

Measuring well-being and sustainability: A special issue of the Revue de l'OFCE

By [Eloi Laurent](#)

This issue of the [Revue de l'OFCE \(no. 145, February 2016\)](#) presents some of the best works that are being produced at a rapid clip on indicators of well-being and sustainability.

Why want to measure well-being? Because the idea that economic growth represents human development, in the sense that growth represents a good summary of its various dimensions, is simply false. GDP growth is not a prerequisite for human development; on the contrary, it is now often an impediment (as is illustrated by the exorbitant health costs of air pollution in India and China, two countries that concentrate one-third of the human population).

Achieving growth is not therefore sufficient in itself for human development; there is a need for specific policies that deal directly with education, health, environmental conditions and democratic quality. If the multiple dimensions of well-being are not taken into account, one dimension, typically the economic dimension, is imposed on and crushes the others, mutilating the human development of both individuals and groups (the example of health in the United States is particularly striking in this regard).

Why want to measure sustainability? Because today's global growth rate of 5% is of little importance if the climate, the ecosystems, the water and air that underpin our well-being have irrevocably deteriorated in two or three decades due to the means deployed to achieve that growth. Or to put it in the words of the Chinese Minister of the Environment, Zhou Shengxian, in 2011: "If our land is ravaged and our health

destroyed, what benefit does our growth bring?" We need to update our understanding of well-being so that it is not a mirage. Our economic and political systems exist only because they are underpinned by a set of resources that make up the biosphere, whose vitality is the condition for the perpetuation of these systems. To put it bluntly, if ecological crises are not measured and controlled, they will eventually do away with human welfare.

Indicators of well-being and sustainability must therefore enter a new, performative age: after measuring in order to understand, we now need to measure in order to make change – to evaluate in order to evolve. Because the change called for by these new visions of the global economy is considerable. This time of action invariably involves choices and trade-offs that are far from simple. This underscores the dual purpose of this issue of the *Revue de l'OFCE*: to show that indicators of well-being and sustainability have reached maturity and that they now can change not only our vision of the economic world but also the economic world itself; they can make clear the types of choices available to public and private decision-makers so as to carry out the change needed. In this respect the two sections of this special issue clearly highlight the issue of the relevant scale for measuring well-being and sustainability.

The first part of this issue is devoted to the relatively new topic of measuring regional well-being in France. Measuring well-being where it is actually lived presupposes moving down the scale to the local level: the need to measure and improve human well-being as close as possible to people's lived reality, along with the scale of spatial inequalities in contemporary France, demands a territorial perspective. There are at least two good reasons why territories (regions, cities, *départements*, towns), more than nation-states, are the vectors of choice for the transition towards well-being and sustainability. The first is that they have grown in

importance due to the impact of globalization and urbanization. The second is their capacity for social innovation. Following on from the late Elinor Ostrom, we talk about a “polycentric transition” to mean that each level of government can seize on the well-being and sustainability transition without waiting for a push from the top.

Monica Brezzi Luiz de Mello and Eloi Laurent (“Beyond GDP, beneath GDP: Measuring regional well-being in the OECD” – *all OFCE Revue articles in French*) gives the initial results of the theoretical and empirical work currently underway in the OECD framework (interactive access on the site <http://www.oecdregionalwellbeing.org/>) that measures certain dimensions of well-being at the regional level and applies these new indicators to the French case in order to draw useful lessons for public policy.

Robert Reynard (“Quality of life in the French regions”) provides an overview of recent findings by the INSEE using regional quality-of-life indicators. These can be used to develop a new typology of French spaces, highlighting eight major types of territories, which are distinguished both by the living conditions of their inhabitants (employment, income, health, education, etc.) and the amenities that these areas provide for their people (living environment, access to services, transport, etc.). The new representation of France that emerges constitutes a valuable decision-making tool for those in charge of policies aimed at promoting equality between the regions.

Kim Antunez, Louise Haran and Vivien Roussez (“Diagnoses of quality of life: Taking into account people’s preferences”) looks back at the approach developed by France’s regional monitoring body (*Observatoire des territoires*) and highlights indicators, offered at appropriate geographical scales, that can be used to account for the multidimensional character of quality of life in France. Here too, regional typologies explore the link between the diverse amenities in people’s

environments and the diverse aspirations of the people who live in them, so as to highlight the imbalances that exist and the public policy levers that can be used to reduce these.

