Rethinking Rural Well-Being

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Why?

- Traditional approaches to rural well-being and poverty in terms of income and wealth
- Increasing attention towards a broader, multidimensional perspective (OECD, EU, UNDP, Canada, France/Sarkozy Commission,...)
  - new approaches, concepts, and measures
Outline

• Well-being as income and wealth
• Introducing many dimensions
  – merits and difficulties of multidimensionality
  – measurement issues: selection and aggregation
• It is not just multidimensionality
  – we need a sound theoretical framework
• The relevance for rural people and areas
• Implications: measurement, data, policies
Well-being as income and wealth

• Traditional “economistic” approaches generally identify or associate well-being with the availability of goods and services, namely wealth, and/or with the flow of wealth, that is income.

• A number of scholars and studies have challenged those views, emphasizing the need for introducing additional non-monetary dimensions of well-being, such as social well-being, environmental well-being, subjective well-being and others.
Well-being as income and wealth /2

• This change also concerned the debate about “development”
  – from increase of per capita GDP and economic growth to expansion of human well-being, and beyond
• Some governments, statistical offices and international agencies have subsequently taken into account those new perspectives and dimensions
• However, policy-makers and institutions still give prominence to income-related indicators
Multidimensional well-being/1

• An important progress...
• ...but measurement and evaluation of well-being and poverty more difficult
• Problem 1: the choice of the well-being dimensions, i.e. of the appropriate “informational base”. Each informational basis corresponds to a particular concept of justice or ethics.
  — the choice of the variables and indicators that adequately represent each of the selected dimensions
Multi-dimensional well-being/2

• Problem 2: the use of the included information, especially for comparisons
  – two roads
    • well-being (or poverty) profile
      – pros: no loss of information, more transparency
      – cons: ranking mostly impossible
    • composite indicators
      – pros: ranking always possible
      – cons: loss of information and transparency, aggregation issues
Multidimensional well-being/3

- aggregation issues of composite indicators: weights and aggregation methods

  1. arithmetic mean: easy to apply and interpret, but arbitrary weights
     - simple mean (e.g. HDI): ⇒ equal weights ⇒ perfect substitutability ⇒ not a “neutral” approach
     - weighted mean: imperfect substitutability

  2. factorial analyses: apparently more objective, but “extracted” weights are variable and do not reflect the ethical importance of various dimensions
Multidimensional well-being/4

- aggregation issues (cont’d)
  3. power mean (e.g. HPI) or adjusted mean (e.g. MPI): imperfect substitutability and implicit non arbitrary weights
    - penalize units that have unbalanced performance across dimensions

- According to Sen «there is ... a strong methodological case for emphasizing the need to assign explicitly evaluative weights to different components of quality of life (or of well-being) and then to place the chosen weights for open public discussion and critical scrutiny», rather than using «some wonderful formula that would simply give us ready-made weights that are “just right”»
It’s not just multidimensionality /1

• Multidimensionality is a progress, but it can be also confusing
• There have been produced
  – (large) sets of single indicators for the various well-being dimensions;
  – composite well-being and poverty indicators;
  – factorial analyses of well-being indicators
• Combining “apples and oranges”?
It’s not just multidimensionality /2

• Multidimensionality issues: selections (and weighting) of dimensions/indicators. This is not just a statistical problem, but it is a theoretical and political one
  – “measurement without theory”

• One main theoretical problem: often no distinction is made between “means and ends”
  – some variables are components of well-being, while other are rather means to achieve well-being
It’s not just multidimensionality /3

- Theoretical problem (cont’d)
  - some variables can measure various dimensions of “well-being achievement”, while others are only resources needed to achieve well-being
  - the former variables are *constitutive* of well-being, while the later are *instrumental* to well-being
- special variables that have a double nature
It’s not just multidimensionality /4

• Combining constitutive and purely instrumental variables can be misleading, for two reasons

  1. the “conversion factors” of resources into well being: personal heterogeneities, environmental diversities, variations in social climate, difference in relational perspectives, and distribution within the family

  2. the “input-output” relation between resources and well being achievements. Example: [Income, Assets, Employment]→[Well-being]

The distinction between inputs and outputs applies to goods production as well as to well-being achievement
It’s not just multidimensionality /5

- When studying goods production processes, we usually analyze relations between inputs and outputs in terms of productivity (e.g. production per worker) or of efficiency. This approach should be also used for well-being, by analyzing the “productivity” (e.g. achieved well-being per resource) or efficiency (how to get the maximum well-being given the resources endowment) of the process.
It’s not just multidimensionality /6

- A genuine well-being concept concerns the kind of life that people lead, rather than their economic “entitlements”, which are the bundles of various resources over which people have command.

- This does not mean that economic entitlements are not relevant for well-being. Although they are not components of well-being, they are fundamental determinants of well-being, together with other factors. Therefore, even though entitlements are not the adequate evaluative space for well-being measurement, their relationship with well-being deserve a great attention and should be thoroughly analyzed.
Well-being of rural people

- These issues are particularly relevant in the study of well-being and poverty of households and people in rural areas. In fact:
  - Most rural disadvantages are strongly related to “conversion factors” that are peculiar to rural areas, such as remoteness, poor infrastructures, lack of public goods and services, scarcity of private services, insufficient information
  - Some components of rural well-being – especially the non-material ones – cannot be adequately captured by income or wealth, e.g. personal security, better natural environment, more social capital, food safety
Conclusions and implications/ 1

• Income and wealth are important, but should be put in their place
  – They are nothing else than means to achieve well-being
  – They are not the unique source of well-being: other non-monetary sources of well-being, like certain institutions and public goods, in many circumstances could be even more important

• To assess correctly rural well-being we need a novel approach that is both broader –i.e., multidimensional– and theoretically founded –i.e., able to distinguish between instrumental and constitutive aspects of well-being
Conclusions and implications/ 2

- Implications of this approach for data collection, rural statistics and indicators, as well as for rural policies

1. data and statistics: more demanding, but it should be not an excuse for maintaining an income approach
   - several data about non-monetary well-being dimensions are already available
   - what is often missing is a disaggregation of data between rural and urban areas; examples
   - “missing dimensions”: need for an international effort
Conclusions and implications /3

• Implications (cont’d)

2. rural policies

• a multidimensional and theoretically founded well-being measurement and assessment could provide to the policy maker a more comprehensive and coherent informational base for the analysis of rural development and poverty, as well as for policy design

• this approach calls for a substantial shift of traditional rural policies toward a multidimensional (hence multisectoral) perspective

• if our objective is to expand rural well-being and to eradicate rural poverty, rather than just increase production and productivity, we need to shift the policy focus from agricultural commodities to rural people