Newsletter on Measuring the Progress of Societies

January 2012

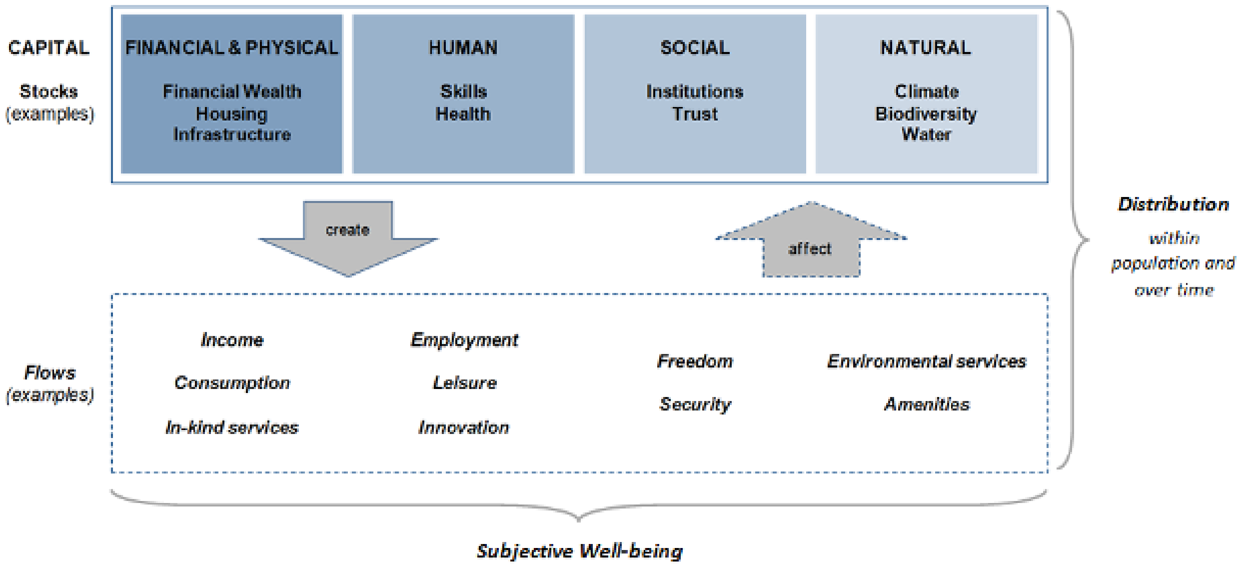
New Zealand Government Treasury Framework for Improving Living Standards

Written by Ben Gleisner of the New Zealand Government Treasury, for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

The New Zealand Treasury has a vision of "working towards higher living standards for New Zealanders". In performing its role as the government's advisor on economic, fiscal and regulatory issues, Treasury has focused on how improved economic performance can enhance living standards. However, Treasury is also a central government agency and has oversight over all significant policy issues across the state sector. As such, it acknowledges that living standards are broader than income alone, and are determined by a wide range of material and non-material factors.

In order to ensure the term living standards is understood and applied consistently across all Treasury advice, Treasury has developed a descriptive framework to help guide policy analysis.

Figure 1. Treasury's Living Standards Framework



The Framework recognises the following five key elements:

• a broad range of material and non-material determinants of living standards (beyond income and GDP);

• freedoms, rights and capabilities are important for living standards;

• the distribution of living standards across different groups in society is an ethical concern for the public, and a political one for governments.

• the sustainability of living standards over time is central to ensuring that improvements in living standards are permanent.

• measuring living standards directly using self-assessed subjective measures of well-being provides a useful cross-check of what is important for living standards.

Supporting advice

The Framework is intended to be used as an input to the policy process, rather than a decision-making tool in itself. Its main value is in the way it encourages a broad understanding of living standards. When applied to policy advice, the Framework emphasises consideration of:

• Levels

Considering aggregate levels of the factors in the Framework is important because it allows Treasury to compare New Zealand's living standards with those in other countries, and to track how they are changing over time.

• Distribution – now and into the future

As well as considering aggregate levels of the factors, it is important to be aware of their distribution among individuals and groups in society. This allows Treasury to provide empirically-based advice to help governments achieve their distributional priorities. Distributional outcomes need to be considered in both a static and dynamic sense, and to take account of the long-term sustainability of living standards.

• Interactions

Finally, identifying interactions among factors in the Framework is important. Some of these interactions are mutually reinforcing. For example, trust leads to voluntary exchanges and good economic outcomes that in turn reinforce the original trust. However, some interactions will require complex trade-offs. Natural capital, for example, can be consumed to build up physical and financial capital, but this may not be desirable where this results in reductions in non-substitutable stocks. Other trade-offs may occur between short and long term outcomes, between individual and societal outcomes, or between efficiency in increasing aggregate living standards and the equity of their distribution.

Decisions about acceptable levels of factors within the Framework, distributional outcomes, and trade-offs are political in nature and beyond the realm of policy advice. However, highlighting them will ensure Treasury's advice is robust and theoretically grounded, and that governments' decisions are well-informed.