Finally, Florence Jany-Catrice (“Measuring regional well-being: Working *on* or *with* the regions?”) discusses a fundamental aspect of the debate about measuring well-being in the French regions: the participation of citizens in defining their own well-being. She shows in particular that the impact of the indicators depends on whether those who develop them work on the regions or with them – it is only in the latter case that the region and its inhabitants become active players in the development of a common vision.

But, in contrast to these localized approaches, the measurement of sustainability requires moving up the geographical scale to the national or even global level. This is the subject of the articles in the second part of this issue, which deal with a subject whose importance has been emphasized by the recent law on the energy transition: the circular economy. Here there is a crucial difference to be made between a seemingly circular economy, which concerns a product or business, and genuine economic circularity, which can be understood only by enlarging the loop to develop a systemic vision.

This is what Christian Arnsperger and Dominique Bourg aim to demonstrate (“Towards a truly circular economy: Reflections on the foundations of an indicator of circularity”) by examining the main issues and questions that designers of an indicator of a truly circular economy would need to take into account, if it were ever to be developed formally and technically. They conclude in particular that without a systemic vision oriented towards the reduction, rationing and stationarity intrinsic to the permaculture approach, the notion of the circular economy will forever remain vulnerable to misuse that, however well intentioned, is ultimately short-sighted.

Vincent Aurez and Laurent Georgeault (“Indicators of the circular economy in China”) attempt to assess the relevance and the actual scope of the assessment tools developed in recent years by China to flesh out an integrated circular economy policy that aims at ensuring the transition to a low-carbon model with a restrained use of resources. These instruments, which in many respects are unique, but still inadequate, are distinguished by their systemic and multidimensional character, and therefore constitute an original contribution to the field of sustainability indicators.

Finally, Stephan Kampelmann (“Measuring the circular economy at the regional level: A systemic analysis of the management of organic matter in Brussels”) draws on the theory of social-ecological systems to carry out a particularly innovative exercise. He uses a battery of indicators to compare the economic, social and environmental impact of two possible pathways for the municipal management of flows of organic matter in Brussels: a centralized treatment using anaerobic digestion, and a process based on decentralized composting.

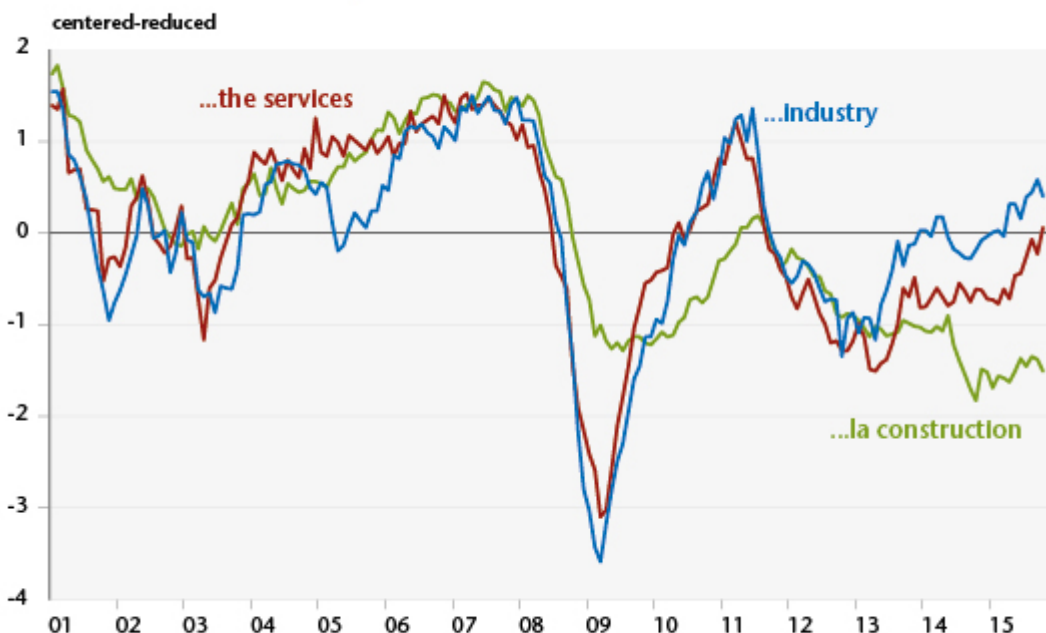
Thus while well-being is best measured at the local level, to assess sustainability properly, including at the regional level, the impact felt beyond local and national borders has to be taken into account. The trade-offs between these dimensions, including the exploration and possible transformation into synergies at regional and national levels, then turn out to be the most promising projects opened up by the welfare and sustainability transition.

