



**Economic and Social
Council**

Distr.
GENERAL

ECE/CES/2007/25
2 April 2007

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

STATISTICAL COMMISSION

CONFERENCE OF EUROPEAN STATISTICIANS

Fifty-fifth plenary session
Geneva, 11-13 June 2007
Item 6 of the provisional agenda

**SEMINAR ON MEASURING CAPITAL – BEYOND THE TRADITIONAL MEASURES
SESSION IV**

From measuring social capital to measuring societal well-being:
some early thoughts from the United Kingdom

Submitted by the Office for National Statistics, United Kingdom

ABSTRACT

1. Social policy interest within the UNITED KINGDOM has recognised the importance of social capital (the pattern and intensity of networks among people and the shared values which arise from those networks) and that greater interaction between people generates a greater sense of community spirit. There has been particularly strong interest in measuring social capital as part of neighbourhood renewal and other social inclusion policy agendas. Under Office for National Statistics' (ONS) Neighbourhood Statistics System (NeSS), this broadened into a set of indicators covering community well-being and the social environment. But even that only addresses part of the big picture of societal well-being. ONS is now starting to explore how to measure, analyse and report on societal well-being, embracing and building on social capital and other concepts. This work is still at an early stage in the UNITED KINGDOM. The way forward is likely to be to analyse and report on existing indicators, while developing a framework (ideally internationally agreed) for more robust tracking of societal well-being over time and between locations. ONS is also exploring the development of satellite accounts as a way of stepping beyond economic well-being as measured in the national accounts. However, the point of departure for societal well-being is to gain greater understanding of what we already measure as social capital and other social phenomena, and how this contributes to societal well-

being.

I. SOCIAL CAPITAL

1. Social policy makers and commentators in the UNITED KINGDOM, as elsewhere, recognise social capital as the pattern and intensity of networks among people, and the shared values which arise from those networks. Greater interaction between people generates a greater sense of community spirit, which is desirable. There has been particularly strong interest in measuring social capital as part of neighbourhood renewal and other social inclusion policy agendas. Research has shown that higher levels of social capital are associated with desirable outcomes like better health, higher educational achievement, better employment outcomes, and lower crime rates. In other words, people with extensive networks are more likely to be "housed, healthy, hired and happy" (ref 1). All of these outcomes are generally valued by policy-makers and community members alike.

2. Definitions of social capital vary, but the main aspects include citizenship, 'neighbourliness', social networks and civic participation. The definition used by ONS, taken from the Organisation for Economic Co-operation and Development (OECD), is "networks together with shared norms, values and understandings that facilitate co-operation within or among groups" (ref 2). Formal and informal networks are central to the concept of social capital. They are defined as the personal relationships which are accumulated when people interact with each other in families, workplaces, neighbourhoods, local associations, faith groups, internet chat rooms, common interest groups, and a range of informal and formal meeting places (ref 3). The plethora of potential networks to which each of us does or could belong is bewildering.

3. To measure social capital by using the network as the unit of study is a daunting if not impossible task. Instead, social capital is usually measured through surveys of individuals. Respondents are asked a range of questions that cover a variety of issues. They commonly focus on:

- (a) Levels of trust - for example, whether individuals trust their neighbours and whether they consider their neighbourhood a place where people help each other;
- (b) Membership - for example, how many clubs, societies or social groups individuals belong to;
- (c) Networks and how much social contact individuals have in their lives - for example, how often individuals see family and friends.

II. NEIGHBOURHOOD STATISTICS

4. One way of looking at the geography of social capital would be to measure the social capital of a representative sample of individuals within distinct geographical areas and summarise the results for the sample overall. These summary measures could be compared between areas in which social capital surveys are undertaken, but are unlikely to be available for the country as a whole. To have a national survey of social capital that gave reliable results in each community would require considerable resources. Surveys of social capital have therefore tended to be seen either as measures of the national, aggregate position, apart from when surveys have been undertaken within particular local areas, as part of a programme of regeneration or

urban renewal for example.

5. ONS's Neighbourhood Statistics System

(<http://www.neighbourhood.statistics.gov.uk/dissemination>) (NeSS) takes a different approach. It compiles data that are available in each local area, so that a consistent set of indicators and data items are available. These are used within a local area, to profile it and to track changes over time, and to allow comparisons between areas within larger aggregates. The components of NeSS are a mix of measures for the area (e.g. population turnover) and for individuals within the area (e.g. average level of satisfaction with public services). We group indicators into domains, including one covering community well-being/social environment. The indicators in this domain refer to:

- (a) General satisfaction of residents with their local authority and with street cleanliness ('best value performance indicators' survey data)
- (b) Satisfaction of local authority tenants with opportunities for participation
- (c) Numbers of communal establishments and of residents in communal establishments
- (d) Self-reported health measures (general health and long-term illness)
- (e) Provision of unpaid care
- (f) Population change over 1982-2002
- (g) Population turnover rates
- (h) Migration into area over previous 12 months
- (i) Road accidents in area

6. It is not the intention of this paper to evaluate these indicators as measures of social capital. The choice of indicators is driven by the deconstruction of the concept of social capital into things that can be measured at a local level. More pragmatically, the choice of indicators is often dictated by the availability of indicators of suitable quality.

III. SOCIETAL WELL-BEING

7. Societal well-being increasingly features in public policy debate. However, societal well-being is not easily defined or measured. We understand it to refer to the overall well-being of the nation as a whole, embracing economic well-being, the health of the nation, the stock of human capital, and much more.