Using the Framework – welfare reform

The Living Standards Framework is being used to support a range of different policy work being undertaken at the Treasury, including the long-term fiscal strategy to manage growing debt, skills and education policy, guidance on large investments across the state sector and hazardous substances and new organisms policy. One area of work that has benefited from the Framework has been advice on welfare reform.

Input from the Framework	Policy advice
Emphasises the importance of employment. Being in work creates flows of income but also, as the subjective well-being literature consistently finds, work is one of the most important factors for an individual's life satisfaction. It is also a key determinant of a person's health and an important contributor to social cohesion and trust.	Focus the welfare system more on participation rather than on getting only a small proportion of the more productive beneficiaries into work. This includes promoting more part-time work for the disability and sole parent benefit population.
Strong focus on the sustainability of the country's financial wealth – which includes the government's balance sheet (and associated costs of the welfare system). This wealth allows the government to provide a range of services to the population, including income support.	Reform the performance measures for the agency running the welfare system – moving from managing short-term costs to focus on reducing the long-term liability of the system.
Importance of distributional analysis. The employment rate for sole parents in New Zealand is the 2nd lowest in the OECD. Analysis of income poverty finds child poverty rates for households with no parent working are 75% compared to 11% where at least one is working. Looking at dynamic effects, children are 3 times more likely to be on a benefit when they grow up if their parent was on a benefit, which has negative effects on both employment levels and the government's finances in the future.	Strong emphasis on sole parents to support them into work and encouraging more early childhood education.

Next steps

The New Zealand Treasury is interested in working with other countries and international organisations to build support for a broad conceptualisation of living standards. The capital stock and flow framework, which includes consideration of distributional outcomes and subjective well-being, provides a useful basis for this. International co-operation will allow for a consistent approach within and across countries, and encourage debate about how such frameworks can be used to improve living standards of people throughout the world.

See also

New Zealand [1]

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Why measuring social institutions is important for assessing progress on gender equality?

Written by Somali Cerise of the OECD Development Centre, for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

Discriminatory social institutions can help explain persistent gender inequalities

There is now widespread agreement that gender equality matters for development, economic growth and poverty reduction. In addition to the fulfilment of fundamental rights for women and girls, gender equality has been hailed as a 'breakthrough' strategy [1] for achieving the Millennium Development Goal (MDG) targets. Improving women's education, employment and health outcomes not only delivers benefits for women but for whole communities and economies. However, as has become apparent with the sluggish progress towards MDG targets, there remain significant obstacles to achieving equal outcomes for women and men on key economic and social indicators. This is despite the increasing investment from donors and promising progress made in many areas.

Discriminatory social institutions [2] - defined as formal and informal laws, social norms and practices that restrict or exclude women and girls - have attracted growing attention as a framework for understanding the sluggish progress towards gender equality. Social institutions set the parameters of what decisions, choices or practices are deemed acceptable or unacceptable in a society and therefore play a major role in mediating gender roles and relations. Examples include practices such as early marriage, gender-based violence or discrimination in inheritance, access to land, property and credit, all of which significantly shape influence women's economic and social role and consequently hinder development.

The OECD Development Centre Social Institutions and Gender Index

The OECD's Social Institutions and Gender Index [3] (SIGI), launched in 2009, is the first attempt that has been made to capture, quantify and measure social institutions that discriminate against women and girls. The SIGI is a composite index which scores countries on twelve variables that are grouped into five sub-indices: family code, physical integrity, son preference, civil liberties and ownership rights.[4] As a composite index, SIGI and its sub-indices provide useful and interpretable tools to compare the level of underlying discrimination against women across 102 non-OECD countries, allowing cross-country, regional and sub-regional analyses. SIGI combines both qualitative and quantitative measures of social institutions. The scores and ranking of each country are also complemented with detailed country notes which set the context and describe how social institutions discriminate against women with country specific information. While other indices such as the UNDP Gender Inequality Index [5], the World Economic Forum Global Gender Gap Index [6] and Social Watch's Gender Equity Index [7] measure gender inequality in terms of outcomes in areas such as education, employment, health and political participation, SIGI's innovative focus on the underlying social institutions that influence gender roles and relations provides a fresh perspective on the causes of gender inequality for development policy-makers and practitioners.

What can the SIGI tell us about poor development outcomes?

By applying SIGI to issues as diverse as employment, hunger and achievement of the MDGs, the OECD Development Centre has shown that countries which display higher levels of discrimination against women are also performing more poorly on a range of development indicators.[8] For example, analysis using the SIGI variables [9] has found that countries where women lack any right to own land have on average 60% more malnourished children. Where women lack any access to credit the number of malnourished children is 85% above average. This indicates that the level of women's access and control over resources is associated with children's nutrition. Further, the SIGI data indicates that net enrolment in primary education is, on average, lower in countries with high levels of early marriage. In the countries where more than half of girls aged 15-19 years are married (Democratic Republic of

Congo, Niger, Afghanistan, Congo, Mali), on average less than half primary school aged children are in school. From this evidence, it appears that women's lack of decision making power in the family and household is associated with lower enrolment in schools. This relationship holds when looking at school completion rates as well, even when controlling for the level of economic development (proxied by income per capita).

