

## Chapter 1

# The OECD Better Life Initiative: Concepts and indicators

*What drives people's and nations' well-being and where do countries need to improve to achieve greater progress for all? Building on more than 10 years of OECD work on measuring well-being and progress, the OECD Better Life Initiative launched in 2011 addresses these questions through evidence on 11 dimensions. The framework developed by the OECD to measure well-being distinguishes between current and future well-being. Current well-being is measured in terms of both material conditions and quality of life. The chapter also describes a range of statistical advancements made on measuring well-being since the previous edition of How's Life?. For example, significant progress has been made in some areas, such as income and wealth, education, environment and subjective well-being. This progress needs to be sustained while in other well-being areas statistical challenges still remain.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

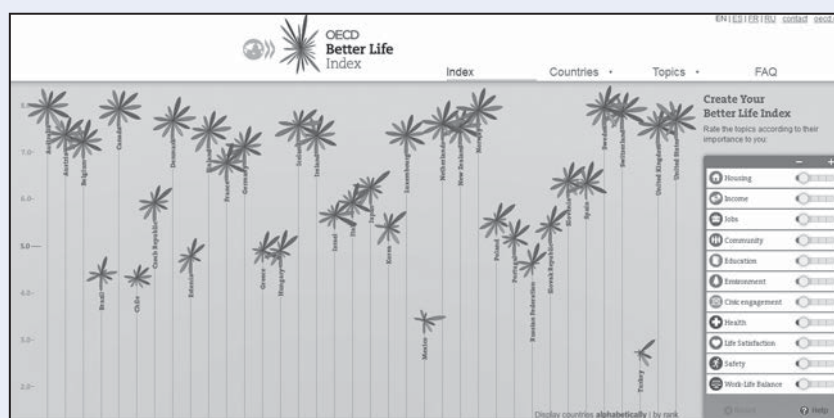
## The OECD Better Life Initiative and beyond

Are our lives getting better, and if they are, how do we know? How can we measure improvements in well-being, not just economic growth? Is well-being shared fairly among different groups in society, such as the young and the elderly, men and women? How can we be sure that actions to achieve better lives today are not undermining tomorrow's well-being? The question of how to measure well-being and societal progress is one that the OECD has been addressing for more than a decade, resulting in the *OECD Better Life Initiative* in 2011. The *Better Life Initiative* focuses on the aspects of life that matter to people and that, together, shape their lives. It comprises a regularly updated set of well-being indicators and

### Box 1.1. The Better Life Index

The *Better Life Index* (BLI) has been designed to involve people in the discussion on well-being and, through this process, to learn what matters the most to them. The *Better Life Index* (Figure 1.1) is an interactive tool that allows users to set their own weights on the 11 dimensions of the OECD well-being framework (Figure 1.2). The web application allows users to see how countries' average achievements compare based on one's own personal priorities in life, and to share one's index and choices of weights with other people in their networks and with the OECD. Since its launch in May 2011, the BLI has been visited by more than 2.6 million people from all over the world. Around 44 000 indices have been shared with the OECD. The information gathered from these users shows that on average what matters most to them is life satisfaction, health and education.

Figure 1.1. The OECD Better Life Index web application



Note: The screenshot shows the BLI visualisation. Countries are represented by flowers with eleven petals, corresponding to the well-being dimensions (see Figure 1.2). Users can rate these dimensions by using the control panel in the right-hand side of the screen. When dimensions are rated, flowers change size to reflect the importance attributed by users. At the same time, countries move up (down) if they perform well (poorly) in the dimension of well-being that users rate the highest.

Source: The OECD Better Life Index, [www.betterlifeindex.org](http://www.betterlifeindex.org).

an analysis, published in *How's Life?* as well as an interactive web application, the *Better Life Index* (Box 1.1). It also includes a number of methodological and research projects to improve the information base towards a better understanding of well-being trends and their drivers.<sup>1</sup>

While work on well-being and progress originated in academic and policy circles, measuring well-being is now a prominent item on the agenda of many statistical offices. This reflects the wide-spread recognition that well-being statistics are critical for informing policy making on a regular and systematic basis on a range of aspects that matter to the life of ordinary people.

Over the past few years, many countries have launched their own initiatives to measure well-being (see [www.wikiprogress.org](http://www.wikiprogress.org) for a comprehensive rolling review of existing initiatives). Several of these initiatives were presented at a series of OECD regional conferences and at the 4th OECD World Forum on Statistics, Knowledge and Policy that took place in New Delhi in October 2012. The large and increasing number of such initiatives demonstrates the interest globally for indicators and analysis that go beyond GDP. They also show a strong convergence in conceptual frameworks and indicators used (see Box 1.2).

#### Box 1.2. Recent national initiatives on measuring well-being and progress

While work on well-being and progress originated in academic or policy circles (e.g. Club of Rome, the OECD Global Project, etc.), the notion of well-being is now prominent on the agenda of many National Statistical Offices (NSOs). Selected recent projects undertaken by NSOs or governments include:<sup>1</sup>

- **Australia:** The Australian Bureau of Statistics (ABS) published its first Measures of Australia's Progress (MAP) in 2002, with updates in 2010 and 2012. In 2011, ABS carried out an extensive community consultation (MAP 2.0) to improve MAP. This consultation involved individuals, community leaders and experts to provide guidance on the goals and aspirations of Australians. The feedback collected through a series of conferences, web-consultations and panels exposed some of the gaps in the picture provided by the indicators previously used in the MAP initiative, and led to the identification of "governance" as a new domain of progress. The outcomes of this consultation have subsequently been used by ABS to improve the statistical framework used to measure progress. The refreshed MAP will be released in November 2013.
- **Austria:** In 2012, Statistik Austria launched a new dataset (*How's Austria?*) comprising 30 headline indicators in three areas: material wealth, quality of life and environmental sustainability. In the same year, the Economy Ministry together with the Austrian Research Institute WIFO published a study (*Mehr als Wachstum*, "More than Growth"), which complemented the OECD *How's Life?* indicators set with additional indicators on domains identified as especially relevant by Austrian people. In interviews, Austrians were asked to rate the importance of indicators and dimensions for their own well-being, with the indicators aggregated accordingly to derive a composite index of Austrian well-being.
- **France:** Since the publication of the *Stiglitz-Sen-Fitoussi Report*,<sup>2</sup> the French National Statistical Office (Institut national de la statistique et des études économiques, INSEE) has introduced quality of life variables in existing household surveys and has introduced a specific multi-modal survey on quality of life. This survey enabled, for the first time, joint measurement of all the objective and subjective quality of life dimensions recommended in the *Stiglitz-Sen-Fitoussi Report* (Stiglitz et al., 2009).
- **Italy:** In 2011 the Italian National Statistical Office (Istituto nazionale di statistica, ISTAT) and the National Council on the Economy and Labour (CNEL) established a joint "Steering Group on the Measurement of Progress in Italian Society", including representatives from firms, trade unions and civil society. The Group developed a multi-dimensional framework for measuring "equitable and sustainable well-being" (*BES – benessere equo e sostenibile*), building on an open consultation with experts, civil society and citizens (through surveys and on-line) to identify the dimensions of well-being that are most relevant for Italian society. The Group published its report in 2013 and indicators will be systematically updated by ISTAT.