8. There appear to be two main approaches to the measurement of societal well-being beyond per capita GDP. The first of these we might characterise as the life-satisfaction/happiness approach. This, like social capital, focuses on the individual. It seeks to measure the perception that people have of their own well-being. The second approach might be called, drawing on development economics, the 'capability approach'. This looks more at collective measures of the quality of life, such as health, education, housing, and participation in social life. While the first approach draws mainly on survey-based data of happiness and life-satisfaction, the second approach appears to give rise to an ever-increasing number of indicators. These include, among many other contenders, the OECD and Eurostat social indicators.

9. It is regularly noted that no framework for measuring societal well-being exists, unlike the system of national accounts. One factor may well be that there is no common currency with which to measure the many different dimensions of societal well-being. Quality-adjusted years

of life may work in the health and social care context, but it is difficult to operationalise this across other aspects of well-being. Consistency over time is an important feature. Changes in societal well-being might intuitively be rather slow to take effect. On the other hand, there might be some changes that reflect a paradigm shift in attitudes or outcomes. In either case, we need measures that allow changes to be determined with confidence. The analogy with measuring turning points in the economy is interesting: might we find social indicators that lead, lag or are coincident with turning points in societal well-being?

10. In a recent OECD paper reviewing societal well-being, Boarini et al (ref 4) conclude that:

- (a) within the national accounts, other and possibly better measures than GDP per head exist (e.g. net national product, net income). However, these are less widely available and, where they are available, they do not change the picture given by comparing GDP per head over time or between countries;
- (b) illustrative calculations to extend the national accounts similarly do not alter the rankings of GDP per head between countries, However, extending the national accounts does show a different time profile in well-being to that shown by GDP per head;
- (c) similarly, levels of most of the specific indicators of social conditions are significantly correlated to GDP per head across OECD countries, while changes over time are not. A composite index based on these indicators points to significant difference in performance relative to GDP per head in around half of OECD countries, whatever the weights used in the index;
- (d) survey-based data on happiness and life-satisfaction across OECD countries are only weakly related to levels of GDP per head. Research on these subjective measures suggests that several distinct factors – such as joblessness, family and community ties – contribute to overall life-satisfaction and their influence cannot be reduced to a single dimension of economic resources.

11. The authors' summary is that “measures of economic growth remain critical for any assessment of well-being but they need to be complemented with measures of other dimensions of well-being. How best to integrate these different measures is an open question. One approach is to take measures of economic resources as a starting point and then introduce a series of corrections to incorporate other arguments, but internationally-agreed standards on how to value these various non-market factors have yet to be developed. A different approach is to use various non-monetary indicators alongside conventional measures of economic resources: while still lacking a coherent conceptual and statistical framework, these indicators provide information that is relevant for the assessment of well-being”.

12. Over the years there have been developments seeking to provide their own framework, sometimes within a limited domain rather than for societal well-being overall. These include Stone's social accounting matrices and, more recently, the launch of various satellite accounts around the national accounts (including for the environment, the household economy, tourism and health accounts).

IV. CONCLUDING REMARKS

13. Without seeking to devalue the measurement of social capital, it is perhaps inevitable that interest in the measurement of economic and social phenomena moves relentlessly onwards. Within the UNITED KINGDOM we are now starting to explore how to measure, analyse and report on societal well-being. It is still early days. We have no results to present or any specific proposals to share. We feel the way forward is likely to be to analyse and report on existing indicators within the context of societal well-being. This data-driven approach has served us well in producing Neighbourhood Statistics for the UNITED KINGDOM. It is in the well-developed UNITED KINGDOM tradition of 'secondary analysis', extracting further insights from data that were collected for specific purposes and avoiding, at least initially, the expense of designing, testing and implementing new statistical instruments.

14. Working pragmatically with existing data is unlikely to be sufficient, especially for something as important as societal well-being. So, we recognise also the need to develop a framework for societal well-being. Ideally this should be on the basis of international agreement, for more robust tracking of societal well-being over time and between locations. This could provide further impetus to the development of satellite accounts in future and, for various reasons, we are exploring the potential of satellite accounts.

15. However, the point of departure for us – and the key theme of this paper - is to gain greater understanding of what we are already measuring as social capital and how this contributes to societal well-being. Our goal is the wider concept of societal well-being, embracing and building on social capital. In this respect we are catching up with Cote and Healy (ref 2) and others who have already recognised the role of human and social capital in economic growth and more widely in the well-being of nations.

16. The challenge is to deliver relevant, robust, meaningful and timely measures of societal well-being, and to do so cost-effectively. An early aim will be to understand why we should measure societal well-being, so that we can test the usefulness of measures that we produce. The divergence between measures of well-being (particularly life-satisfaction and happiness) and trends in per-capita GDP has been highlighted. The reasons for this are not well understood, so nor are the policy options that might be appropriate. We need to understand the process more clearly, so that we can identify who needs to know about the state of societal well-being and what they can do to improve it.

REFERENCES

1. Woolcock, M (2001) The Place of Social Capital in Understanding Social and Economic Outcomes. ISUMA Canadian Journal of Policy Research 2 (10) 11-17.
2. Cote S, Healy T (2001) The Well-being of Nations: The Role of Human and Social Capital. Organisation for Economic Co-operation and Development, Paris.
3. Australian Bureau of Statistics (2000) Measuring Social Capital: current collections and future directions.

4. Boarini R, Johannson A and d'Ercole MM (2006) Alternative Measures of Well-Being.
OECD Social, Employment and Migration Working Paper 33

* * * * *