The conceptual challenge of capturing discriminatory social institutions

One challenge in relation to measurement is the conceptual difficulty of capturing social institutions and selecting appropriate and measurable variables. As social institutions are often based on community attitudes and informal practices, they are inherently difficult to measure. For example, while the existence of a law can provide a proxy indicator for efforts to address a discriminatory social institution such as inheritance practices, there may be a disjuncture between the law and practice or the attitudes of the population. Laws that provide equal rights and entitlements for women and men may not be adequately implemented, and therefore may not reflect the reality of practices at a community or household level. Capturing these differences between law, attitudes and practice is one of SIGI's challenges. The good news is that prevalence data and data on public attitudes or beliefs can help address these gaps and this data is becoming increasingly available, for example, in the area of violence against women and women's decision-making power in the family.

SIGI 2012: taking account of new data and changes

Over the past two years, SIGI has been increasingly used by researchers and policy-makers[10] [11] [12] , and the importance of acknowledging how discriminatory social institutions affect development outcomes is gaining currency within policy and academic circles. Since SIGI 2009, data sources have been improving gradually, and there is a richer range of qualitative and quantitative information available on gender equality and women's rights. The OECD Development Centre will be releasing an updated version of the SIGI in 2012 to reflect changes in law and practice and also take account of new data on discriminatory social institutions.

See also

Gender, Institutions and Development Database [13]

Wikigender [14]

Social Institutions and Gender Index [3]

OECD Development Centre [15]

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How are Canadians Really Doing? The Canadian Index of Wellbeing (CIW) offers a comprehensive answer

Written by Bryan Smale, CIW Director and Professor, University of Waterloo, Waterloo, Canada for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

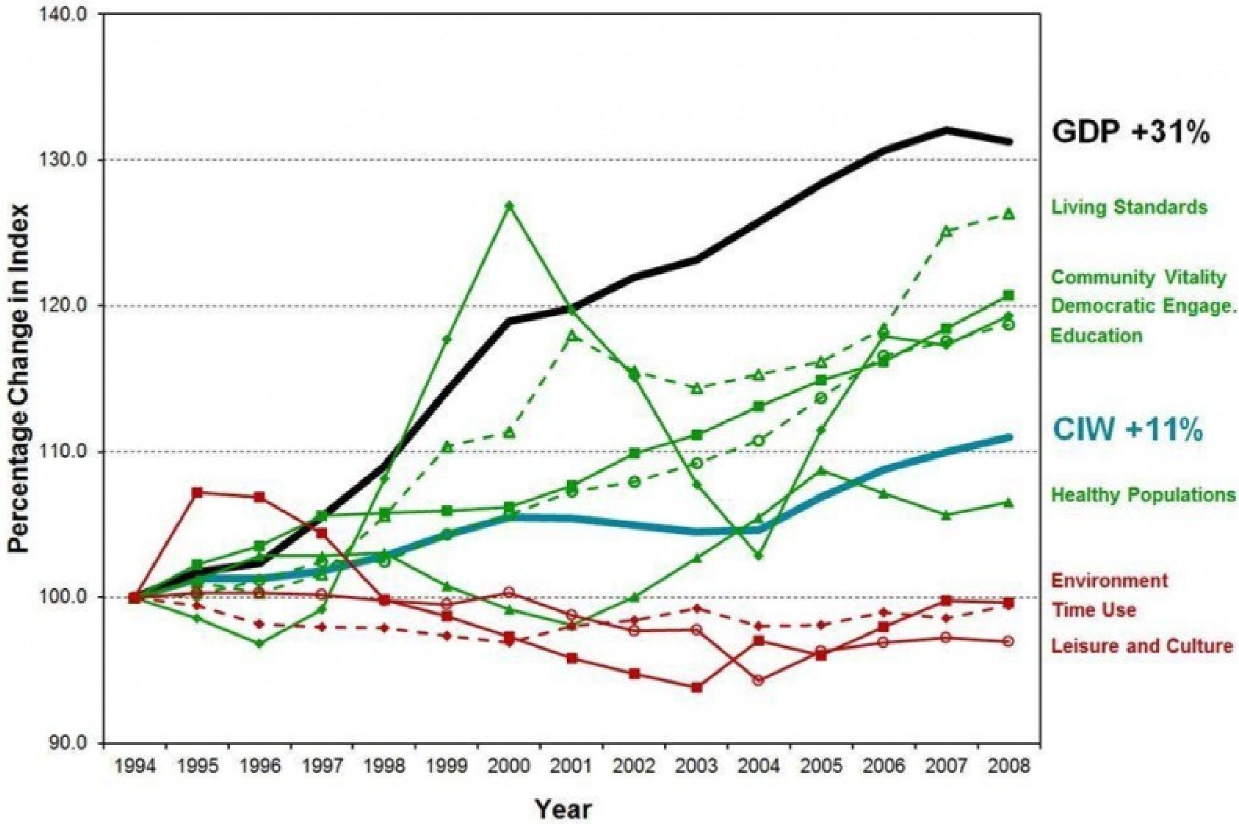
The Canadian Index of Wellbeing (CIW) is starting a national conversation by asking *"How are Canadians **really** doing?"* This relatively simple question requires a complex response because we have come to realise that GDP does not go far enough in explaining the breadth and nuances of the quality of life of average Canadians. With the release of the inaugural CIW composite index [1] on October 20, 2011, we have provided Canadians, for the first time, with a transparent national picture of their wellbeing in all of its many dimensions. By juxtaposing it with GDP per capita, we begin to see *how we are really doing*, and specifically, what areas of our wellbeing are improving or not.