Box 1.2. **Recent national initiatives on measuring well-being and progress** (cont.)

- **Mexico:** The National Statistical Office of Mexico (Instituto Nacional de Estadística Geografía e Informática, INEGI) has developed a set of well-being statistics following a three-step strategy. The first step consisted in promoting debate and discussion on the subject through seminars and conferences organised with relevant national, regional and international experts. The second step consisted in gathering and reporting the available well-being statistics in a specific subsection of INEGI's web page and in developing new indicators on subjective well-being, based on a number of questions newly included in existing surveys (household income and expenditure survey, time use survey, citizens' confidence and public perception survey). The third step consisted in promoting the use of the new set of well-being indicators in policy making.
- **Portugal:** Statistics Portugal (Instituto Nacional de Estatística) has recently started to develop a well-being index which will be released at the end of 2013. Since 2012 Statistics Portugal has also updated annually its 80 Sustainable Development Indicators.
- **United Kingdom:** In 2010 the UK Prime Minister invited the National Statistician to run a "National Debate" asking citizens "What matters?". This initiative was run by the Office of National Statistics (ONS), Measuring National Well-being Programme, which included setting up online and offline platforms to interact with people and organisations on the questions that could help measure the country's progress. More than 34 000 contributions were made, with initial findings from the national debate and consultation published in June 2011. In July 2012 the ONS released the first annual subjective well-being estimates and a revised set of domains and measures. In November 2012, the first annual report on "Life in the UK, 2012" and the national well-being "wheel" which included the well-being indicators were published. The ONS measures of national well-being combined with the Department for Environment, Food and Rural Affairs (DEFRA) Sustainable Development Indicators show what UK citizens value as a nation and the type of society they want to pass on to future generations. Scotland Performs measures and reports on progress of government in Scotland in creating a more successful country, with opportunities for all to flourish through increasing sustainable economic growth. Scotland Performs offers accountability based on national priorities set out in the National Performance Framework.

Many initiatives have also been carried out at international level, for instance:

- At European level, the **European Statistical System Committee** (ESSC) has established a Sponsorship Group on Measuring Progress, Well-being and Sustainable Development that follows up on the recommendations from the "GDP and Beyond Communication" and the Stiglitz-Sen-Fitoussi Commission report. Building on some of the recommendations of the Sponsorship Group, the ESSC has further developed a set of Quality of Life (QoL) indicators for the EU. The indicators are seen as a first attempt at combining data from several sources for measuring Quality of Life in the EU and will be refined and complemented with additional indicators, as results from new ad hoc modules in existing surveys become available (e.g. the module on subjective well-being in the EU-SILC 2013) and further methodological work is developed.
- At the **European Level, the EU's Europe 2020 Strategy** also establishes a number of targets for jobs and smart, sustainable and inclusive growth. These indicators are supported by specific headline indicators that allow monitoring progress in the strategy targets.
- **WHO/Euro** has created an expert group on measurement and target-setting for well-being in Europe. Its overarching aim is to provide advice on how to assist in setting targets on well-being, as a part of the overarching targets of the European Health 2020 policy.

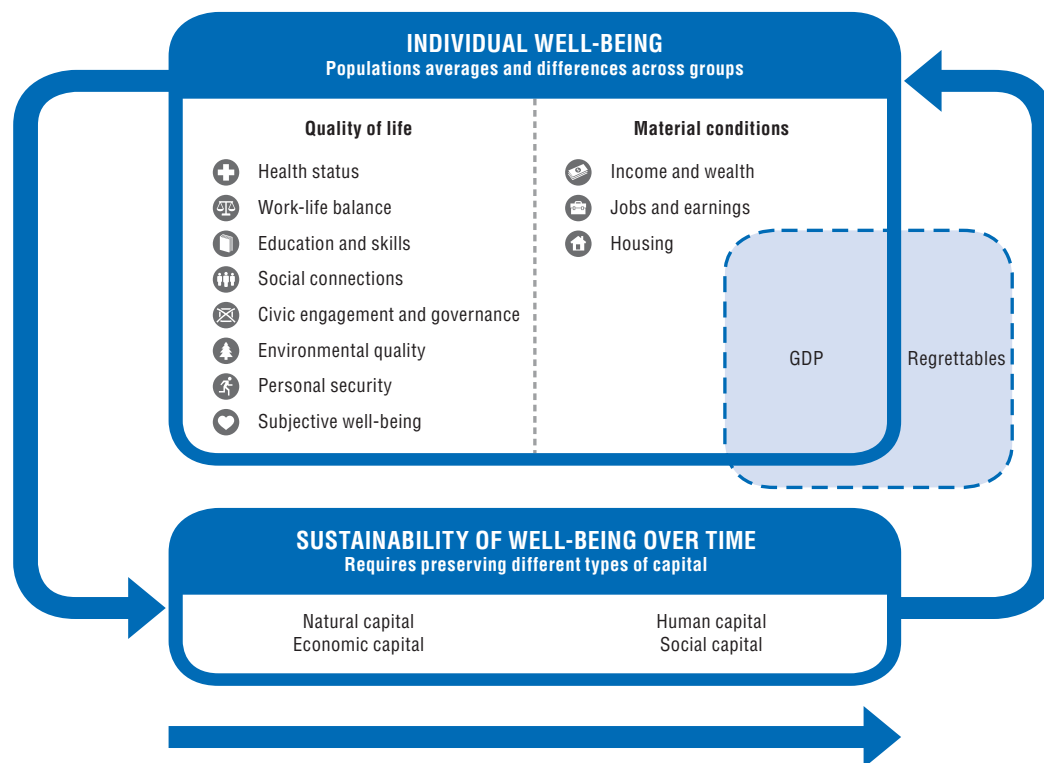
1. For European countries see also [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality\\_life/links#5](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality_life/links#5).

