The best statistics in the best of all possible worlds?

FEATURES

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When the OECD launched the 2013 update to their "Better Life" index in November of that year their secretary general, Angel Gurria, said that the report was a "…reminder that the central purpose of economic policies is to improve people's lives. We need to rethink how to place people's needs at the heart of policy-making" (1). This claim was met with some scepticism, not least among the 1273 comments that were posted on just one of the newspaper stories that this claim was reported in. The public appeared not to believe that economists actually cared so much or that they were necessarily not that good at measuring what was and was not – a better life.

The OECD itself suggested that it is at the forefront of work that reveals whether our lives are improving for the better, or not. In the executive summary to their November 2013 report, the organisation appeared to announce that they had now discovered the single best way of measuring whether our lives were getting better or not:

"A pioneer in this emerging field of research, the OECD has been working for almost ten years to identify the best way to measure the progress of societies – moving beyond GDP and examining the areas that impact everyday people's lives. Today, the fruit of this work is manifested in the OECD Better Life Initiative."(2)

I downloaded their index. The basic data for the index consists of a file of 24 columns of data. The very first column of data is labelled: "Dwellings without basic facilities" which made me wonder what these facilities were. Apparently, whatever they were, some 6.4% of households in Japan lacked them, 0.9% in Germany, but only 0.1% in the UK and not a single home in the USA lacked these facilities. Part of my research concerns comparing housing conditions across different countries and trying to ascertain whether the inequalities in provision between countries is getting worse or better.

I've just finished a book on the subject of housing which is to be published in the spring of 2014 (3). But despite this recent work on these issues, I could not for the life of me guess what this collection of facilities might be that every home in the USA had, and so many in Japan lacked? Many people live in trailer parks in the USA, hundreds of thousands are homeless in various US states at various times. Many are also homeless in some of the largest cities in Japan, although far fewer than in the USA, and housing in Japan tends to be meticulously arranged.

At the last count that is widely circulated some 25,000 people were estimated to be homeless in Japan, including 5000 in Tokyo alone. It will have risen since that estimate was made. However, this national figure is exactly 100 times lower than the upper estimate of some 2.5 million people being homeless in the United States at any one time. That estimate was made in in 2009 and the lower estimates of that period suggested that as "few" as 600,000 people might have been homeless in the USA at other times (4). These figures will have grown greatly in the USA since the housing crash of 2008 deepened. In researching my book, I found that millions of people in the USA have had their homes repossessed and the bailiffs sent in. How on earth can the USA be presented as having better housing facilities than Japan? I had to look a little closer.

Fortunately if you click on the title of the data column in the "Better Life" excel file the OECD provides, it links to a page which explains what the facilities are for having housing that represents a "better life". It turns out that this is just one facility – an indoor flush toilet, and that the homeless are not included in the calculation so that even a small country in which almost all of the inhabitants were homeless could still top the list as having the best housing facilities as long as there were flush toilets in those few homes that were occupied.

The data on the flush toilets is derived from the European Union Statistics on Income and Living Conditions (EU-SILC), and from National Statistical Offices. The reference year that the OECD use in 2013 is 2011 with, they say the exception of 2010 for Brazil, Ireland, Korea, Mexico, Turkey; 2009 for United States; 2008 for Japan; 2001 for Chile; 1997 for Canada. Put more precisely, this indicator refers to the percentage of the population living in a dwelling without indoor flushing toilet for the sole use of their households. Flushing toilets outside the dwelling are not to be considered in this item apparently. Flushing toilets in a room where there is also a shower unit or a bath are also counted. Very precise and very narrow. Perhaps they should have said "facility" not "facilities".

But what of the other variables used in the index? The housing expenditure variable comes from National Accounts and appears to bear little relationship to the actual variation in the cost of housing for families. The rooms per household variable ignores that in some countries rooms are much smaller than others. The "personal earning" statistic assumes all income is shared out equally in a country!

As the OECD economists put it: "This indicator refers to the average annual wages per full-time equivalent dependent employee, which are obtained by dividing the national-accounts-based total wage bill by the average number of employees in the total economy, which is then multiplied by the ratio of average usual weekly hours per full-time employee to average usually weekly hours for all employees". In effect they are describing some kind of equality utopia and then ranking countries as if all employees were equally paid within each country.

We know that in the USA, the top 1% is now taking almost 20% of all income, but in the OECD models they are sharing that money out with the other 99% (5)! The ranking of the aggregate of the OECD statistics suggests that the UK comes ahead of countries such as Germany and Japan as being a great place to live, but this is only a fictional UK in which all is shared out equally, in which the only facility in a home you might wish for is a flushing toilet, in which we ignore the homeless, a UK

in which housing is – apparently – relatively inexpensive, in which so many people are living such "better lives".

It is good that the OECD is starting to think about how to measure a better life, but they are only just starting and they need to improve. Sadly the central purpose of economic policies is not to improve people's lives. If it were, we would all have far better lives than we do. The central purpose of economic policies depends on the intent of the government and other powers of the day in each place and at each time. Often it is just to improve a few peoples' lives and interests, not all, and rarely is the aim and result to most improve the lives of those who have least.

Often those in power think that their policies are the best that there can be and that they will raise the living standards of all. Often they are mistaken, and often they are helped in their mistakes by economists who do not understand people as well as they enjoy numbers. Social statistics are as much about society, about sociology, politics, housing, geography, and policy as they are about statistics, mathematics, economics and accountancy. Economists need help if they are not to make mistakes and to embarrass themselves by claiming they are "the best" when what they have done in many cases is so limited. But perhaps it is not their fault it is so limited.

For me what is most telling about the OECD "better lives" statistics is that there are a group of people who believe that these very irrational statistics are a good way to measure our lives, that it is almost the best that can be done; that what they do is working for the good of all better than almost any other enumeration is,; that extracts from national accounts can be used to estimate real costs in people's lives simply by averaging them out. This group are right that there is more to a better life than higher GDP, but the fact that they think that they are doing a good job of enumerating the alternative tells us just how huge a job we now have to try to better educate ourselves as to what a good job of measuring better lives might actually be.

Have a think about what is really means to be well housed and how you might measure that across countries what is a good school, good health care, good employment, good leisure time and facilities, good freedom, good safety, good security, good inclusion, a really good environment to live in? The OECD website allows people to alter the weights on the importance of each of the variables it measures to reflect how important each is to each viewer. What viewers need to do is question what it is they are being asked to weight, and then to suggest better statistics for better lives.

References

1) Allen, K. (2013) UK a great place to live and work, says OECD, *The Guardian*, November 5th, http://www.theguardian.com/business/2013/nov/05/uk-scores-highly-quality-of-life-oecd

2) http://www.oecdbetterlifeindex.org/media/bli/documents/EXECUTIVE-SUMMARY.pdf emphasis added.

3) Dorling, D. (2014) *All That is Solid*, London: Penguin.

4) References to international statistics on homeless are collected here:http://www.homelessworldcup.org/content/homelessness-statistics

5) http://www.bbc.co.uk/news/world-us-canada-24039202

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