Beyond GDP: measuring wellbeing in the Netherlands

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Abstract

Providing policymakers and the wider audience with facts and figures about the social situation and quality of life in the Netherlands. That is the core aim of the “Social State of the Netherlands” report. This report has a long standing tradition in the Netherlands and fits into the social monitoring tradition. In the report the most important life domains are described in detail, using indicators from various sources. Each chapter provides the reader with the current state of affairs, using both descriptive (‘objective’) and evaluative (‘subjective’) indicators. The report also presents the SCP Life situation Index (SLI), which was created to integrate indicators about the wellbeing and welfare of the Dutch. Together, the Social State of the Netherlands and the SCP Life Situation Index present a complete and summarizing picture of the Netherlands – Beyond GDP.

Keywords: Life situation, happiness, index construction

1. Social monitoring in the Netherlands: a long standing tradition

In The Netherlands there is a long tradition of social monitoring. From the 1970s onwards reports are published regularly about the wellbeing and welfare of the Dutch. Key players in producing these reports are The Netherlands Institute for Social Research (SCP), The Netherlands Bureau for Economic Policy Analysis (CPB) and the Netherlands Environmental Assessment Agency (PBL). Together these institutes form a network of research organizations whose key goal is to inform politics and policymakers. Though these institutes are largely publicly financed, they are independent and compose their own research agenda. Though policy relevance is a core value, all research has to be scientifically sound. All important policy domains are covered by the three research institutes: social, economic and environmental issues are all dealt with by (at least) one of them. Statistics Netherlands (CBS) produces a lot of official statistics, with a broad scope, that are used by the research institutes.

The most important reports of the three research institutes include the following titles:

• Social and Cultural Report (Veldheer et al, 2012). This report, published by SCP, gives an overview of important social and cultural trends and governmental policies in the Netherlands. Since the year 2000, every edition has a specific theme, like social cohesion, generations or peoples own responsibilities in a welfare state.
• Social State of the Netherlands (Bijl et al. 2012), since 2001. This report describes developments in the quality of life of the Dutch population as a whole as well as that of social groups. It is published by SCP.

• Macro Economic Outlook (CPB 2012a) and Central Economic Plan (CPB 2012b). In these publications CPB presents its analyses and projections of both the Dutch and worldwide economy for the current year and the year to come. The Central Economic Plan is published every spring, the Macro Economic Outlook is published jointly with the Annual Budget at the Opening of the Parliamentary Year in September. Both forecasts provide a basis for extended social-economic decision-making in the Netherlands.

• Nature Outlook (PBL 2011). Published every four years, this report aims to provide a source of inspiration to support government authorities and societal organisations in formulating the long-term policy for nature and the landscape.

• Assessment of the Human Environment (PBL 2012). In this comprehensive study PBL describes the developments in the quality of the human environment and indicates which progress has been made regarding the policy tasks related to the environment, nature and spatial planning.

As SCP is oriented towards the social and cultural side of society and PBL towards the environmental side, their reports have a ‘beyond GDP’ scope more or less by nature. Maybe the reports of the economists of CPB are more oriented toward GDP itself. However, CPB too has published reports and chapters about education, health, housing and about the broader measurement of welfare and happiness (CPB 2009, CPB 2007).

In 2008 Dutch government asked the three research institutes together with Statistics Netherlands to develop a Sustainability Monitor. This Monitor describes the quality of life in the Netherlands here and now and looks at the opportunities for future generations to achieve their welfare goals. Quality of life is described by indicators for individual well-being (like health, housing, leisure time, education and trust) and a set of environmental conditions (such as safety, natural environment and air quality). A distinction is made between descriptive factors (what is the situation in a specific area) and evaluative factors (how satisfied are people with their situation). The opportunities available to future generations are discussed from the perspective of the available resources, which are described in terms of capital (social, human, economic and natural) (CBS, SCP, PBL, CPB 2011).

2. Beyond GDP - relevant for policy purposes

The Netherlands Institute for Social Research (SCP) was established in 1973. This establishment was the expression of the need that was felt in the Netherlands in the 1970s to look beyond GDP. Economic performances were good and there was a growing need to look at the distribution of the increasing wealth and at the situation of deprived groups. To be able to do that, more and better information and data about the circumstances, quality of life and life situation of people was needed. This was the beginning of what later became known as the social indicators movement. Since the 1970s the availability and the scope of statistical data has greatly improved. Nowadays the possibilities to
describe social trends within countries and even between them is much greater than it ever was.