The CIW draws from a deep well of data – much of it taken from primary data sources available from Statistics Canada [2] and several other credible sources – and uses 64 separate headline indicators to characterise eight interconnected domains central to the lives of Canadians: Community Vitality, Democratic Engagement, Education, Environment, Healthy Populations, Leisure and Culture, Living Standards, and Time Use.

Using 1994 as the base year from which we began measuring these indicators, the CIW tracks the trends for each domain, as well as overall, through to 2008. By looking at the percentage changes over this 15-year period, we see that, after pulling together all eight domains, **the CIW composite index improved by 11.0 per cent**. While this modest growth in the wellbeing of Canadians might appear gratifying, it pales in comparison to the more **robust 31.2 per cent growth in Canada's GDP per capita** over the same time period. Looking more deeply at each of the domains comprising the CIW (see Figure 1), we see that our wellbeing improved in five domains (green lines) and declined in three others (red lines). Nevertheless, none of the domains of wellbeing showed the level of growth realised by GDP.

Clearly, our economic performance is outpacing our quality of life. The fact that our overall wellbeing consistently lags behind a measure of expenditure and consumption does not just demonstrate that money cannot buy happiness, but reveals that when GDP is used to guide both economic and social policies, we are not necessarily better off as a nation. This is at the very heart of the issue of **growing inequality** – where a small percentage of us do extremely well while many more of us fare less well.

Figure 1. Trends in the Canadian Index of Wellbeing and its Eight Domains, Compared with GDP (1994 to 2008)



The Honourable Roy J. Romanow, Chair of the CIW Advisory Board, says:

"The CIW shows us what GDP cannot: our country is not reaping all of the benefits of our economic growth. Our quality of life has actually gone down in areas such as the environment, leisure and culture, and time use, with only modest gains in health. And even in areas where growth has been robust, our research shows that it was the top 20 per cent that received the lion's share of rising income and wealth during the boom years, while the gap down to the bottom 20 per cent grew even larger. That's the Canadian reality."

Moving from the Canadian Reality to Achieving the CIW Vision

The CIW's vision is to enable all Canadians to share in the highest levels of wellbeing by identifying, developing, and publicising statistical measures [3] that offer clear, valid, and regular reporting on progress toward wellbeing goals and outcomes that Canadians seek as a nation.

Attaining the CIW vision rests on three interconnected pillars: (1) research, (2) communication, and (3) knowledge mobilisation. Along with the annual release of an update on the CIW composite index, the CIW is planning to advance its activities in all three pillars. Research will focus on conducting, supporting, and gathering leading edge research on wellbeing at the individual through to societal level, with a focus on exploring regional and subpopulation variations in wellbeing as well as interconnections among the eight CIW domains. Communication will ensure that knowledge generated through research and the other activities of the CIW continues to educate specific groups such as the general public, policy shapers, decision- makers, and the media through the dissemination of user-friendly reports and development of web tools. Knowledge mobilisation will focus on facilitating usership of the CIW in communities and by groups committed to social change and application to progressive policy development. The intersection of these three pillars will ensure that a national dialogue on wellbeing continues.

The challenges to realising the CIW vision are many. The consistency and sustainability of data sources need to be addressed. The federal government in Canada needs to show leadership that other Group of Eight (G8) national governments are showing in embracing wellbeing as a central policy issue. Long term funding for the CIW needs to be secured. What is encouraging is the recent media focus, both internationally and domestically, on themes that have arisen in response to the narrow focus on the economy. For example, discussions of inequality and the growing gap between rich and poor and the shrinking of the middle class, and of democracy and citizen engagement have been enlivened by the Occupy movement. There is definitely a growing global awareness that current measures of progress are limited and at times fail us. The Stiglitz-Sen-Fitoussi Commission, the OECD Better Life Initiative, and the UK's subjective wellbeing project are regularly in the news and are helping the CIW leverage media interest at home.

