficiency, human health, and sustainability.<sup>12</sup>

## 1.5 National Initiatives Short of Global Acceptance

In addition to global and regional initiatives, national governments have taken their own initiatives for the development of wellbeing matrices. The Office for National Statistics of the United Kingdom (UK) has created the Measures of National Well-being Dashboard: Quality of Life in the UK, which covers 44 indicators related to life satisfaction, happiness, mental wellbeing, anxiety, loneliness, life expectancy, unemployment rate, job satisfaction, and access to natural environments.<sup>13</sup> The University of Waterloo, Canada, has also developed the Canadian Index of Wellbeing (CIW) to track changes across eight domains, including community vitality, education, democratic engagement, living standards, environment, healthy populations, leisure and culture, and time use.<sup>14</sup> The Government of India is trying to introduce the concept of Gross Domestic Knowledge Product<sup>15</sup> (GDKP) to assess the contribution of knowledge economy. The Kingdom of Bhutan has evolved the Gross National Happiness Index as an alternative to traditional measures of economic progress, which measures wellbeing across four pillars and nine domains.<sup>16</sup>



## 1.6 The Challenges of Non-Exhaustive Approaches

The global and regional efforts listed above miss a number of aspects of the concept of wellbeing. Further, national wellbeing metrics have been developed in the local context and take local circumstances and priorities into account. Thus, the efforts made so far for evolving wellbeing metrics are not suitable for cross-country comparisons and cannot be replicated across the globe.

It may be noted that the above list of initiatives at various global, regional, and national levels is not exhaustive, but illustrative. The list nevertheless underscores the seriousness of global, regional, and national-level policymakers to push a holistic and multidimensional set of wellbeing measurement indicators to measure prosperity and sustainability.


## 1.7 Methodological and Data Challenges

Evolving wellbeing indicators is a challenging task for several reasons. First, there is no unique definition of 'wellbeing'. The literature generally uses words like 'happiness', 'wellness', and 'wellbeing' interchangeably. A

concrete definition of 'wellbeing' would help understand the elements and dimensions that constitute wellbeing and help evolve suitable measurement indicators to facilitate informed policy decisions.

Second, timely collection of quality data on defined dimensions of wellbeing is crucial. Identification of data gaps and finding ways to bridge them are equally important. The traditional system of data collection is primarily based on administrative surveys and sample surveys. However, these methods are costly in terms of money, personnel, and time. Thus, other sources of data collection need to be explored, including non-traditional sources like Big Data and geo-spatial data.

Data sources can also be supplemented by sources from the private sector, academia, and civil society. If any legislative provisions come in the way of such processes, these should be suitably debated and resolved. Moreover, reliable disaggregated data at the smallest possible units, e.g., individuals, households, place of residence, gender, age, income, migratory status, and disability, with due care for data privacy, is also a critical



input that would enable policymakers to identify populations and groups that need the most policy support. It would make the monitoring system more effective and efficient, which will help make the governance structure more transparent and accountable.


Third, defining indicators for the identified dimensions of wellbeing is a difficult task, particularly when many of these may be significantly correlated. Further, to accommodate people's voices, sentiments, and values, subjective (qualitative) indicators also need to be included in wellbeing measurement indicators. At present, there is no internationally established methodology for data collection and the compilation of subjective indicators. Moreover, the number of indicators for wellbeing measurement should be within a manageable limit, implying that an exhaustive list of indicators should be avoided. This would check against overburdening national statistical offices in data collection and processing.

Fourth, deciding weights for each indicator included in the list of wellbeing matrix for aggregation also needs careful consideration. Some statistical techniques, including

Principal Component Analysis (PCA), are available for undertaking such an exercise. However, the applicability of each statistical technique needs to be suitably established.

Fifth, a low level of statistical capacity, especially in developing countries, including least developed countries,<sup>17</sup> is a challenge that needs to be addressed. Low and low-middle income countries do not have enough resources, financial as well as technological, for improving statistical systems due to commitments to other programmes. At this point, the role of development cooperation comes into the picture for strengthening the institutional capacity of national statistical offices, official data systems, and human resources to ensure access to reliable and timely data at the desired disaggregation level.