In the 1980s there was another sign of policy needs to look beyond GDP in the Netherlands. At the opening of the parliamentary year (the third Tuesday in September), the Annual Budget of the year to come is published. At the same time CPB publishes its ‘Macro Economic Outlook’. In 1985 the Lower House of Parliament decided they needed information about social developments as well. For that reason SCP launched an annual ‘Social and Cultural Outlook’. Until 2001 this Outlook was published every September too. The Social and Cultural Outlook however had a relatively small scope: developments of social trends were presented by means of figures on public opinion, the SCP Life Situation Index, and the quaternary sector, next to one or two thematic chapters. From 2001 onwards, the Outlooks are replaced by the Social State of the Netherlands (SSN), which has a much broader scope and pays more attention to policy developments. The SSN will be discussed in the next paragraph.

In the 2000s there was the governmental request for a Sustainability Monitor, as mentioned before. In the period between 1990 and 2000 attention for social indicators, or the need to look beyond GDP was volatile. There were some ad hoc initiatives, like questions in parliament to look at a ‘broad concept of welfare’ (including social and environmental issues, CPB 2009) and politicians writing about the need to look beyond GDP (for example Halsema, 2008), but there was no follow up on these activities. Now, in the 2010s, there still is little political action to look beyond GDP. “We are going to switch off the happiness machine” was what the Dutch Prime Minister said in the debate on the Government Statement of Policy when taking office in 2010 (TK 2010-2011). In a way this is an anti-cyclic sentence, as more and more countries are showing interest to look at wellbeing, happiness and beyond GDP. This revived attention for social indicators was a reaction to the publication of the report Measurement of Economic Performance and Social Progress in 2009 (Stiglitz et al. 2009). The report was commissioned by the French President Sarkozy and highlights the importance of including social and ecological factors alongside economic aspects in describing how a country is faring. In the United Kingdom a national debate on measuring national wellbeing was organized in 2010 on the initiative of Prime Minister David Cameron (BPMO 2011). In Germany a Commission was appointed at the request of Parliament to look for a system of indicators to measure quality of life (Deutscher Bundestag 2010). In a number of other countries, national statistical agencies are attempting to find ways of measuring quality of life (Eurostat 2011). The European Parliament has also asked for better figures (EP 2011), and international organisations such as the OECD are taking initiatives to pool knowledge (Progress of Societies, Beyond GDP, Better Life).

Moreover: in several European countries governments are formulating targets for their social policies, like reducing social exclusion by x percent or reducing crime by y percent. Trends and developments in the ‘targeted areas’ are closely monitored: social reporting has become an important and regular activity in the statistical information systems of European countries.

Thus: having information about indicators that go ‘beyond GDP’ is important for policymakers and being able to track developments over time is even more important.
Despite the words of the Prime Minister, this also holds true for the Netherlands: information stemming from social reporting and social monitoring activities are, and have been since the 1970s, key aspects of the political and societal debate. The Social state of the Netherlands is such a social report.

3. Social state of the Netherlands: a social report on quality of life

The Social state of the Netherlands (SSN) describes the quality of life and the life situation of the Dutch population. It is a bi-annual report that covers many domains of Dutch life. By bringing these diverse themes together, placing them in the context of the economic and demographic developments taking place in Dutch society and by describing trends over time, this report arrives at a picture of the overall life situation of the Dutch population. Attention is also devoted to individual groups in society, reflecting the fact that people’s options, opportunities and preferences in structuring their lives are related to their age, sex, education level, degree of disability, ethnic origin and financial position (Bijl et al 2012). The content of the SSN is organized as follows: first the demographic and economic (macro) circumstances are described, followed by an overview of the public opinion on important political and societal discussions. Next, important resources are covered by chapters about income, labour market, education and health. Hereafter important quality of life domains are described in chapters about social and political participation, use of leisure time, mobility, public safety, and housing. Next is a chapter which gives an comprehensive, summarizing overview of the life situation by means of the SCP Life Situation Index, which combines the developments in the various domains. The SSN concludes with a chapter which summarizes the main findings and places them in the light of the nearby future.

The most important target groups of the publication are the Lower House and the Cabinet. The report provides them with information on the social situation in the Netherlands. Policy makers who are already well informed can use the SSN as a framework in which the developments in their particular field can be placed. The SCP is also seeking to reach the socially interested public with this publication (Boelhouwer and Roes, 2004). The purpose of the SSN is to describe the social reality in the Netherlands, not to present a policy evaluation. That said, using register data and research results, with the SSN it is possible to determine whether the policy objectives formulated for the various social domains have been or are likely to be achieved. However, it is not always possible to say with certainty whether government policy has played a decisive role in this regard, in either a positive or negative sense; that would require a different research design (Bijl et al 2012).