As the CIW enters 2012, it is with an enthusiasm generated by its new home base at the University of Waterloo and an ambitious three pillar approach to making the CIW more than just a number. When considered in conjunction with GDP, the CIW provides a comprehensive approach for citizens and decision-makers to plan for better access to, and the highest possible standard of, wellbeing. It will empower citizens to hold their governments accountable for making progress or falling behind. I invite you to follow our progress at www.ciw.ca [4]

See also

Canadian Index of Wellbeing [5]
Canada [6]

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[3] http://www.wikiprogress.org/index.php/Measuring_Well-being_and_Societal_Progress
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How's Life? Measuring Well-Being

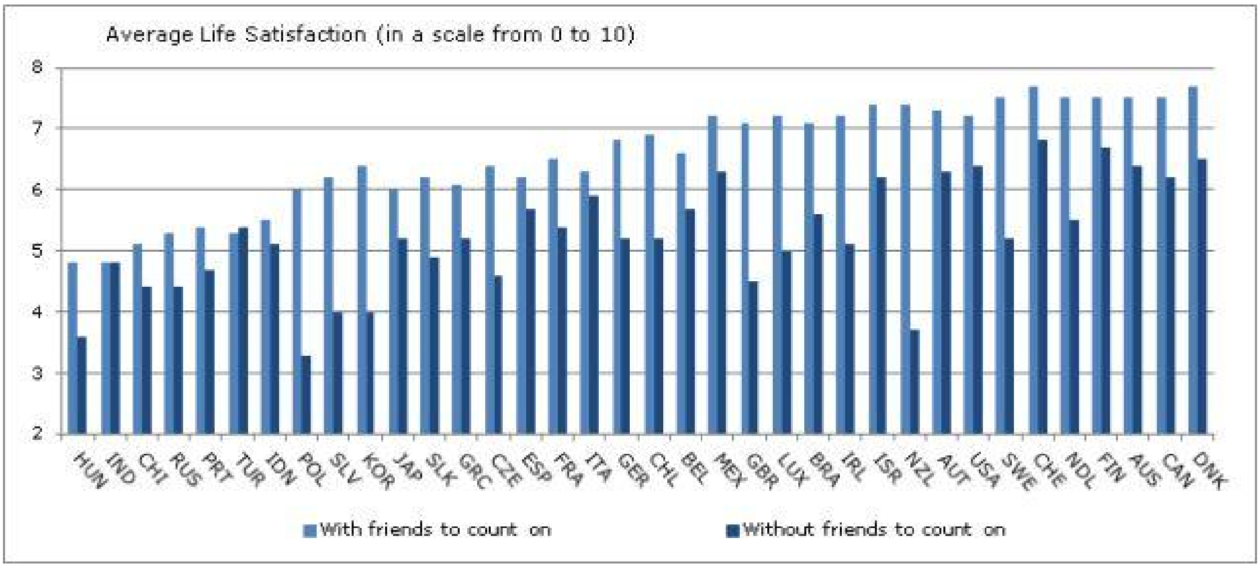
Written by Romina Boarini of the OECD for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

On 12 October 2011, the OECD launched its new publication on well-being entitled *How's Life? Measuring Well-Being* [1]. *How's Life?* is one of the main pillars of the OECD Better Life Initiative [2] launched by the OECD Secretary-General for the Organisation's 50th anniversary at its annual Forum in May 2011. This new initiative reaffirmed the OECD's mission "Better Policies for Better Lives".

How's Life? talks about people's life, aspirations and feelings in the 34 OECD countries and a few other key economies, such as India and China. The report sheds lights on whether higher income and wealth translate into better well-being. It is the first time that an OECD publication looks at the broad range of determinants of people's sense of well-being that go beyond the purely economic aspects. *How's Life?* defines well-being in terms of two domains (material living conditions and quality of life) and eleven dimensions (income and wealth, jobs and earnings, housing, health status, work and life balance, education and skills, social connections, civic engagement and governance, environment, personal security and subjective well-being).

How's Life? shows that income and material resources matter for well-being and for one's own sense of well-being, but other aspects of life matter even more. For instance, freedoms and opportunities to enjoy a good life are crucial to understanding whether people have the capacities to achieve goals that are important to them. However, many of the aspects of life that matter the most are not measured well enough to assess well-being entirely and in all its complexity. A good example is subjective indicators, which are crucial to understanding people's well-being but need to be further improved, especially for the purpose of comparing countries.

As a basis, the report recognises that people are social creatures, and that others matter for one’s own well-being. This is indeed the first attempt by the OECD to measure the importance of friends, families, communities and trust in others. *How’s Life?* shows that social network support and volunteering increase life satisfaction to a considerable extent (see chart below).



Source: OECD’s calculations on the Gallup World Poll

In terms of overall well-being, the report finds that there is a great heterogeneity across OECD countries. No country is a top performer in all dimensions, but there are countries such as Australia, Canada and some Nordic countries that tend to do very well in many of the aspects of life considered.

In terms of changes over time, the report finds that average material living conditions have increased over the past fifteen years, although the financial crisis has halted some of these favourable trends. In addition, job insecurity has increased for some categories of workers and housing costs have become a major concern for many households in several OECD countries. As far as quality of life is concerned, great progress has been achieved in life expectancy and infant mortality, in educational attainments and in dangerous forms of air pollution. On the positive side, there have also been overall gains in leisure and reduction in hours worked. On the negative side, the level of civic engagement, as measured by voting turnout, has declined. This trend is also accompanied by low trust in public institutions, indicating a growing gap between how citizens and elites perceive the functioning of democratic systems.

