

A MULTIDIMENSIONAL APPROACH OF THE EQUITABLE AND SUSTAINABLE WELL-BEING IN ITALY

Drăgulănescu Irina Virginia¹ and Androniceanu Armenia²

¹⁾ University of Bucharest, Romania

²⁾ The Bucharest University of Economic Studies, Romania

E-mail: dirvimail@yahoo.com; E-mail: armenia.androniceanu@man.ase.ro

Abstract

The equitable and sustainable territorial well-being is an increasingly important field of study and at the level of each country and globally. The objective of our paper is to analyze the quality of life indicators, consistent with national and international theoretical framework useful to capture the local specificity, preparing a solid information base for planning and reporting on activities of the Institutions and administration of broad area. So far, different projects aimed to measure equitable and sustainable well-being and at evaluating the progress of society not only from an economic, but also from a social and environmental point of view. In this paper, we adopted the criteria of logical-conceptual choice (theory driven) for the selection of key indicators, representative of the Italian economy. This choice is a useful and important output to evaluate the action of the Government in the political choices for the well-being of citizens. However, there is a risk regarding analyzes results which can be overturned from one year to the next and thus be misleading when making territorial comparisons. Knowledge of structured data on the system of constraints, the resources and the potential of a region is still essential to territorial governance and its institutional setup.

Keywords

Italian economy, BES index, economic performance, social progress, sustainability, household income, intergenerational inequality.

JEL Classification

C22, C82, D31, D69, I31, I38

Introduction

The belief that GDP can no longer suffice as an indicator of the condition of a country is motivated by the growing dissatisfaction of the results achieved based on the utilitarian doctrine that promoted the concept of well-being understood as the sum of the well-being of individuals. For some time now, international (OECD) and Italian institutions (National Council for Economics and Labor – NCEL; Italian National Institute of Statistics - ISTAT), scholars and experts are refining an instrument parallel to the strictly economic one that is GDP. Therefore, more and more often, is talking about adopting the BES index (equitable and sustainable well-being). It is a set of social, cultural and economic indicators, which by appropriate combinations allow having the better conditions for interpreting the short and long-term changes within the society. Moreover, the traits of satisfaction or dissatisfaction

of the population, not only of how much wealth has grown but also of how this is distributed among people in terms of tangible and intangible assets. In other words, to know clearly about the GDP growth trend together along to how we live and how we could live in the immediate future. With GDP, an important role assume economists, econometricians, statisticians, while with the BES have also implied other disciplines such as sociology, environmentalism, technology, the various branches of knowledge, political science. The interdisciplinary approach is indispensable, therefore, to provide a qualitative assessment of progress, without unrealistic visions on idea of well-being (Androniceanu, 2017; Androniceanu & Drăgulănescu, 2012).

1. Methodology

Based on the multidimensional approach and the time series database we analyzed the correlations between indicators. The database allowed us to construct the territorial analysis by defining well-being profiles based on spatial analysis models. In this research, we chose to use a limited number of key indicators, selected from the initial dataset. This decision stems from a series of assessments regarding the approach at the basis of the Bes construction. For the Bes measurement, we used outcome indicators and, in the absence of these, we opted for some output indicators (Leskaj, 2017).

We construct a new index of economic well-being a NIEWB and that aggregates four dimensions: consumption flows, stocks of productive resources, economic security and inequality and poverty (Žofčinová, 2017).

2. BES - the only index for the EU

The need to measure the level of wellbeing achieved by a society has been more evident over the last decade, while ensuring its economic, social and environmental sustainability (Androniceanu, et al., 2017). In this direction moves the recent UN process that updates the *Global Sustainable Development Goals 2015-2030* (Sustainable Development goals, SDGs), identified by a new system of indicators that all countries of the world have pledged to draw. It is about 240 indicators that need to substantiate the 169 targets in which they are articulated the 17 Objectives.

In the 2000s a key role was is played by the OECD, starting from the Global Project on Measuring the Progress of Societies initiated in 2003, to arrive at the Better Life index. From the European Commission, in 2009, came out the important communication entitled "GDP and Beyond: Measuring progress in a changing world". The Commission on the Measurement of Economic Performance and Social Progress (known as the Stiglitz, Sen and Fitoussi Report, SSF), was the one that set explicit objectives to identify the usage limits of GDP as an indicator of economic performance and social progress. Today we need to consider the possibility of using alternative instruments for measuring progress and promote a reflection on how to present the statistical information properly, precisely to capture social, material and non-material welfare, in its many dimensions. From this, can be imagine the elaboration of only three indicators on the economy, society and environment of each country, which will summarize the 12 domains of the BES.