The SSN uses a 10-year period to describe the changes that have taken place in people’s life situation. And because much government policy today is actually European policy, indicate is also how the Netherlands scores compared to its European neighbours on the various themes covered in the report.
3.1 A model based approach: relating resources, descriptive and evaluative indicators

The description of the life situation of Dutch citizens in the SSN follows a line of reasoning which can be visualized via the conceptual framework in Figure 1. As noted, the life situation of the citizen is taken as the central theme – this is at the heart of the model. Citizens have individual resources to help them achieve a good life situation. In present-day society, the main resources are education, employment, health, and income. Other, individual characteristics are also important, like age, the household situation one lives in and his or her ethnic origin. The model is based on a causal relationship between resources and the life situation: the more resources at a person’s disposal, the greater their chance of a good life situation. The government, which is concerned with the creation of equal opportunities, exercises influence over the availability of such resources. It redistributes income and helps citizens to acquire social resources through public provision (Boelhouwer, 2010).

![Conceptual framework for the life situation](image)

Figure 1: conceptual framework for the life situation, Source: Boelhouwer (2010)

The social and physical settings are also important conditions for the life situation of the individual citizen. Socio-scientific research reveals the physical and social environment to be an autonomous factor affecting the life situation of the citizen either directly or indirectly.

Something different from the actual situation in which people find themselves is the way that people rate their life situation (or elements in it) and the extent to which people are happy. Because quality of life is not only about the objective life situation, but also about the subjective evaluations, subjective wellbeing is included in the conceptual framework.
4. Comprehensive measure of wellbeing: the SCP Life Situation Index

The Social state of the Netherlands has a broad scope: the life situation is described in about twelve chapters. It is hard to draw conclusions after having read the developments in the different chapters. Some developments might even be positive, while others are negative. In this respect it is helpful to have a comprehensive measure that summarizes the findings. SCP created such a measure in the 1970s and still uses it to give a first summarizing view of developments in the life situation. This measure is called the SCP Life Situation Index (SLI) and was created to integrate indicators about the wellbeing and welfare of the Dutch (see Boelhouwer, 2010 for the history and an extensive discussion on SLI). SLI combines indicators from eight important, individual, life domains: health, housing, social participation, leisure activities, sport, mobility, ownership of consumer durables and holidays. SLI uses key indicators: all of these domains are described in much more detail in the separate chapters of the SSN.

The overriding goal of SLI is to identify social developments for the purpose of policy, more specifically social policy, aimed at preventing social disadvantages, and where they exist, to overcome them (Boelhouwer 2010).

4.1 The construction of SLI

In order to construct SLI, a relevant selection of key indicators must be made within each domain. The indicators of the life situation must fulfil five criteria, in addition of course to the usual criteria applying for indicators in general (such as measurability and reliability, and in addition to policy relevance). The indicators must:

1. be interpretable in terms of positive and negative;
2. apply to everyone;
3. be measured at the individual level;
4. be descriptive;
5. be focused on output and realised wellbeing.

Once the indicators have been decided, there are several ways of combining the indicators. However, all the ways of constructing an index have their downside, which makes it difficult to choose the ‘best’ way. A major point of discussion is whether or not to weight the indicators, and if so: how to? In the construction of the life situation index the weights are decided by statistical means, on the assumption that the indicators must correlate with each other and with the eventual index (i.e. the life situation). Non-linear canonical correlation analysis is well suited for this (see Boelhouwer 2010).

Combining social indicators into a composite index offers added value above the use of separate indicators in several ways. For instance in terms of communication, not only with policy makers but also with the public. Furthermore, an index makes cumulation effects visible. These effects are relevant for policy making because they show the seriousness and the extent of social deprivation.
4.2 Who is better of?

The life situation of the Dutch population has improved continuously in the past decades. Although the improvement of the life situation does not keep pace with the increase of the GDP, this improvement does go faster than the increase in happiness: between 1974 and 2006, the increase in GDP was more than 210%, the life situation improved by 13%, while the increase in happiness was next to nil (although a high proportion – about 80% – reported being happy or very happy (Boelhouwer 2010). There are however differences in the developments of social groups in Dutch society (see table 1). Especially the more disadvantaged groups (like the elderly, low income groups, people without a job and non-Western migrants) have faced a more than average improvement of their life situation. Their life situation is still less good than that of the more advantaged groups, but the gap is getting smaller.

