

# Towards New Indicators of Social Sustainability

By Florence Jany-Catrice



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## History of Attempts to Create New Indicators Replacing GDP

We have seen over the last 30 years an upsurge of attempts to elaborate new indicators of progress, well-being or even quality of life. These attempts have resulted in serious criticism of economic growth as the main aim of society.

In order to understand the reasons behind this passion for new indicators, some history is useful. GDP was elaborated after World War II, and is an emanation of national accounting systems. These national accounting systems defined and identified what activities were considered as production (production of automobiles, of tables, of food products, etc.). Simultaneously, these systems created a central indicator, GDP, which aimed at following all the production activities coming through the market each year. In 1976, the accounting system evolved and added to GDP an estimate of public output, through its expenditures.

The first criticism about GDP was made by Simon Kuznets himself, the promoter of the first adoption of this macroeconomic indicator. He warned in particular about a misunderstanding that could be provoked if this indicator was used to measure well-being. This warning was based on the fact that GDP was not taking account of all the dimensions of well-being. He was also underlining the fact that a number of non-monetary and non-marketable dimensions were not taken into consideration by macroeconomic accounting (for example, voluntary work, household or housewives' activities, etc.).

The criticism that has attracted the largest media attention, though, came from the Meadows Report in 1972. Although the report was quite pessimistic in terms of the impact of economic growth on the economy and population, the main criticisms were forgotten or put aside during the 1980s, at a time when major nations were facing economic crises. The Brundtland Report of the World Commission on Environment and Development was published toward the end of the 1980s, arguing a strong and urgent need for ecological sustainability, not only for the current but also for future generations.

The renewed interest in these questions concerning the criticism against GDP as an unequivocal indicator of well-being, which we have known since the 1990s, took another route than these simple warnings. This has been increasingly linked to the idea that it is the search for economic growth (namely expansion of GDP by volume) that has provoked the main excesses that societies are now facing. These excesses lead to counterproductive effects: counterproductive

in terms of ecology (growth is linked to climate change, loss of biodiversity, exhaustion of non-renewable natural resources, etc.) as well as in social terms (economic growth leads to increases in inequalities at a global level, in particular within nations).

In this context, at the beginning of the 1990s, two projects emerged simultaneously, though independently from each other. Each of them was truly an impetus for the elaboration of new indicators. First, the UNDP (United Nations Development Programme) presented in 1990 its first Human Development Index (HDI), considering that all human beings should have access to education, to health and to economic resources. This composite index shook up the economic hierarchy of nations, as there was no correlation between per capita GDP and HDI, at least for highly advanced countries, according to the UNDP (*Table 1*).

Secondly, and in parallel, some researchers created a physical indicator of environmental sustainability called the "ecological footprint" and which has now been largely diffused by different networks, in particular the World Wide Fund for Nature (WWF) and the Global Footprint Network (*Chart 1*). The ecological footprint

TABLE 1

### Comparison of ranks of HDI & per capita GDP

Country	HDI Rank	GDP (PPP\$) Rank
Norway	1	4
Australia	2	11
Netherlands	3	10
US	4	6
New Zealand	5	27
Canada	6	13
Ireland	7	9
Germany	9	17
Sweden	10	15
Switzerland	11	7
Japan	12	23
Hong Kong, China (SAR)	13	8
Iceland	14	16
South Korea	15	30
Denmark	16	14
Israel	17	28
Belgium	18	18
Austria	19	12
France	20	21

clearly shows the unsustainability of the world growth model, in particular in “rich” countries. Only recently, and somewhat tardily, have some nations and other international organizations got to grips with this question, having finally recognized the ill effects of overproductive systems on the state of the planet and on social cohesion.

Likewise, in 2007, the European Parliament organized a big symposium titled “Beyond GDP”. The World Bank also produced a number of works aiming to provide quantified indicators of sustainability (first, Adjusted Net Savings (ANS) and more recently, the Inclusive Wealth Index (IWI) with the United Nations Environment Programme). Most of these indicators suffer from major weaknesses. The most important one is that they have difficulty showing any real path toward strong sustainability.