The French economy on the road to recovery

by Hervé Péléraux

The publication of the INSEE's business surveys on October 22 confirms the French economy's positive situation in the second half of 2015, suggesting that the negative performance in the second quarter of 2015 (0%) will turn out to have been merely "an air pocket" after the strong growth seen in the first quarter (+0.7%). The business climate in industry has exceeded its long-term average for the seventh month in a row, and the service sector has been recovering rapidly since May 2015 and has climbed back to its average, the highest level in four years (Figure 1). The business climate in the construction sector nevertheless is still suffering from the crisis that hit it, but its downward trend halted at the end of 2014; despite monthly hiccups, the sector has begun a slow recovery that could signal the end of its woes in the coming quarters.

Figure 1. Business climate in ...



Source : INSEE.

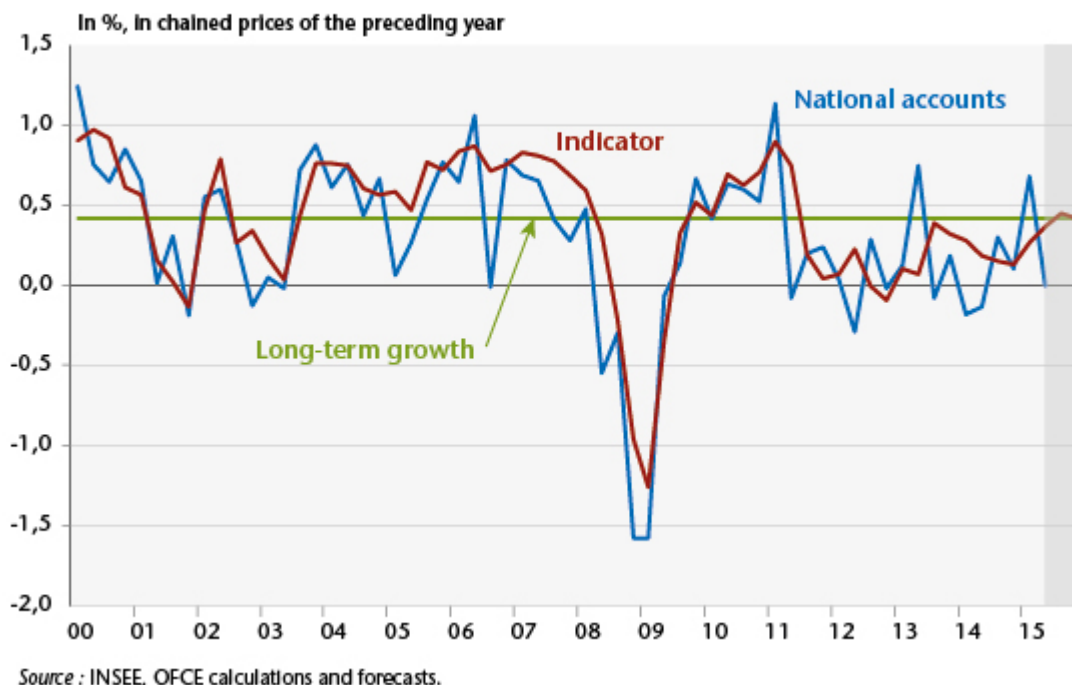
The confidence indicators, which provide qualitative information summarizing the balance of opinion on the various questions posed about business activity, consumer confidence and the situation in commerce, can be converted into quantitative information by means of an econometric equation linking these to the quarterly GDP growth rate[\[1\]](#). Doing this makes it possible to use these purely qualitative data to estimate the GDP growth rate in the past and near future (two quarters), given that the publication of the surveys precede that for GDP. Among the sectoral indicators available, only the business climate in industry, services and construction provide econometrically useful information to trace the trajectory of the GDP growth rate. The other series are not significant, in particular the indexes for consumer confidence and for confidence in the retail and wholesale trade.