Table 1: Life situation by resources and ethnicity, 1999-2010 (in index scores, 1997 = 100 for the population as a whole)

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<td>102</td>
<td>102</td>
<td>104</td>
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<tr>
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<tr>
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<td>96</td>
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<td>108</td>
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<td>93</td>
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<td>96</td>
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. No data available.


Of course, these resources are related: less educated people have higher chances to be jobless or to earn little income. Boelhouwer (2010, p. 119) shows that the life situation is the least good for single persons with lower education without a job and having little
income. Income and education appears to be the most important resources for improving one’s life situation (Boelhouwer 2010).

4.3 The usefulness of SLI for policymakers and the wider audience

Results of the SCP Life Situation Index (SLI) are mainly published in the Social State of the Netherlands (SSN). The purpose of the SSN is not to carry out policy evaluation but to describe the life situation of the Dutch citizens. Where policy targets are formulated, SSN explore to what extent these targets have been or are likely to be achieved. There are however no explicit targets for the life situation as a whole. Implicitly the target most probably is to improve the life situation for everyone in the Netherlands. Whether or not this actually is a target, with SLI it is possible to tell whether life is getting better or worse. SLI is in the first place a descriptive instrument which is useful to identify trends in the life situation. Not only for the Netherlands as a whole, but for social groups in society too. If the overall life situation is improving, does this hold for everyone, or are there any groups lagging behind? SLI can thus help in keeping track of deprived groups. Having a composite index is helpful in this respect, because the general concept of ‘life situation’ is complex and multidimensional. If separate indicators are taken into consideration, it isn’t always clear at a glance what the state of affairs is across the board or what the trend is: are things all together going better or worse? Related to this is the communicative function of SLI: because it is a single figure, it is easier to attract attention than with a whole range of different indicators. A great deal of the press coverage about the SSN uses SLI to illustrate the improved quality of life of the Dutch, next to presenting specific highlights.

A relatively new development is that municipalities are joining in with calculating ‘city life situation’ scores for their own purposes. They want to describe the quality of life in the city and compare that with other cities and with the Netherlands as a whole. Moreover, some local governments actually set target goals for the life situation of specific groups, for example in the eastern part of Amsterdam, where the goal is to improve the life situation from 104 in 2004 to 107 in 2014 (Boelhouwer and Gilsing 2012).

5. Conclusion and discussion

The SCP Life Situation Index relates to the individual and is based on population surveys. This is necessary for viewing the interconnection of the various domains at the personal level, in order to determine for instance whether a person is in a disadvantaged position on a number of domains. This provides policymakers and the wider audience with an insight into how people are doing and how they are faring compared to others. Another advantage of using survey data is that it becomes possible to combine personal data to obtain an insight into the social situation of groups, of cities and even of the Netherlands as a whole.
Despite the earlier mentioned positive points of indices, it should be kept in mind that with an index one cannot tell the whole story. Ultimately, data about individual domains and separate indicators remain required for the analysis of the life situation (or whichever other concept measured by means of an index). After all, an index consists of key indicators that offer only limited insight into the domain that they indicate. Besides, it is not always possible to find the causes of developments that are found: in many cases other information and other data are needed to do so.

SLI does give a picture of the objectified wellbeing, but not of the subjective wellbeing (happiness and satisfaction). To get the full picture of quality of life, it is important to have both descriptive and evaluative information. Therefore both are included in the conceptual framework. Having descriptive and evaluative indicators in the same index together, reduces the policy relevance, as it is relevant to know whether people are satisfied with the situation they are living in. Besides, dissatisfaction can have very different determinants compared to bad conditions: confusing the causes by combining them makes it hard for policymakers to act.

With SLI, developments of the life situation in the Netherlands can be described. There are however no other countries to compare the Dutch developments with. To make international comparisons, other data sources are needed. To track down deprived groups and to breakdown the results for different social groups, it would be best to use data collected in one survey (which differs from the approach of OECD’s Bette Life Index, for example). There are data-sources available, like the European Social Survey, EU-SILC, European Quality of Life Surveys or the European Value Surveys. It could be investigated whether these are suitable for constructing a wellbeing index. As the SCP Life Situation is a good instrument to monitor social developments in the Netherlands, it would be good to develop a comparable index with which European countries can be compared.

References