3. The BES indicators

In Italy, the situation is an international benchmark thanks to the institutional collaboration established in 2010/2011 between ISTAT and NCEL and subsequently developed.

There is talk of BES, the Equitable and Sustainable Well-being, that is, a system of indicators that allows multidimensional analysis of the relevant aspects of the quality of life of citizens. Therefore a complex of measures of the fundamental social and environmental dimensions of well-being, integrated with measures of inequality and economic, social and environmental sustainability. All this, gathered in twelve domains of specific thematic areas

(Health, Education and Training, Work and Conciliation of Life Times, Economic Wellbeing, Social Relations, Politics and Institutions, Safety, Subjective Wellbeing, Landscape and Cultural Heritage, Environment, Research and Innovation, quality of services), which in turn contain various indicators. The BES was born from awareness, coming from the international debate, of the need to support the GDP and its reporting capabilities of economic activity, a more comprehensive measure of the state of health of the country. We note that the definition of the domains and then the specific indicators came out through a process of sharing, which has joint the interests of a complex society like the Italian one with the technical expertise. The result were three reports and later was added the four's one - UrBES, related to welfare trends in urban realities and, more recently, the BES of the Italian Provinces relative to broad area territories as provinces and metropolitan cities. The main indicators that attempts to calculate not only the economic value of a society but also the well-being of the individuals that compose it are:

1. *The Index of sustainable economic well-being*: he focus is on the environment and income distribution. It proposed in 1989 by two researchers, Herman Daly and John B Cobb (1989), the Index of Sustainable Economic Welfare (ISEW) measures sustainable economic welfare by considering the link between environment, economy and society.
2. *Genuine Progress Indicator (GPI)*: also considers free time, divorces, crime and unemployment. Born in the nineties, it incorporates in its formula a number of variables that can affect the well-being of individuals as crime, divorce, unemployment and free time.
3. *Better Life Index*: proposed by the OECD in 2011, allows comparing the degree of well-being in different countries, separated into 11 topics identified as essential in the various areas that affect the material conditions and quality of life.
4. *Human Development Index*: Developed in 1990 by Mahbub ul Haq (Pakistani economist) and Sen, this index measures human development understood as progress towards individual and social well-being. Since 1993, it has been "adopted" by the UN (Anand and Sen, 1994).

4. Economic well-being and intergenerational inequality

Measuring well-being of a society cannot ignored the specificity of each economic and social context, which has its own characteristics and problems. In Italy, the structural changes that have occurred over the past two decades and the ways in which the crisis has had different effects lead to deepen the plight of young people. The urgency of the youth question leads also to include indicators of work safety and future poverty risk in the measurement of Italian economic welfare. Through expanding the IEWB - the Index of Economic Well-being, developed by the Center for the Study of Living Standards (Osberg and Sharpe, 2009), we construct a new index of economic well-being, which we call NIEWB and that aggregates four dimensions: consumption flows, stocks of productive resources, economic security and inequality and poverty. In particular, to the component inequality and poverty we add the indexes used by IEWB (intensity of poverty and Gini index), a measure of intergenerational inequality (the income share of young on income of adults). Economic security dimension includes the unemployment rate and a precariousness index (atypical and irregular workers' share in the total workforce). The results show how intergenerational inequality and economic uncertainty have increased in Italy from 2003 to 2016. The relationship between the average wages of young people (under 35 years) and adults (over age 35) has decreased by 7 percentage points (from 0.78 to 0.71). The incidence of precarious employment has increased by 40% (from 15% in 1995 to 21% in 2016), leading to a slight worsening of the job security dimension despite a significant reduction in the unemployment rate over the same period.

Figure nr.1 (Evolution of the NIWEB dimension) and figure nr. 2 presents the evolution of the economic well-being index (NIEWB) and the comparison with the GDP per capita. The economic well-being in Italy grew by 5.8% from 2003 to 2016, against the growth of GDP

per capita by 14%. Ignoring the new dimensions that we added to the index of economic well-being (we have therefore the IEWB) we get a greater growth of the whole index (8.2%), and in particular, an increase of the economic security and equality dimension.