### The Stiglitz Commission

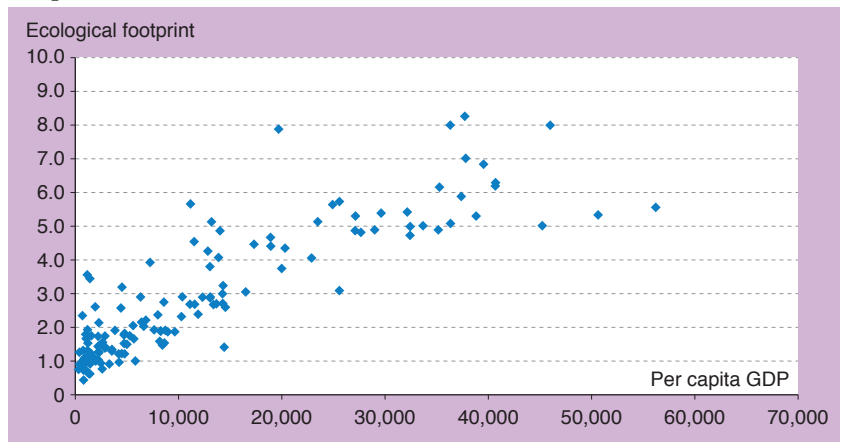
The initiative which probably made the necessity of indicators for progress and sustainable development more popular was undertaken by former French President Nicolas Sarkozy. In 2008, he organized a commission composed of famous experts, including several Nobel Prize winners, and chaired by Joseph Stiglitz. This commission has provided a scientific validation of the main criticisms concerning the irrational usage of GDP and growth as the final goal of societies. The commission also made numerous proposals for “new indicators of economic performance and social progress”.

The Stiglitz Commission’s report recalls the standard limits of GDP. It made proposals to better estimate the output of services, and also made a number of proposals to quantify voluntary work and household work, based on the fact that, since they are not included in the accounts, they are underestimated in public and political projects. More generally, the Stiglitz Commission suggested that it would be better to take account of the consumption accounts rather than production accounts in order to ascertain well-being in a more appropriate way. It also suggested that stocks of wealth should be eventually estimated, since they are progressively exhausted.

In a chapter dedicated to the quality of life, the Stiglitz Commission’s report included some components of the traditional measures which bear on these questions: subjective well-being, first of all, could be based on indicators that express the satisfaction of an individual life. It also proposed some monetary estimates such as the willingness to pay to reach a certain level of health. It finally

CHART 1

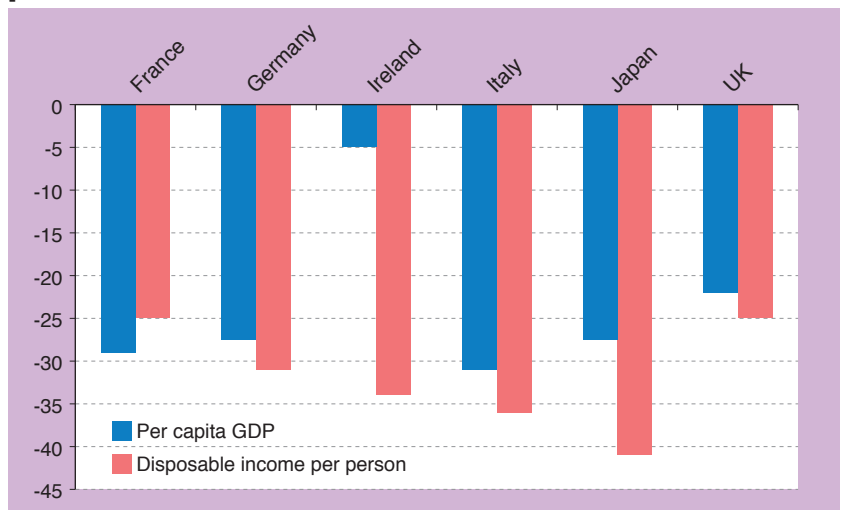
### Relation between ecological footprint & per capita GDP