2. In 2008 former French President Nicolas Sarkozy established the Commission on the Measurement of Economic Performance and Social Progress chaired and co-ordinated by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi. In September 2009 the Commission published a report that included around 30 recommendations on how to improve measures of well-being and progress (Stiglitz et al., 2009). *How's Life?* draws on many of these recommendations.

## A framework for measuring well-being

Figure 1.2 presents the conceptual framework used by the OECD to define and measure well-being in its *Better Life Initiative* (see Box 1.3 for more details). The framework distinguishes between current and future well-being. Current well-being is measured in terms of outcomes achieved in the two broad domains: material living conditions (income and wealth, jobs and earnings, housing conditions) and quality of life (health status, work-life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security and subjective well-being). Future well-being is assessed by looking at some of the key resources that drive well-being over time and that are persistently affected by today's actions: these resources can be measured through indicators of different types of "capital". Chapter 6 discusses in more detail the *How's Life?* approach to measuring the sustainability of well-being over time.

Figure 1.2. **The OECD well-being conceptual framework**



Source: OECD (2011), *How's Life?: Measuring Well-being*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264121164-en>.

Building on best practices for measuring well-being and progress, the recommendations from the *Stiglitz-Sen-Fitoussi Report*, as well as on consultations with international experts and with National Statistical Offices represented in the OECD Committee on Statistics, the OECD well-being framework for measuring current well-being has four distinctive features:

- First, it focuses on **people** (i.e. individuals and households), their situation and how they relate to others in the community where they live and work. Focusing on people, rather than on the economy, is important as there may be differences between the economy-wide assessment of a country and the well-being experience of individuals and households.

### Box 1.3. Conceptual underpinnings of the OECD well-being framework

From a normative perspective, the OECD well-being framework builds on the capabilities approach proposed by Sen, 1985 (see also Alkire and Sarwar, 2009; Anand et al., 2009; Anand et al., 2011). This approach is based on a multidimensional definition of well-being where both what people do, such as having a good job or expressing their political voice (their functioning) and people's freedom to choose that functioning (their capabilities) matter. The capabilities approach differs from so-called "welfarist approaches", which focus solely on well-being achievements, irrespective of the conditions under which outcomes are achieved (i.e. ignoring the set of opportunities given to each person to achieve those outcomes).

The OECD well-being framework stresses that functionings and capabilities matter to the same degree, recognising the importance of individual agency and freedom in choosing the life one wants to live. For instance, the OECD framework encompasses education, health and social connections as these dimensions are instrumental in choosing a good life. According to this perspective, increasing well-being means expanding the opportunities that people have to live their life according to their objectives and values.

The OECD framework attempts to operationalise the capabilities approach and to make it measurable through indicators that can be collected and used by policy-makers and National Statistical Offices to monitor well-being conditions in the population and their evolution over time. Operationalising the framework means first, selecting a list of basic and universal functionings and capabilities; and, second, identifying the specific indicators measuring each of them. In terms of functionings and capabilities, the OECD defines well-being in the domains of material living conditions and quality of life, in line with a large body of literature and research (e.g. Stiglitz et al., 2009 for a review; Sen, 1998; Nussbaum, 2011). In the OECD framework, the 11 well-being dimensions can be seen as both functionings and capabilities. For instance being in good health is a functioning in itself but it is also a capability as it makes it possible to choose among a number of different functionings (e.g. the type of job, the type of leisure, etc.). The larger is this set of choices, the larger is the capabilities space.

From a conceptual perspective, the OECD approach is similar to that developed by the UNDP for its Human Development Index (HDI). However, the OECD approach expands the scope of the HDI, as it encompasses additional dimensions to the three considered by the UNDP (i.e. income, health and education), whose focus has traditionally been on developing countries.

Source: Adapted from Boarini, R. and Mira d'Ercole (2013), "Going Beyond GDP: An OECD Perspective", *Fiscal Studies Special Issue on Well-Being*, forthcoming.

- Second, it concentrates on well-being **outcomes** as opposed to well-being inputs or outputs, as outcomes provide direct information on people's lives. For instance it focuses on people's satisfaction with water rather than how much has been spent on providing clean water or how many miles of water pipe have been laid.
- Third, it considers the **distribution** of well-being in the population alongside average achievements, in particular disparities across age groups, gender and individuals' socio-economic backgrounds.
- Lastly, it looks at both **objective** and **subjective** aspects of well-being, as personal experiences and assessments of life circumstances provide important supplementary information to more objective measures of these circumstances.

As mentioned above, material living conditions and quality of life are broken down into 11 *dimensions*, namely: income and wealth; jobs and earnings; housing; health status; work-life balance; education and skills; social connections; civic engagement and governance; environmental quality; personal security; and subjective well-being. The rationale for selecting these dimensions is as follows:

- **Income and wealth** measure the economic resources that people can use today or in the future to satisfy various human needs and wants and that protect against vulnerabilities and risks of various types.
- Both the **availability** and **quality of jobs** are relevant for people's well-being, not only because quality jobs increase people's command over resources but also because these jobs offer the opportunity to fulfil one's own ambitions, to develop skills and abilities, to feel useful to society and to build self-esteem.
- Access to **housing** and its quality satisfy people's basic needs. Beyond their intrinsic importance, they are also important determinants of health and subjective well-being, as well as of social connections and access to jobs and public services.
- Physical and mental **health** is important in itself for people's well-being but also because they allow them to perform a range of personal and social activities that contribute to their well-being.
- **Education** and skills can be seen as both a basic need and an aspiration of all humans, as well as being instrumental to achieve many other economic and non-economic well-being outcomes.
- **Work-life balance** is important for people's well-being in terms of family life; more generally, the amount of time that people can devote to leisure, personal care and to other non-work activities help individuals remain healthy and productive.
- **Civic engagement** matters, as having political voice in the society where people live allows them to have a say in political decisions that affect their lives and to contribute to deliberations that shape the well-being of communities; similarly, **good governance** is needed to translate people's voice into policies that support their aspirations for a good life.
- **Social connections** are valuable in themselves as many people report that the most pleasurable activities are performed with others; but they are also instrumental in achieving a number of other important goals such as finding a job, or support in case of need.
- The **quality** of the natural **environment** where people live and work is important in its own right but it also matters for people's health and their ability to undertake a number of activities (e.g. raising children, social life, etc.).
- For the same reasons, living in a **secure environment**, i.e. where the risks of being robbed or assaulted are low, is important to generate well-being.
- Finally, besides objective aspects of living conditions and quality of life, it is crucial to consider how people feel about their life and experience – i.e. their **subjective well-being**.