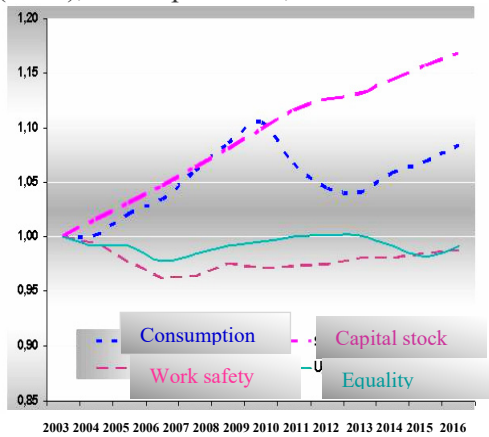


Fig. no. 1 Evolution of the NIWEB dimension

Source: our elaboration based on ISTAT data, different years

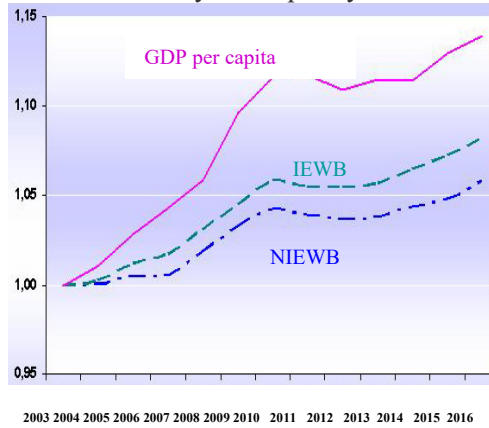
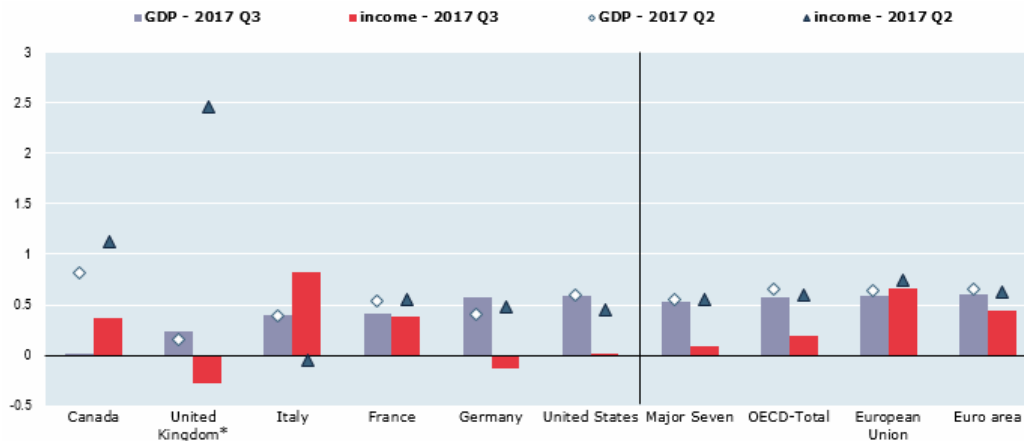


Fig. no. 2 Evolution of NIEWB, IEWB and per capita GDP in Italy

Source: our elaboration based on ISTAT data, different years

5. The income of Italian families grows

According to an OECD report on growth and economic well-being, the real per capita income of Italian households grew by 0.8% in the third quarter of 2017, exceeding the data on the growth of real GDP per capita, stable at + 0.4% (fig. nr. 3).



**Fig. no. 3 Real household income and GDP per capita
Percentage change of Q3 vs. Q2 of 2017, seasonally adjusted data**

Source: OECD, 2018. News Release: OECD Growth and economic well-being. Quarterly Sector Accounts, OECD Publishing, Paris. <http://www.oecd.org/sdd/na/OECD-HDI-02-2018.pdf>

According to the Parisian institution among the seven largest economies for which data are available, real income growth per capita is significantly slowed in all countries, except Italy. The sharpest slowdown was in Great Britain, a decline of 0.3% compared to + 2.5% in the previous quarter, but also stunted Germany (-0.1% against + 0.5%) and France (+ 0.4% against + 0.5%). The same situation occurred also overseas, Canada slowing (+ 0.4% against + 1.1%) and the United States without changes. In the European Union, real per

capita income growth stayed stable at 0.7%, slightly above the real GDP per capita growth (0.6%). However, the euro area slowed to 0.4% and was overtaken by the growth of real GDP per capita, for the sixth consecutive quarter.