Sixth, awareness among the public and the sensitisation of government officials about the use of wellbeing measurement frameworks is low. An awareness and sensitisation roadmap needs to be drawn up to enhance the acceptability of wellbeing indicators among the public, government, experts, think-tanks, academia, media, and other stakeholders. Further, it is important



that national governments regularly use wellbeing indicators to shape policy decisions.

It is evident from the above that a transition from GDP to multidimensional wellbeing needs to be undertaken in


a systematic way in order to improve quality of life and ensure sustainability for future generations to meet their needs. Awareness campaigns should be launched for greater acceptability among the masses, media, and other stakeholders.



# **The G20's Role**

# **2**





Incorporating wellbeing measurement indicators with GDP in policymaking can help the G20 enhance allocative efficiency, as well as provide a comprehensive understanding of the social and economic factors that influence quality of life by appropriately valuing wellbeing. It will help the G20 move towards a more holistic and sustainable approach to economic and social development. Additionally, tracking changes in wellbeing over time can help the G20 monitor the effectiveness of policies aimed at improving quality of life and identify areas where further action may be needed.


G20 countries should utilise India's G20 presidency to begin measuring developmental progress based on internationally comparable, reliable, granular, and timely data. Such data needs to be amenable to disaggregation and be based on robust indicators leading to multidimensional wellbeing metrics, covering aspects like economic wellbeing, social wellbeing, and environmental and ecological sustainability.

One such pillar of measurement can be the traditional material wellbeing,

encompassing dimensions of income and wealth, inclusiveness, basic facilities, living standards, and job quality. The second pillar can be quality of life, including dimensions of good governance, satisfaction from life, health, education and skills, gender empowerment, and environmental and ocean pollution. The third pillar can be sustainability that extends to the next generation, covering environment and ecology protection, biodiversity conservation, approach of LiFE, and human capital of the next generation.

The indicators, with due weightages, would lead to a computation of values of the dimensions. With weightages assigned, the dimensions would lead to the value of each pillar. Thereafter, the value of the wellbeing index can be computed, with weights assigned to the pillars. This, in turn, would also help achieve SDGs, towards which the G20 is committed.

The proposed wellbeing measurement pathway aligns with the G20 India Presidency motto "*Vasudhaiva Kutumbakam*"—"One Earth. One Family. One Future"—which emphasises sustainability and wellbeing for all. Moreover, the Lifestyle for Environment



(LiFE)<sup>18</sup> approach advocated by India and supported by various nations serves as a signal for G20 engagement related to wellbeing and sustainability. Besides, developing a new measurement framework for wellbeing which is


acceptable to all will essentially require significant international cooperation. Therefore, the G20, being influential in framing global policies, is an ideal group to impart traction to this work.



# **Recommendations to the G20**

# **3**





**T**he wellbeing measurement indicators are critical for policymakers. Developing comprehensive wellbeing measurement indicators, adopting a holistic approach to policymaking, increasing investment in social infrastructure, promoting sustainable development, measuring progress over time, and involving citizens in the policymaking process are all essential for improving wellbeing and in broadly ascertaining prosperity and sustainability.

The following recommendations are made for the consideration of the G20.

**1. Promote an equitable measurement framework that captures wellbeing, including sustainability, to complement GDP measures, ensuring that it is comparable across countries and appropriately values wellbeing.**

Create a digital platform for interactions between the chief statisticians of G20 countries to decide the modalities for promoting a measurement framework of wellbeing. This should be a standing


group of chief statisticians that would prepare a report for the G20 Development Working Group (DWG) and should be chaired by the chief statistician of the G20 presidency country. Chief statisticians of multilateral organisations and other stakeholders may play an advisory role in it.

**2. Commit to promoting investments in strengthening national statistical systems for quality and timely data collection and dissemination towards making more prosperous and sustainable societies, with a view that no one is left behind, as pledged in the 2030 Agenda for Sustainable Development.**

The proposed group of chief statisticians of G20 countries should assess the investment needs for modernising the national statistical offices of G20 and other countries to meet data requirements.

The group of chief statisticians should draw a roadmap for meeting investment requirements, both in financial and technological terms. This roadmap should clearly define the investments





that can be met through domestic resources and the investment gap to be filled from other sources.

The group of chief statisticians should also prepare a report for the DWG.

Attribution: Krishna Kumar et al., “Beyond GDP: Measuring the Value of Wellbeing,” *T20 Policy Brief*, May 2023.

## Endnotes

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