The 11 dimensions described above can be considered as universal, i.e. as relevant to people living in all societies. However, their relative importance will vary among individuals and countries. People living in different countries and communities may attach varying importance to different dimensions, reflecting their own priorities. In addition, countries may adjust this framework to better reflect the well-being of their population (e.g. some dimensions may be merged or relabelled, or complemented with additional country-specific dimensions – for instance Italy includes culture as one of 12 dimensions included in its

national well-being indicator BES (Benessere Equo sostenibile) ([www.misuredelbenessere.it](http://www.misuredelbenessere.it)). More importantly, the selection of indicators used to monitor achievements in these dimensions may also differ to reflect specific country conditions, history and challenges. In other terms, the framework proposed above is not meant to be a straitjacket for countries willing to pursue their own national initiatives in this field. Rather it should be viewed as a framework that provides a benchmark for meaningful international comparisons.

## Selecting indicators

The headline indicators used in *How's Life?* meet, to different degrees, a number of quality criteria, such as conceptual and policy relevance, quality of the underlying data, comparability of the concepts and survey questions used, and frequency of compilation (Box 1.4 and OECD 2011 for a detailed discussion of the indicators as well as the rationale behind their selection). The selection has been made in consultation with OECD experts and National Statistical Offices of OECD countries in 2011 in the context of the first edition of *How's Life?*. This edition builds on this selection and extends it to a very small extent to be consistent with the previous edition.

While the set of selected indicators represent, in the view of the OECD, the best current available proxies for outcomes in the 11 dimensions of well-being, these indicators do not necessarily meet all the criteria above. In particular, in those cases where existing official data are deemed to be not sufficiently comparable across countries, *How's Life?* uses data from non-official sources. These non-official sources have well-known limitations in terms of sample size, sampling frames, mode of data collection, etc.; they have the advantage, however, of covering a wide range of countries and of relying on a harmonised questionnaire applied in a large number of countries.<sup>2</sup> The indicators based on non-official sources have to be considered as “place holders” until better and more comparable official statistics in these fields are developed. Results based on these non-official data have to be interpreted with caution. Care is also needed when interpreting some of the subjective indicators as they can be affected by socio-cultural influences that limit the relevance of cross-country comparisons.

The *How's Life?* indicators should be understood as being experimental and evolutionary. They will therefore change as better measures are developed and countries reach agreement on indicators that are more appropriate to summarise the various well-being dimensions.

## Assessing well-being through a dashboard of indicators

The definition of well-being adopted by the OECD is multi-dimensional. Traditionally, multidimensional concepts have been assessed either through a set of indicators (dashboard), or through a composite or synthetic index. Composite indices are however often criticised for the loss of information that goes with them, as well as for arbitrary assumptions in the weighting that has to be applied to the different dimensions and their sub-elements to arrive at a single index figure (see Stiglitz et al., 2009; Fleurbaey, 2009 for a review). The *Better Life Index* addresses the issue of arbitrary weights by allowing users to create their own composite index by weighting the various dimensions according to what they consider more important for their well-being (Box 1.1).

A further challenge with composite or synthetic indexes relates to the level at which aggregation takes place. Synthetic indices that aggregate well-being outcomes at the individual level are conceptually better than composites that aggregate country-level



#### Box 1.4. **The How's Life? headline indicators in 2011 and in this edition**

The OECD well-being framework shown in Figure 1.1 has guided the selection of indicators. Critical criteria considered for the selection of indicators have been the following: i) they should capture well-being achievements at the individual or household level; ii) they should measure well-being outcomes, rather than means of achieving them; iii) they should allow disaggregation, so as to assess the well-being of different population groups; and iv) they should gauge the joint distributions of achievements, e.g. whether a person with a disadvantage in one dimension also experiences poor outcomes in another. The headline indicators have also been chosen so as to fulfil standard statistical requirements, such as face validity (i.e. they should offer an intuitive measure of the concept at hand); focus on summary outcomes (rather than to more specific components); being amenable to change and sensitive to policy interventions; being comparable across countries; being commonly used and accepted as well-being measures within the statistical and academic communities; providing large country coverage; and being based on data collection that are fairly frequent and timely (see OECD, 2011 for more details on these criteria). While the current choice of indicators generally meets the above criteria, the selection will be improved in the future as better statistics become available.

The first edition of *How's Life?* in 2011 distinguished between headline indicators, i.e. indicators that are deemed to be of sufficiently good quality and can be used for monitoring well-being over time and across countries, and secondary indicators that provide complementary evidence (e.g. indicators covering more specific aspects of the dimension at hand, with more limited country coverage, or based on sources that were deemed to be less reliable than in the case of headline indicators). Most of the indicators are based on data from official statistics (OS) while a small number is based on data from non-official statistics (NOS). In 2011 headline indicators for each dimension included:

- **Income and wealth:** Household net adjusted disposable income per person (OS); Household net financial wealth per person (OS).
- **Jobs and earnings:** Employment rate (OS); Long-term unemployment rate (OS); Average gross annual earnings of full-time employees (OS).
- **Housing conditions:** Number of rooms per person (OS); Dwellings lacking basic facilities (OS).
- **Health status:** Life expectancy at birth (OS); Self-reported health status (OS).
- **Work-life balance:** Employees working very long hours (OS); Time devoted to leisure and personal care (OS).
- **Education and skills:** Educational attainment (OS); Students' cognitive skills (OS).
- **Social connections:** Social network support (NOS).
- **Civic engagement and governance:** Voter turn-out (OS); Consultation on rule-making (OS).
- **Environmental quality:** Air quality (OS).
- **Personal security:** Intentional homicides (OS); Self-reported victimisation (NOS).
- **Subjective well-being:** Life satisfaction (NOS).

After another round of consultation with National Statistical Offices of OECD countries, five new headline indicators have been included in this edition of *How's Life?* to complement or improve the indicators used in 2011:

- *Housing costs* (OS) as a measure of affordability of housing.
- *Education expectancy* (OS) as a measure of the educational opportunities for children who are in school today.
- *Satisfaction with water quality* (NOS), as a measure of people's satisfaction with one specific aspect of the environment (i.e. water) that is not captured by the headline indicator measuring air quality.
- *Short job tenure* (OS) as a measure of employment insecurity and instability.
- *Adult competencies* (OS) as a measure of the cognitive skills of the adult population.