The leading index, which has a significantly more smoothed profile than GDP growth rates, cannot fully capture the volatility of activity and therefore should not strictly speaking be considered a predictor of growth (Figure 2). On the other hand, from a more qualitative viewpoint, it manages to delineate quite correctly the phases during which growth is above or below average (or the long-term) determined by the estimate. From this perspective, the indicator can be seen as marking a turning point in the economic cycle. Since the second quarter 2011, the indicator has not depicted any crossing of the long-term growth rate, despite the false signs of recovery raised by the quarterly GDP figures for Q2 2013 and Q1 2015.

Based on the survey data available up to October, the growth foreseen by the indicator is 0.4% in the third and fourth quarter of 2015, exactly equal to long-term growth[\[2\]](#). While a signal of recovery is not yet clearly given by the indicator, it should be noted that the information on the fourth quarter, which is limited to the October surveys, is quite partial. The confidence climates, which are extrapolated to the end of the

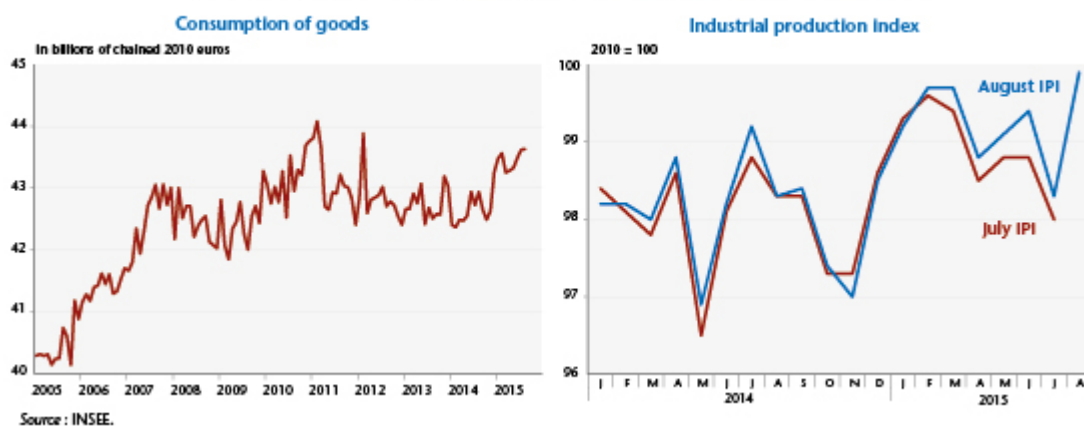
year, are based on conservative assumptions and are likely to be upgraded if the surveys continue to improve from now to December.

Figure 2. GDP growth rate observed and estimated by the indicator



The quantitative information available at this time for the third quarter of 2015 also gives cause for optimism, after the disappointment of the second quarter. Under the impact of the disinflation brought on by lower energy prices, which enabled a sharp rebound in purchasing power, household consumption of goods recovered sharply at the beginning of the year (Figure 3). The rise was interrupted in the second quarter, due to poor sales in March, which pulled down the figures, but consumption has resumed its upward trajectory continually since then. The carry-over in August for the third quarter was clearly positive (+0.6%), which suggests that the consumption of goods will again contribute positively to GDP growth for the quarter.

Figure 3. Household consumption of goods and Industrial production Index



The projection of a return to growth in the third quarter is also confirmed by trends in the industrial production index (IPI), which rose sharply in August (+1.6% for the total IPI, and +2.2% for the manufacturing index itself). This rebound followed a drop in production after the peak in February-March 2015 [3], which contributed to the poor performance of GDP in the second quarter (Figure 3), and nourished the idea that the second quarter was not an “air pocket” but the continuation of a long phase of stagnation for a France that was unable to take advantage of the favourable winds blowing from outside [4]. The carry-over in industrial production in August now stands at 0.3%, while it was -0.7% in the old series available in July.

The recent trends in the monthly indicators augur a renewal of growth in the third quarter of 2015. The extrapolation of GDP growth using the leading indicator, supplemented by the already available quantitative data, also points to a 0.4% increase in activity in the third quarter, which, if it is realized, would then put the economy on a firm track to finally initiate a recovery.