In order to understand well-being, inequalities must also be considered. The report shows that low education and poverty are big barriers to having a good life. Well-being patterns by age and gender are in general more complex and are differentiated across domains. Overall there are great inequalities in all the dimensions of life considered, and the extent of inequalities varies across countries. There are however some countries where inequalities are consistently smaller (e.g. the Nordic countries) and this appears to be positively correlated with average well-being.

Although *How’s Life?* provides a quite comprehensive picture of well-being, there are still a lot of open questions that will be tackled in future editions of this publication. For instance, one of the great challenges is to better understand policy drivers of well-being outcomes so as to inform policies that can effectively contribute to enhancing people’s lives. There are also some aspects of well-being that deserve further analysis, such as economic insecurity and vulnerability and looking at how this affects people’s sense of well-being. Finally, while the first edition of *How’s Life?* mainly focuses on *current* well-being, a key future development is the consideration of *sustainability* aspects for four types of capital (economic, human, social and natural). The OECD is currently undertaking several research projects that will feed into the future editions of *How’s Life?* along these lines.

Quite a lot of work is also underway to further develop Your Better Life Index [3], the other major pillar of the OECD Better Life Initiative. The Index will be updated every year, displaying new features as well as larger country coverage. For 2012, the Index will include a gender breakdown, some new indicators and be available for Brazil and Russia.

See also

OECD Better Life Initiative [4]
Subjective Well-being [5]

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OECD Launches Report on Social Cohesion – What Next?

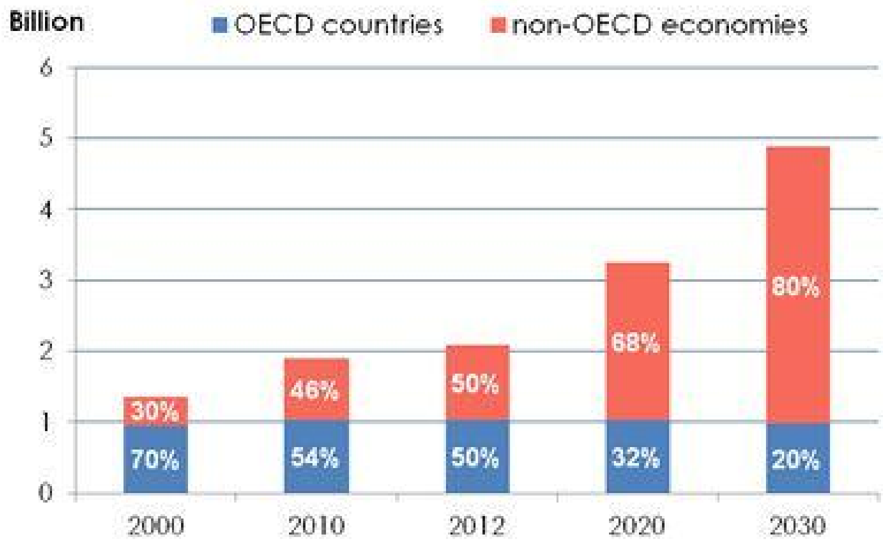
Written by Johannes Jütting of the OECD Development Centre, for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

In November 2011, the OECD Development Centre launched its "Perspectives on Global Development 2012 – Social Cohesion in a Shifting World" [1]in Paris. The report discusses the opportunities and challenges that the changing geography of growth presents for emerging economies. In the July edition of the Newsletter on Measuring the Progress of Societies (Issue 9) [2], we presented the framework of social cohesion with its three pillars: social inclusion, social capital and social mobility as well as how it impacts on development outcomes. This article now presents the main recommendations as well as some ideas for bringing a social cohesion agenda closer to the country level. The following three main messages emerge from our report.

First, emerging economies should now use their new found prosperity to beef up their investment in social progress. Given that 83 countries have doubled in terms of OECD per capita growth rates and increased their fiscal resources, it is now possible for growth to go beyond re-balancing the economy towards a more inclusive growth, allowing greater emphasis not only on the poor but also the vulnerable middle-class. In an environment of increasing uncertainty and volatility in financial sector investments, the returns for improving human and social capital asset base remain high.

Secondly, governments should react and respond to the rising aspirations of a global middle-class in particular, the increasing demand for more cohesive societies. A cohesive society entails that you are protected against major risks such as illness. It's a society where there exists a sense of belonging as well as trust in people and institutions and where you can get ahead if you work hard. Our estimates project a quadrupling of the current 1 bn middle-class citizens living in non-OECD economies to almost 4 bn in 2030. These citizens demand not only improved public services, additional and better jobs but also a say in policy making. The shift from absolute to relative considerations – "how do I do compared to my fellow citizens" – calls for building a social contract between the state and its citizens.

Figure 1. An emerging global middle-class as a catalyst for social cohesion



Finally, the report argues that it does not only matter "what you do" in public policy but also "how you do it". To a large extent, the current development models leave this dimension out. As seen in Thailand and Tunisia, growth and improvements in social outcomes are not sufficient for improving the quality of life, if large parts of the population are left out of policy making at different levels of government.