The exact definition and source of the indicators can be found in Chapter 2. See also OECD, 2011 for an in-depth discussion of the pros and cons of the various indicators and their interpretation.

averages of well-being outcomes, as they make it possible to take into account the joint distribution of outcomes at individual level (e.g. whether people at the bottom of the income distribution also experience the lowest achievements in terms of health, skills, etc.) as well as weights based on individuals' preferences (see Schokkaert and Decanq, 2013 for a discussion). However this type of synthetic index can only be constructed if individual-level data as well as country-level data are available from the same survey. Given the lack of such information for a majority of countries, *How's Life's?* does not construct a composite or synthetic index but rather presents a dashboard of 25 headline indicators.<sup>3</sup>

While the dashboard approach has the advantage of presenting separate information for each well-being dimension, making it possible to assess which dimensions drive the overall well-being performance of countries, it comes with some costs, namely a more complex picture to communicate and an absence of information on interrelations across well-being outcomes.

To address some of these limitations, *How's life?* summarises the information from the 25 headline indicators (measuring average outcomes in the population<sup>4</sup>) using a "traffic light" approach (Table 1.1). Traffic lights show how countries compare on the (unweighted) 11 well-being dimensions. According to this approach, the top 20% of countries in Table 1.1 are shown by circles (standing for green lights), the middle 60% by triangles (orange lights) and the bottom 20% by diamonds (red lights).

The traffic lights show that overall:

- Switzerland, Australia, Nordic European countries, as well as Canada, New Zealand and the United Kingdom are among the highest-performers.
- The United States, Ireland, Luxembourg, Austria, Belgium, Finland, Germany, France, Japan, Korea, Spain, the Czech Republic, Italy, the Slovak Republic, Israel, Poland and Portugal display average performance.
- Turkey, Brazil, Mexico, Estonia, Hungary, Greece and Chile are among the countries with a relatively low performance.

The traffic light approach has some limitations. For instance, since it focuses on relative performances among countries it cannot be used to establish countries' progress over time. In addition, it relies on conventional thresholds set to cluster countries rather than on data analysis techniques (e.g. clustering analysis). Nevertheless, the patterns identified for the *How's Life?* indicators are meaningful for cross-country comparisons at one point in time, and they tend to be well-correlated to the results obtained with other rankings or aggregation methods.

Well-being performance may be the result of various and often interrelated factors and in general countries display different strengths and weaknesses in the various well-being dimensions (see Figures 1.A1.1 to 1.A1.3 in Annex 1.A1). While more research is needed to understand what are the drivers of well-being, Annex 1.A1 discusses the results of a simple exploratory analysis that sheds some light on this issue.

### **The *How's Life?* statistical agenda: Progress since 2011**

An important goal of *How's Life?* is to identify priorities for the statistical agenda ahead, and to track progress over time with respect to this agenda. The first edition of *How's Life?* outlined a number of challenges for developing better metrics in each of the


Table 1.1. **An overview of headline well-being indicators**  
 “Circles” denotes countries in the top two deciles, “diamonds” those in the bottom two deciles,  
 “triangles” those in the six intermediate deciles

	Material Living Conditions									Quality of Life			
	Income and wealth		Jobs and earnings				Housing			Work-life balance		Health status	
	Household Net Adjusted Disposable Income	Household Net Financial Wealth	Employment rate	Personal earnings	Job Tenure	Long-term unemployment rate	Number of rooms per person	Housing expenditure	Dwellings without basic facilities	Employees working very long hours	Time non worked	Life expectancy at birth	Self-reported health
Years	2010	2010	2011	2011	2011	2011	2011	2011	2011	2011	Around 2000	2011	2011
Australia	●	▲	●	▲	▲	●		▲	▲	▲	◆	▲	●
Austria	●	▲	▲	▲	▲	●	▲	▲	▲	▲	▲	▲	▲
Belgium	▲	●	▲	▲	▲	▲	●	▲	▲	▲	●	▲	▲
Brazil			▲		◆				◆	◆		◆	
Canada	▲	▲	▲	▲	▲	●	●	▲	▲	▲	◆	▲	●
Chile	◆	▲	▲	◆	◆	▲	▲	◆	◆	◆		▲	▲
Czech Republic	▲	▲	▲	◆	●	▲	●	◆	▲	▲	●	▲	▲
Denmark	▲	▲	●	●	◆	▲	●	◆	▲	●	●	▲	▲
Estonia	◆	◆	▲	◆	▲	◆	▲	▲	◆	▲	◆	◆	◆
Finland	▲	▲	▲	▲	◆	▲	●	▲	▲	▲	▲	▲	▲
France	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	●	▲
Germany	●	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Greece	▲	◆	◆	◆	●	◆	▲	◆	▲	▲	●	◆	▲
Hungary	◆	◆	●	▲	▲	◆	▲	▲	◆	●		◆	◆
Iceland			●	▲	▲	▲	▲	▲	▲	▲	●	▲	▲
Ireland	▲	▲	◆	●	▲	◆	●	●	▲	▲	▲	▲	●
Israel		▲	▲	▲		▲	◆		▲	◆		▲	●
Italy	▲	▲	◆	▲	●	▲	▲	▲	▲	▲	▲	●	▲
Japan	▲	●	▲	▲	▲	▲	▲	▲	◆		◆	●	◆
Korea	▲	▲	▲	▲	◆	●	▲	◆	▲	▲	▲	▲	◆
Luxembourg		●	▲	●	●	▲	●	●	●	●		◆	▲
Mexico	◆		▲	◆	◆	●	●	●	◆	◆		◆	▲
Netherlands	▲	●	●	●	▲	▲	●	▲	●	●		▲	▲
New Zealand	▲		●	▲	▲	●	●	◆	▲	◆	▲	▲	●
Norway	●	◆	●	▲	▲	●	●	●	▲	●	●	▲	▲
Poland	◆	◆	▲	▲	▲	▲	◆	◆	▲	▲	◆	▲	◆
Portugal	▲	▲	▲	▲	▲	◆	▲	●	▲	▲		▲	◆
Russian Federation	◆		▲		◆	▲	◆	◆	▲	●		◆	◆
Slovak Republic	▲	◆	▲	◆	●	▲	▲	◆	▲	▲		◆	▲
Slovenia	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Spain	▲	▲	◆	▲	▲	◆	▲	▲	●	▲	●	●	▲
Sweden	▲	▲	●	▲	◆	▲	▲	▲	●	●	▲	●	▲
Switzerland	●	●	●	●	▲	▲	▲	▲	●	▲		●	●
Turkey			◆	◆	◆	▲	◆	◆	◆	◆		◆	▲
United Kingdom	▲	▲	▲	●	●	▲	▲	▲	●	▲	▲	▲	●
United States	●	●	▲	●	▲	▲	▲	▲	●	▲	▲	▲	●