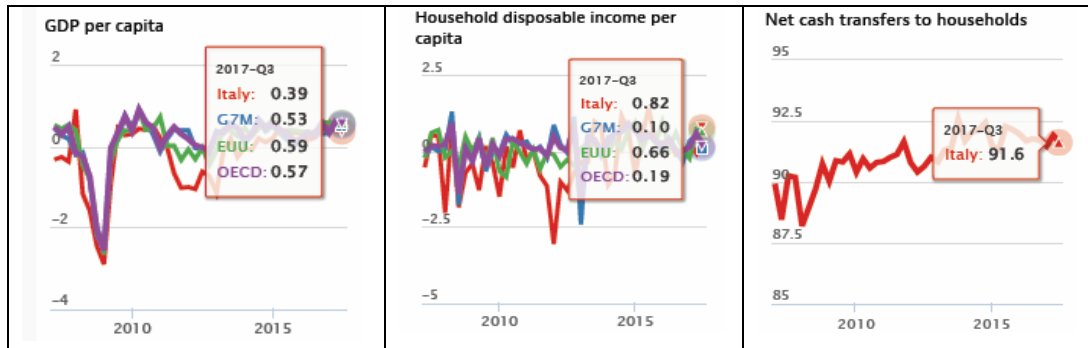


Fig. no. 4 GDP per capita, household disposable income per capita and net cash transfers to households

Source: our elaboration based on OECD data

The Italian shooting is positive even we look at the figure of the last nine quarters, with growth in household income stood at + 3.4%, which again is better than the average of the G7 countries (+2.1%) and the Eurozone (+ 3.3%) (fig. nr. 4).

6. The analysis of the Italian Ministry of Economy and Finance (MEF) on the indicators of the equitable and sustainable well-being

The Bes indicators have become part of the Italian economic-financial planning starting from 2017: in the last Economic and Financial Document (DEF 2017), four of the twelve parameters have already been included and the other will gradually come into operation.

For the first year 2017, the MEF draw the expected evolution on: disposable income per capita, including transfers in kind from Public Administrations and non-profit social institutions; income inequality (ratio between the income of the wealthiest quintile of the population and the poorest one); rate of non-participation in work (an index of economic and social exclusion wider than the unemployment rate); CO₂ emissions and other climate-altering gases (table nr. 1).

Table no. 1: The prospects of equitable and sustainable well-being, forecast period 2018- 2020

Index	2017	2018	2019	2020
Average household net adjusted disposable income per capita (in euro)	22.252	22.825	23.536	24.089
Index of inequality of disposable income (absolute values)	6,2	6,10	6	6
Rate of non-participation in work (percentage)	20,70	20	19,20	18,6
of which men	17,40	16,8	16,1	15,60
of which women	24,8	23,90	23	22,20
CO ₂ emissions and other climate-altering gases per capita (tonnes per capita)	7,5	7,5	7,5	7,5

Source: our elaboration based on MEF data, [http://www.rgs.mef.gov.it/ Documenti/VERSIONE-I/Attivit--/Contabilit_e_finanze_pubblica/DEF/2017/Sez-II-AnalisiETendenzeDellaFinanzaPubblica.pdf](http://www.rgs.mef.gov.it/Documenti/VERSIONE-I/Attivit--/Contabilit_e_finanze_pubblica/DEF/2017/Sez-II-AnalisiETendenzeDellaFinanzaPubblica.pdf)

Overall, the Treasury speaks about an "encouraging picture" characterized by a recovery of disposable income determined both by current economic growth and by some specific

interventions. These are policies to support families and employment and those to combat poverty such as the *inclusion income* (Rei). Therefore, the Report traces "a positive evolution" while recognizing that Italy is still in "a difficult economic-social situation in which environmental and economic challenges remain, as well as significant social, gender and territorial inequalities": all factors highlighted lastly also by ISTAT in its Report on the BES.

7. Household disposable income per capita

This indicator adds up the income that a family can have - net of taxes and contributions - to the quantification of services provided in kind by the State (mainly education and health), to estimate the total resources that families have for consumption or savings (fig. nr. 5).

Then the per capita value we obtained by dividing it for resident persons. The Treasury estimates an increase of 5.5% in value between 2018 and 2020, in this period the per capita income is rising from 22,825 to 24,089 euro.