What next?

In the next months, we are going to present the report in various parts of the world. We would like to use this opportunity to initiate a dialogue on how a social cohesion agenda would look at the country level. For the progress community, three broad research topics could be of interest:

- Concept: What are the links between a social cohesion and the progress agenda and how do both of these impact on classical development outcomes such as poverty reduction and growth?
- Measurement: How can the three dimensions – social inclusion, social capital and social mobility – presented in the report be measured? In particular in the area of social mobility and social capital more data and indicators are needed. As some of the data fall in the category of subjective measures, the question arises on how these compare to more conventional measures.
- Policies: How does a social cohesion agenda fit into the Poverty Reduction Strategy Processes? How can one improve inter-ministerial coordination in different fields ranging from fiscal to employment?

To address the last point, we have started to develop a Social Cohesion Policy Review Instrument (SCPRI). The idea is to assess a country's policy performance in fostering social cohesion. One possible structure would be to have three main components: a quick snapshot of the general situation using the triangular framework; an assessment of sectorial policies such as employment, social, education and fiscal through a social cohesion lens and finally, an analysis of the policy making process – e.g. interministerial co-ordination and the like.

We would like to invite the progress community to actively take part in this process. Your knowledge and expertise will make a difference.

See also

Social Cohesion [3]

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Spending on family policies, and what works for child well-being

Written by Dominic Richardson of the OECD, for the January 2012 edition of the Newsletter on Measuring the Progress of Societies.

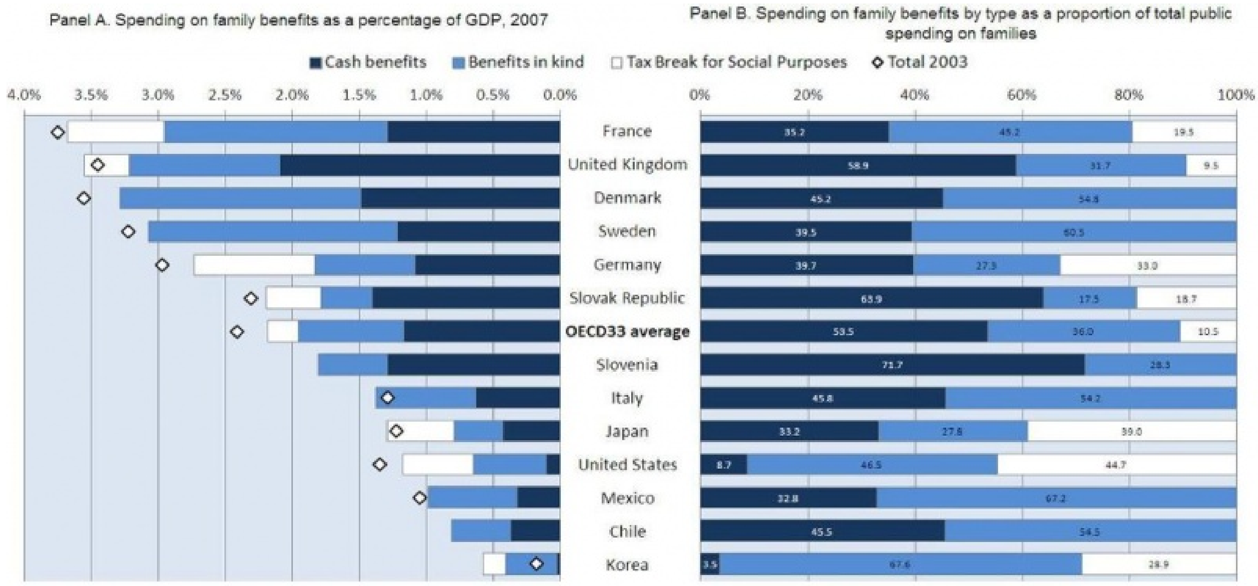
Family polices in OECD countries are expected to address multiple objectives. One key objective is child development and well-being. Drawing from the OECD’s recent report on family policies and outcomes (Doing Better for Families [OECD, 2011]), this article briefly explores the question: how does the amount, type and timing of spending on family policies affect children’s outcomes?

Across the OECD, on average in 2007, spending on family policies (excluding education) amounted to 12% of the total national public social spending budget (OECD, 2011). In national wealth terms, this meant an average of 2.2% of GDP was spent on family policies, ranging from around 0.5% of GDP in Korea to over 3.5% in the United Kingdom and France (ibid). When adding education spending, which mostly goes to children under 18, expenditure on families tripled, and took the share of public money going to families with children to around 36% of total net public social spending on average.

However, despite there being some clear associations between poverty rates and spending levels on family benefits (OECD, 2011), countries which were spending more on families with children in 2007 were not always the countries with the best child well-being outcomes. Achieving good results for families with children, it seemed, not only depends on how much public money is spent, but also how money is spent.