**Table 1.1. An overview of headline well-being indicators (cont.)**  
 “Circles” denotes countries in the top two deciles, “diamonds” those in the bottom two deciles,  
 “triangles” those in the six intermediate deciles

	Quality of Life											
	Education and skills				Social connections	Civic engagement and governance		Environmental quality		Personal security		Subjective well-being
	Educational attainment	Education expectancy	Students' cognitive skills	Competences in the adult population	Social network support	Consultation on rule-making	Voter turn-out	Satisfaction with water quality	Air pollution	Reported homicides	Self-reported victimisation	Life Satisfaction
Years	2010	2010	2009	2009	2012	2008	Around 2011	2012	2009	2010	2010	2012
Australia	▲	●	●	▲	▲	●	●	▲	▲	▲	●	▲
Austria	▲	▲	▲	▲	●	▲	▲	●	◆	●	▲	▲
Belgium	▲	●	▲	▲	▲	◆	●	▲	▲	▲	◆	▲
Brazil	◆	◆	◆	▲	▲	◆	▲	◆	▲	◆	◆	▲
Canada	●	▲	●	▲	●	●	◆	▲	▲	▲	●	●
Chile	▲	◆	◆	▲	◆	◆	●	▲	◆	◆	◆	▲
Czech Republic	●	▲	▲	▲	▲	▲	◆	▲	▲	▲	▲	▲
Denmark	▲	●	▲	▲	●	▲	●	●	▲	▲	▲	●
Estonia	●	▲	●	▲	▲	◆	▲	◆	●	◆	◆	●
Finland	▲	●	●	●	▲	▲	▲	▲	▲	▲	▲	●
France	▲	◆	▲	▲	▲	◆	▲	▲	●	▲	▲	▲
Germany	▲	▲	▲	▲	▲	◆	▲	●	▲	●	▲	▲
Greece	◆	●	◆	▲	◆	▲	◆	◆	◆	▲	▲	◆
Hungary	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	◆
Iceland	▲	●	▲	▲	●	▲	●	●	▲	●	▲	●
Ireland	▲	◆	◆	◆	●	▲	▲	▲	●	▲	▲	▲
Israel	▲	▲	▲	▲	▲	◆	▲	◆	▲	▲	▲	▲
Italy	◆	▲	▲	◆	▲	▲	▲	◆	▲	▲	▲	◆
Japan	▲	▲	●	●	▲	▲	▲	▲	▲	●	●	▲
Korea	▲	▲	●	▲	◆	●	▲	▲	◆	◆	●	▲
Luxembourg	▲	◆	▲	▲	▲	▲	●	▲	▲	▲	▲	▲
Mexico	◆	◆	◆	▲	◆	▲	▲	▲	◆	◆	◆	▲
Netherlands	▲	▲	●	●	●	▲	▲	▲	◆	▲	▲	●
New Zealand	▲	▲	●	▲	▲	●	▲	▲	●	▲	▲	▲
Norway	▲	▲	▲	●	▲	▲	▲	●	▲	●	▲	●
Poland	●	▲	▲	▲	▲	●	◆	▲	◆	▲	●	▲
Portugal	◆	▲	▲	▲	◆	▲	◆	▲	▲	▲	◆	◆
Russian Federation	●	▲	◆	▲	▲	▲	▲	◆	▲	◆	▲	◆
Slovak Republic	●	▲	▲	▲	▲	▲	◆	▲	●	▲	▲	▲
Slovenia	▲	▲	▲	▲	▲	●	▲	▲	▲	●	▲	▲
Spain	◆	▲	▲	◆	▲	▲	▲	▲	▲	▲	▲	▲
Sweden	▲	●	▲	●	▲	●	●	●	●	▲	◆	●
Switzerland	▲	▲	●	▲	●	▲	◆	●	▲	●	▲	●
Turkey	◆	◆	◆	▲	◆	▲	●	◆	◆	◆	▲	◆
United Kingdom	▲	▲	▲	▲	●	●	▲	●	●	▲	●	▲
United States	●	▲	▲	◆	▲	▲	▲	▲	▲	◆	●	▲

Source: OECD calculations.

StatLink  <http://dx.doi.org/10.1787/888932889269>

well-being dimensions. While many of the challenges identified in 2011 still remain, significant progress has been achieved in some of them. In particular:

- **Income and wealth:** In June 2013, the OECD released its *Guidelines for Micro Statistics on Household Wealth* (<http://dx.doi.org/10.1787/9789264194878-en>), which address the common conceptual, definitional and practical problems that countries face in producing wealth statistics, and aim to improve the comparability of the currently available country data. A companion report proposes a framework to support the joint analysis of micro-statistics on household income, consumption and wealth (*OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth*) (<http://dx.doi.org/10.1787/9789264194830-en>) as three separate but interrelated dimensions of people's economic well-being. In addition, an OECD-Eurostat Expert Group to measure Disparities in a National Account framework (EG DNA) launched in 2011, recently completed an in-depth comparison of various components of household income, consumption and wealth between micro- and macro-sources, and developed a set of experimental household accounts providing information on the distribution of household income, consumption and saving that are consistent with National Accounts' totals. The European Central Bank has also carried out the first Household Finance and Consumption Survey, which includes a wide range of questions on assets and finances of households living in the euro area countries.
- **Jobs and earnings:** The recent release of the ILO Manual on concepts and definitions of Decent Work indicators (ILO, 2012) marks a significant step forward in the statistical agenda on employment quality. The manual provides a detailed description of indicators to be developed for monitoring the progress made in implementing the ILO Decent Work Agenda, as well as methodological and practical guidelines for producing and using these indicators. Similarly, the UNECE, in collaboration with Eurostat and the ILO, is developing operational guidelines for measuring the various dimensions included in its framework for Measuring Quality of Employment (UNECE, 2010). However, despite these conceptual and methodological advancements, no internationally comparable database on employment quality yet exists. Chapter 5 describes the challenges of measuring employment quality and a number of statistical gaps in this field. Another important initiative in the field of jobs and earnings is that undertaken by the ILO to revise the ICLS (International Conference of Labour Statisticians) standards for employment and unemployment statistics. This revision, to be completed at the end of 2013, will lead to better measures of unpaid work and of marginal attachment to the labour force.
- **Health status:** The UNECE-WHO-Eurostat City taskforce on measuring health status (known as the Budapest Initiative) and the Washington Group on disability statistics reached an agreement on a limited set of (six) questions to measure "functioning". This may become the basis for international comparisons of morbidity and make it possible to study the links between morbidity and broader quality of life issues. These questions have been recommended by the UN Statistical Commission for use in the context of the 2020 population censuses, but implementation will have to be promoted and monitored if they are to provide a common benchmark for comparable measures of people's health status. In addition, a European Health Interview Survey (EHIS) will be carried out in 2014 in the EU: this will provide harmonised survey data at national and at EU level on perceived health status and disability, health determinants and health care (including unmet needs).