[1] For greater detail, see: « [France : retour sur désinvestissement, Perspectives 2015-2017 pour l'économie](#)

[française » \[The 2015-2017 forecast for the French economy\]](#), pp. 34-37.

[2] The long-term growth considered here is not the potential growth estimated by its structural determinants using a production function, but the average GDP growth rate as reflected in the estimate of the indicator.

[3] It should be noted that the statistical revisions can change the perception of the economy's dynamics in the very short term. The IPI series published on 9 October 2015 by the INSEE has revised the level of the index significantly upwards compared to the previous publication. The IPI is still on a downward trend between February and July 2015, but the trajectory described is less negative, and the quarterly average of the index in the second quarter of 2015 is affected: according to the old series, it stood at -0.7%, compared with -0.4% according to the revised series.

[4] See Heyer E. and R. Sampognaro, 2015, « [L'impact des chocs économiques sur la croissance des pays développés depuis 2011](#) », [The impact of economic shocks on the growth of the developed countries since 2011], *Revue de l'OFCE*, no. 138, June 2015.

Equality at risk from simplification

By [Françoise Milewski](#) and [Hélène Périvier](#)

Legislating to promote equality

The laws on equality in pay and in the workplace have come a

long way since 1972, from the affirmation of the principle of equality to the production of a detailed numerical diagnosis that puts flesh on the bones of inequality (via the Comparative Situation Reports that have been drawn up since 1983 under the Roudy law) as well as to the duty to negotiate. The 2006 law paved the way for hitting recalcitrant companies with financial penalties, as set out in an article in the 2009 law on pensions. There were numerous attempts to limit the scope of the law up to 2012, when things were more or less clarified: companies are now obliged to produce a CSR, which reports annually on the state of inequality in well-defined areas; they must then conduct negotiations on occupational equality and equal pay and, if there is no agreement, they are required to take unilateral action. There are exhaustive controls, with agreements or plans to be filed with the government (no longer on a one-off basis as in the first formulations of the implementing decree). Companies that fail to comply with the law are put on notice to remedy this on pain of financial penalties of up to 1% of payroll.

The duty to negotiate entails collective management of the issue. Since 2012, the number of agreements signed has increased, as have formal notices and sanctions. While the content of the agreements and plans is often too general, it's a start. The framework law of 4 August 2014 on equality has complemented and strengthened these arrangements.

Simplification: naïveté or retreat?

On the occasion of the Rebsamen bill on social dialogue, this long legislative process is suddenly being called into question under the pretext of simplification. In the bill's initial version, the requirement to produce a detailed diagnosis in a CSR is gone, having melted into the company's single database. The duty to negotiate on occupational equality also disappears, integrated into other negotiations (quality of life at work).

Given the extent of the reaction (associations, individuals, unions, researchers, etc.), the three ministries concerned issued a statement reaffirming certain principles, including that "it shall continue to be obligatory to transmit all the information that is currently found in the CSR". Amendments will be tabled to that effect. But nothing is settled. The gender indicators remain integrated into the single database, so the CSR loses its specificity. Negotiations that focus on equality are not restored, and their frequency remains unclear (annual? triennial?). Uncertainty remains.

Whatever the outcome of the parliamentary debate that is starting up on social dialogue, business has been given the signal that equality policy can be challenged, that previous requirements are ultimately not all that imperative, and that the measures taken in recent years can be relativized in the name of simplification.

If, by leaving it up to the social partners to negotiate on gender equality, this issue had emerged on its own and led to significant progress, no law on the subject would have been necessary. It was in response to inertia and persistent inequality that constraints were imposed on companies. It is because our society needs to make gender equality a fundamental principle that laws, coupled with constraints, were approved. The complexity of the social dialogue on this subject reflects the resistance of the different parties. This simplification is at best naive, and at worst a refusal to come up with public policy to promote equality.

In the field of equality, vigilance is vital. Removing the constraints means going back on the principle of equality. A desire for equality requires clear, ongoing political will: continuity and coherence in public policy is crucial.

This is the meaning of a statement by men and women researchers that was published on the *Les Echos* website on 19 May.