A common form of intervention for families is cash transfers (at around 54% of total public family spending, excluding education – see Figure 1). Spending on in-kind benefits for families (including transport and food subsidies, childcare, protection services, etc.) averages to just over one third of the family spending. However, spending on in-kind benefits as a share of GDP in the OECD has almost doubled since the mid 1990s, whereas spending on cash transfers has remained stable (see OECD 2011).

Figure 1. Most public spending on families in 2007 was delivered in the form of cash benefits



Note: Countries are ranked in decreasing order of total family benefit spending in 2007. The OECD average is calculated as the unweighted average of all available OECD data. Public expenditure is that which exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support); spending on health and housing support also assists families, but is not included here. No data on tax breaks for Chile and Slovenia. For extended meta data and a complete comparison go here [1]. For more information on social expenditure and the OECD Social Expenditure database see Adema et al (2011). Source: OECD (2010), OECD Social Expenditure database.

Using the amounts reported in Figure 1, public education expenditures (see OECD, 2011), and the eligibility rules for family and education spending in different OECD countries, expenditure on children can be allocated by age (for details and methodology see OECD, 2009 and 2011). OECD-wide, in 2007, children aged 0-17 received on average around 152,000 USD (adjusted for purchasing power parity) in public spending on family and education policies per head. Most of that spending was delivered in the later years (12 to 17 – around 39%), the bulk of which is education expenditure. The early years – when children are aged 0-5 – received on average 25% of all OECD childhood spending, mostly delivered via cash transfers and childcare spending (see OECD, 2011).

Concentrating more of the spending on very young children is believed to be more efficient because in the early years children's behaviours and skills are more malleable, they have greater caring needs, and closing disadvantage gaps between the rich and the poor is easier because gaps are smaller at the beginning of a child's life (OECD, 2009). So how does the type and timing of public family spending associate with child well-being outcomes? Figure 2 breaks down the spending analysis, from Doing Better for Families, to allocate cash, in-kind, childcare and education spending to children age 0-5, 6-11, and 12-17 for 32 OECD countries. Spending amounts are then correlated to 5 child well-being outcomes.

Figure 2. Correlations between public family spending and child well-being measures, circa 2007

		PISA reading literacy, students aged 15, 2009	Children aged 11 to 15 years, with higher life satisfaction, 2005-2006	Low birth weight babies, 2007	Child Poverty (most recent data)	Infant mortality rate 2007
Cash and tax breaks	0 to 5	0.00	-0.47	0.03	-0.46	-0.06
Childcare		-0.01	0.26	-0.40	-0.47	-0.11
Benefits in kind		0.42	0.39	-0.09	-0.61	-0.35
Cash and tax breaks	6 to 11	0.05	-0.24	0.11	-0.36	-0.15
Childcare		0.08	0.07	-0.34	-0.42	-0.10
Benefits in kind		0.26	0.38	-0.09	-0.57	-0.35
Cash and tax breaks	12 to 17	0.01	-0.24	0.14	-0.34	-0.12
Benefits in kind		0.31	0.29	-0.12	-0.53	-0.40
Education		0.22	0.06	0.03	-0.39	-0.15

Note: Results report Pearson 2-tailed correlation coefficients and are categorised on the basis of the size of the coefficient (dark blue = >0.4, light blue =>0.3) be it positive or negative. For full definitions of the indicators, and associated metadata, please see OECD, 2011. Source: Calculations of data on age-related spending and child well-being measures reported in OECD Doing Better for Families (2011).

Results should be interpreted with caution, given that they represent only associations between inputs and outcomes at the macro level, the results do not account for broader social and economic contexts, and they do not speak to causality. Nonetheless, the evidence here suggests that main effects of family spending are likely to be occurring in the early years and that benefits in kind are most commonly associated with variation in well-being (notably this includes the result for the income poverty measure – a result also found for 2003 spending data derived from OECD 2009).

These results add some weight to the assumption that early interventions may indeed be more efficient for child outcomes than later ones. And moreover, that in-kind services and childcare provision, particularly early and middle childhood, are more strongly associated to lower poverty rates than cash interventions (as they help parents access the labour market). Employment is key for families in reducing income poverty and improving living standards (cash transfers alone cannot do this because they are often too low). Service providers may also get better returns on their investment because of the economies of scale in this type of intervention.

The shift towards greater service provision (and particularly childcare) reported in Doing Better for Families is therefore promising for child well-being, but for this type of research to truly inform policy decisions more factors need to be accounted for. Changes in family formation, employment and education patterns, alongside pressures to consolidate public budgets, have created a serious challenge for countries searching for policies that meet the evolving needs of families with children. Competing (and perhaps complementary) demand on public budgets from other populations, such as pensioners, will also play a role. More robust research on how family policies (including child health and education policies) drive variation in child well-being outcomes, which takes account of these contexts, is needed. Understanding the relative efficacy of cash transfers compared to service delivery is essential for doing better for families and children.

Further reading and data

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See also

Doing Better for Families [2]

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[1] http://dx.doi.org/10.1787/888932392894

[2] http://www.wikiprogress.org/index.php/Doing_Better_for_Families

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