- **Education and skills:** The new Programme for the International Assessment of Adult Competencies (PIAAC) carried out by the OECD collects a set of comparable data that will assist governments in assessing, monitoring and analysing the level and distribution of skills among the adult population, as well as the use of skills in different contexts. This new survey represents a major advancement in measuring skills but also in providing the information needed to understand what drives their accumulation and how skills affect people's well-being more widely.
- **Work-life balance:** A Task Force on Time Use Surveys was established by the Conference of European Statisticians (CES) in November 2010, with the objective to develop guidelines and compilations of best practices to help countries carrying out time use surveys, and to improve the comparability of their results. These guidelines, released in June 2013, focus on areas where the statistical community has expressed a particular need for further guidance, including: i) policy relevance of time use surveys; ii) availability and comparability of key statistical measures of time use; iii) periodicity of time use surveys; iv) the use of "light" and full-scale time use diaries; and v) activity classification.
- **Environmental quality:** The System of Environmental-Economic Accounts (SEEA), a joint undertaking of an international taskforce which included the UN Statistical Division, Eurostat, the OECD, the IMF, the World Bank and several National Statistical Offices, has been endorsed as International Statistical Standards by the United Nations Statistical Commission in 2012. SEEA proposes a systemic approach to account for the linkages between the environment and the economy, and for addressing some of the socio-economic aspects of this relationship.<sup>5</sup>
- **Subjective well-being:** In March 2013, the OECD released a set of *OECD Guidelines on Measuring Subjective Well-being* ([www.oecd.org/statistics/guidelines-on-measuring-subjective-well-being.htm](http://www.oecd.org/statistics/guidelines-on-measuring-subjective-well-being.htm)). The guidelines provide recommendations on collecting, publishing, and analysing subjective well-being data. The guidelines also outline how measures of subjective well-being can be relevant for policy making, and why national statistical agencies have a critical role to play in enhancing the usefulness of existing measures. The guidelines also include prototype survey modules on subjective well-being that national and international agencies can use in their households surveys. Also in 2013 an ad hoc module of the EU-SILC (EU Statistics on Living Conditions and Income) on subjective well-being was carried out in the EU: this will provide harmonised survey data at EU level and at EU country national level (and for most countries also at sub-national level) on a number of subjective variables related to overall life experience. These subjective well-being variables will be collected at the same time as information on governance and basic rights, material living conditions, mental health, productive and values activities, leisure and social interactions, natural and living environment, economic and physical safety, making it possible to study the joint distribution of achievements in all these various dimensions.

## Conclusions

This chapter has presented the OECD well-being framework that underpins *How's Life?*, noting the consultation with OECD countries and international experts in designing it. The chapter has also introduced the well-being indicators, highlighting the criteria behind their selection and how they have evolved over time. The indicators are presented in the form of "traffic lights" that summarise countries' overall well-being performance, as measured by the *How's Life?* headline indicators.

The chapter has presented some of the main advancements made on measuring well-being since the previous edition of *How's Life?* in 2011. Significant progress has been made, especially in the areas of income and wealth, education, environmental quality of life and subjective well-being. In these areas, efforts should be sustained over time, especially as regards the implementation of the new measurement frameworks that ought to translate into a systematic collection of comparable metrics. In the other well-being areas many statistical challenges still remain.

## Notes

1. More information on these projects can be found at [www.oecd.org/progress](http://www.oecd.org/progress).
2. For instance the Gallup World Poll, or the European Social Survey.
3. For this same reason and since it is built by aggregating well-being outcomes at country level, the *Better Life Index* disregards information on the joint distribution of outcomes.
4. For the sake of simplicity the traffic light table is done based on the *How's Life?* headline indicators for the total population (e.g. educational attainment) or expressed on average terms (e.g. average household income). Therefore the traffic light reflects the distribution of well-being outcomes across the population to a very limited extent. Chapter 2 presents information on the distribution of outcomes for some of the *How's Life?* indicators that can be broken down for specific groups of the population.
5. The SEEA central framework incorporates four set of accounts: i) flow accounts; ii) stock accounts; iii) activity/purpose accounts; and iv) accounts that adjust the SNA economic accounts to reflect the impact of economic activity on environment. Also see Chapter 6 on "Measuring the sustainability of well-being over time".

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## ANNEX 1.A1

### *Assessing countries' relative strengths and weaknesses in overall well-being performance*

Countries may achieve an equally good overall well-being performance by performing well (or not) in different dimensions, as shown by Figure 1.A1.1. For instance Australia and Canada do very well overall, yet Australia does better than Canada in the civic engagement and governance dimension but less so in income and wealth and in work-life balance. Similarly, Nordic European countries are champions in work-life balance and health status, but do less well than Switzerland and Canada in terms of income and wealth. Countries with the same overall well-being performance (i.e. with more than one third of triangles – orange lights) can also differ in terms of performance in the various well-being dimensions. For instance, Germany appears to do better than France in education and skills but performs less well in health.

