Well-being indicators for national and local policies in Italy

**Keywords:** well-being, indicators, economic policy, programming documents, local government

# Introduction

The paper aims to present the state of the art of well-being indicators used in connection with the Italian economic policy, and possible extensions to the programming documents of local governments.

The starting point is the BES project (from the Italian acronym Benessere Equo e Sostenibile - Equitable and Sustainable Well-being) that aims to measure well-being in Italy and for its regions, developed at Istat since 2010. It takes into account not only the well-being levels, but also its distributional aspects and equity, in addition to conditions needed to preserve at least the same level of well-being for next generations, i.e. sustainability. The project is in line with international experiences (1) and with recommendations stated by the Stiglitz, Sen, Fitoussi Report on the Measurement of Economic Performance and Social Progress (2).

Since the beginning, the BES project had two aims: to inform all stakeholders about the state and the evolution of well-being at the national and regional level; to build a set of measures, with the quality level granted by official statistics, to support the policy cycle.

The first goal was achieved setting up a measurement framework including 12 domains, for material well-being and for other aspect of quality of life, illustrated by means of about 130 indicators, and an annual report that is now at its fifth edition (3).

The second one found a first implementation in 2016 with the approval of a law reforming the Budget Law, establishing that well-being indicators have to be considered in the economic policy process (4) with an analysis of recent trends and through simulations of the expected evolution in a trend and a policy scenario.

Starting from the theoretical framework defined to measure well-being at national level, and in a consistent way with it, in 2011-2012 Istat launched two projects to measure the BES at local level: “Provinces’ BES” and “UrBES”. In both cases, the goal was to identify and measure the most suitable indicators to address some specific issues concerning the well-being assessment at sub-regional and local level, as a support for policymaking (5, 6).

# Methods

The first step needed to accomplish the Law provision was to select the BES indicators to be included in the policy-making process. The work of an high level commission, expressly set up to carry out this sensitive task, was based on key criteria such as parsimony, sensitivity to national policy, feasibility, ease of interpretation and transparency. The final list, including 12 well-being indicators, was then discussed and approved by the relevant parliamentary committees, ensuring a wide sharing of criteria and of the final choice of indicators (7).

From the point of view of the National Statistical system, the introduction of well-being indicators in the policy-making process is an important challenge, requiring better timeliness and accuracy, to be pursued also improving data production and implementing ad-hoc flash estimates.

Moreover, this innovation has opened up further fields of actions. First of all, the National Strategy for Sustainable development could and should be monitored with reference to a selection of indicators, to be chosen making the best use of the experience of including well-being indicators in the economic policy documents (8). Secondly, also the programming documents at local level could consider the effects of proposed policies on well-being.

The theme of the connection between local policies and BES indicators’ trends is a focus of the “Provinces’ BES” project, including the mapping of relationships between well-being indicators and the functioning of local authorities (9,10). A part of Provinces took directly part in the project (25 in 2013-2015), while Istat is in charge of the methodological coordination of the research and the elaboration of a set of BES indicators at local level.

Based on that experience, Istat is now working on this topic together with the National Council for Economy and Labour (CNEL), to establish which set of BES indicators can be a useful basis for local stakeholders and administrators, according with the Europe 2020 guidelines (11) and the “Lisbon Memorandum” (12).

# Results

A preliminary selection of well-being indicators was included for the first time in the document on economic and financial measures (DEF) in 2017: mean adjusted income (per capita); non-participation in employment (rate); income inequality index (quintile ratio); CO2 and other greenhouse gas emissions (tons x inhabitant). A simulation of the evolution expected in the next three years was presented, in a trend scenario referring to the current policy framework, and in a policy scenario, taking into account new measures proposed in the DEF. In February 2018, the same exercise was repeated in the light of the actual policy measures included in the Budget law just approved, hence some adjustments were made in the policy scenario, and again with the 2018 DEF.

Scenarios presented by the Ministry of Economy and Finance (MEF) for the 4 indicators in the 3 subsequent documents show how the progressive specification of policy measures – from the draft proposal of the April document to the actual Budget Law – introduces significant changes, more relevant than updates in observed data.

**Figure 1. Non-participation in the labour market – observed and forecasted rates (2010-2021) – Italy**

As an example, fig.1 presents the indicator “Non-participation in the labour market” and the 4 evolution paths commented in the documents produced by the Government between April 2017 and April 2018 (13,14,15).

Two main changes are observed between the “Def 2017” scenarios and the “Report to the Parliament” one, where the effects of changes in the macroeconomic scenario (impacting on the overall evolution of the labour market) are added to the new data on the labour market published by Istat and to a clearer indication of the policy measures decided by the Government with the Budget law.

The exercise could be replicated at sub-national level: there is a great interest from users and stakeholders on assessing the BES at the local level, and a method was proposed to apply it to the economic planning of local authorities (17). Experiences are underway to update the “local” BES framework to the new rules of harmonized public accounting, which are mandatory for all local authorities since 2016 and require policy makers to prioritize and monitor the policies implementation starting from context analysis.

In this perspective Istat and CNEL will cooperate with local authorities for the diffusion and appropriate use of well-being indicators consistent with the BES framework. In June 2018, Istat issued for the first time 61 BES indicators at Nuts3 level, related to the 110 Italian provinces and metropolitan cities in time series and (when possible) by sex (16). This is an important step to set up and regularly update an information system of well-being indicators at local level, in line with the framework applied at national level.

# Conclusions

The integration of well-being indicators in the cycle of economic policies in Italy is a reality but still far from being fully realized, starting from the implementation of scenarios for the whole set of 12 indicators.

The analysis of first results suggests possible improvements, e.g. coping with some difficulties in preparing policy scenarios based only on the general programmatic lines presented in the DEF and on provisional data. Also future adjustments to the list of well-being indicators should be considered, as already suggested by the Parliament Committees that examined the 12 indicators, in order to better illustrate other relevant aspects of well-being such as, for example, the introduction of an indicator on Land use for the domain “Environment”.

In order to extend this innovation to the local level, more effort is needed. Local authorities are currently free to choose the indicators to be used to support policy making and accounting. Even though BES measures are widely preferred as it is easy to bring them back to the public budget-items and also because citizens are usually interested in how the well-being is going in their places, at the moment there is neither a common method to analyse well-being for policy making at local level nor a shared set of indicators. This is the new challenge that Istat will face together with CNEL: making the “BES measures at local level” to become a shared framework of reference in the public debate on local policies.

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