However, much of this growth is likely to be eroded by inflation. In fact, our forecast on the trend of the "real" income: considering 100 the level of 2017, it is expected to be 102.1 in 2020 (while the nominal income, without considering prices, is expected to be 108.3).

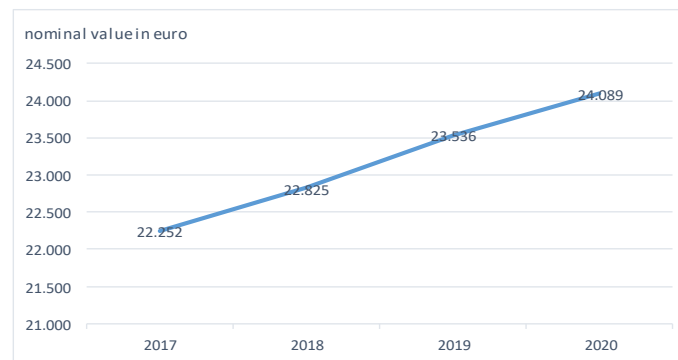


Fig. no. 5 Household disposable income per capita

Source: our elaboration based on MEF data, http://www.rgs.mef.gov.it/Documenti/VERSIONE-I/Attivit-i/Contabilit_e_finanza_pubblica/DEF/2017/Sez-II-AnalisiETendenzeDellaFinanzaPubblica.pdf

8. Index of inequality of disposable income

At the widening gap of income of the richest and the poorest can be answered with the persistent internal economic inequalities in the country. To get a sense of this difference enough to calculate the ratio of the total equalised income received by 20 percent of the population with the highest income and that received by 20 percent of the population with the lowest income. According to the MEF, in 2017 this ratio stood at 6.2 times and is expected to fall to 6.1 in 2018 - as a result of the Rei and the expansion of family support - to then settle at 6 in the following two years.

Conclusions

The debate on the measurement of the well-being of individuals and of society is receiving growing and general attention, for the objectives of measuring the quality of life of citizens, in an increasingly complete and updated framework regarding the aspects of equity and sustainability. Together with the national BES, which outlines the perspective of the current level of well-being in Italy and in terms of measuring future sustainability (economic, social, environmental and governance), there are side-by UrBes projects relating to well-being in cities and the project Bes relative to the provinces, thus extending the analysis of well-being at the local level. The welfare analysis at the local level need to strengthen the

dialogue among administrators and citizens, and allows citizens to evaluate the results of the government and, at the same time, to participate with more awareness in local decision processes. From the theoretical point of view, notwithstanding the strong and fundamental reference to the structure fully assumed in the National Bes project, the project relating to the provinces focused on possible connections between Bes measurement and of local policymaking. The "bottom-up" approach links the information needs of the local Authorities, national and international references framework and is oriented in searching for statistical complementary measures of Bes indicators are more adherent to the information needs arising from the governance processes of the Provincial Broad Area or subway (Taralli, 2013).

The Bes is useful as a key support with appropriate statistical measures planning and assessment of national and local policies with the ability to outlining policy actions that best meet the economic, social and environmental needs of the local community and the choices made can have significant impacts on framework conditions underlying social well-being. From this perspective, the Bes of the provinces take as a reference on the one hand the OECD' project "How's life in your region?", as a part of "Better Life" initiative, to promote the dissemination of best practices to use indicators of well-being in support of local policies (OECD, 2013). On other hand, guidelines for the local implementation of the "Europe 2020 Strategy: The. Role of Cities and Regions" (EU COR, 2012). The Committee of the Regions of the European Union, to raise awareness of local administrations and citizens on the "Europe 2020" strategy, indicated in the guidelines, agreed with the Commission, the need to define a "2020 vision" at local level. It also recommended local authorities to identify their strategic objectives starting from the analysis of territorial well-being, developing SWOT analysis that highlight the strengths and weaknesses, risks and opportunities of the territories, and implementing key indicators that feed social reporting and the evaluation of policies from the perspective of Bes. The search for an ever-increasing number of indicators also makes it necessary to give the Bes structure a connotation of continuous updating in the context of an organic arrangement of projects measuring the well-being of the country, the provinces and the broad areas. Therefore, an integrated information system for the measurement of well-being could be the reference tool for collaborative initiatives at the various national institutional levels and local autonomies, which hold particularly important roles in relation to the places where people live and relate.

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