Source: data of UNDP, report on human development, 2011

CHART 2

### Standard of living in OECD countries compared with US: comparison of per capita GDP & disposable income per person



OECD annual national account  
Source: Insee French Economy, June 2010

offered proposals aiming at better identifying the objective dimensions of the quality of life, with a particular emphasis on health, education, capacity for political expression, social connections and social capital, personal insecurity and economic insecurity.

### Work on Inequality in the post-Stiglitz Period

Since the Stiglitz Commission some works have been undertaken, particularly in France by Insee (French National Statistics and Economic Studies Institute), to explore more than in the past the levels of inequality according to different indicators. We know very well, for instance, that the per capita GDP of the major European countries and of Japan is about 25% below the US level (Chart 2).

TABLE 2

**Dimensions (items) & variables of ISH in French regions**

Dimension (item)	Sub-dimension (sub-item)	Deducted variables	
Income	Consumption	Rate of overdebts	
	Inequality & poverty	Rate of ISF	Average amount by taxable household
	Poverty	Rate of monetary poverty less than 17 years old	
	Salaries	D9/D1 report	
Work & employment	Unemployment	Unemployment rate	Unemployment rate difference between men & women
	Working conditions	Frequency rate of accidents in workplaces with sick leave	Rate of professional sickness
	Instability	Portion of employment with shaky health	Rate of part-time work
	Professional relations	Rate of conflicts in workplaces	
Education		Rate of workers without any diploma	Rate of access to Bac.
Health		Expected length of life at birth	
Housing		Portion of resort to evacuation rent-house	
Personal security		Crimes & attacks against persons & belongings per 100,000 residents	
Social relations		Rate of belongingness	
Inter-personal relations		Rate of persons who see friends & neighbors at least once every week	

Source: compiled by author, Zotti, 2009

Yet, with other measures, such as adjusted disposable income (i.e. the revenue of each household if added to estimations of public expenses for education and health which give direct benefits to them), the story is very different: whereas Japan has the lowest standard of living, which is inferior to that of the US by 40% (Insee, 2010), France and the United Kingdom get the best outcome.

This is real progress. In order to gain more legitimacy, however, with these new ways of measuring this “revisited” well-being, it would be useful to think about the socio-political conditions that explain why some indicators are chosen to the detriment of others. This is the project of the forum for other indicators of wealth, the Forum pour d’Autres Indicateurs de Richesse (FAIR), which was initially created to invite the Stiglitz Commission to open up the discussion to other researchers and to civil society in order to promote democratic dialogues on these questions of general interest.

For instance, having been engaged in the building of new indicators of well-being for its territory, the Nord-Pas de Calais region in France produced an interesting indicator which is relatively manageable (since the number of variables is limited) and largely diffusible (since it compares the regions among themselves).

The conditions of social health of the territory have been established based on a large concept of social health. It takes into account the territory’s social cohesion, social capital, and individual as well as collective capacities to take part in the territory’s economic

and social project. The Index of Social Health (ISH) covers the following eight dimensions: income, work & employment, education, health, housing, personal security, social relations and inter-personal relations. It was deliberately limited to 17 variables (Table 2).

The results of this ISH show that the regions that have a good performance in economic terms clearly perform less well in terms of social health. For example, the Île-de-France comes first in terms of GDP but drops to 15th rank in terms of social health. By contrast, Limousin is 18th in terms of GDP, but has a very favorable social situation. There are also regions that are in poor situations both in terms of economic well-being and social health.

**Conclusion**

Such experiments, I believe, call for a collective debate with citizens about the sort of world we want, and about its sustainability.

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