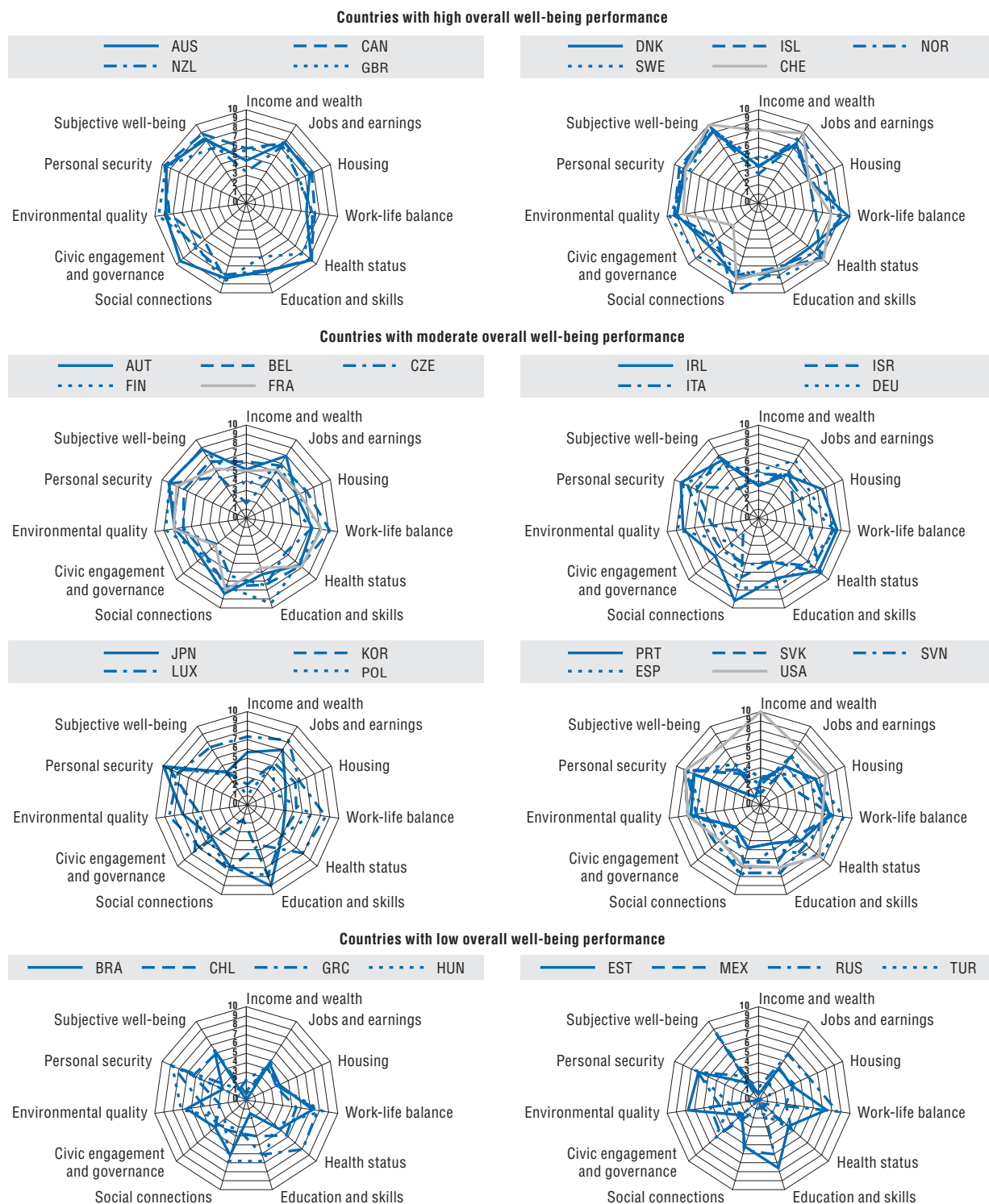
An illustrative analysis shows that behind this diverse performance there may be common patterns:

- Countries that perform relatively better on health status, subjective well-being, civic engagement governance, jobs and education also perform relatively better on overall well-being (Figure 1.A1.2).
- Balanced well-being patterns are more likely to be associated with a higher overall well-being performance (Figure 1.A1.3) that is countries that perform evenly across the eleven dimensions are more likely to be ranked higher overall.
- Finally overall well-being is positively associated with low socio-economic differences in well-being measured by income or educational inequality (Figure 1.A1.4).

A similar link between social disadvantage and average well-being outcomes is also found when looking at the relationship between average well-being outcomes and child poverty, even after controlling for levels of GDP per capita. Child poverty has been found to have a detrimental, long-lasting effect on children's progression and well-being, impacting long-life outcomes and subsequent generations (OECD, 2009 for a review).\*

\* There is also a growing body of research showing that early well-being of children growing up in socio-economic disadvantage perpetuate over time and may repeat in adulthood.

Figure 1.A1.1. **Strengths and weaknesses in well-being vary across countries**



Note: These figures show normalised performance in the eleven well-being dimensions of *How's Life?* Performance is calculated as simple average of the headline indicators included in each dimension and shown in Table 1.1. These values are then normalised with the ratio-scale transformation to re-express all values in a scale between 0 and 10.

Source: OECD calculations.


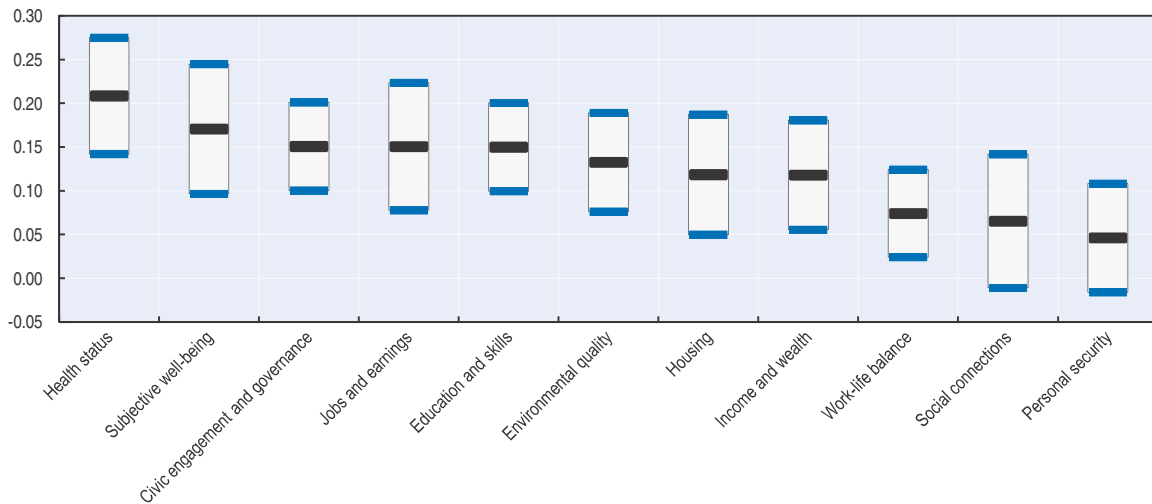
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Figure 1.A1.2. **Dimensions that count most for overall well-being performance**

Note: The figure shows the elasticities of overall well-being performance to the eleven well-being dimensions, obtained by regressing the *Better Life Index* rankings (with equal weights) on the well-being dimensions (normalised scores). The choice of equal weights for calculating the BLI index is for illustrative purposes only. The figure shows point estimates (black dashes) and their 95% confidence intervals (blue dashes).

Source: OECD calculations.


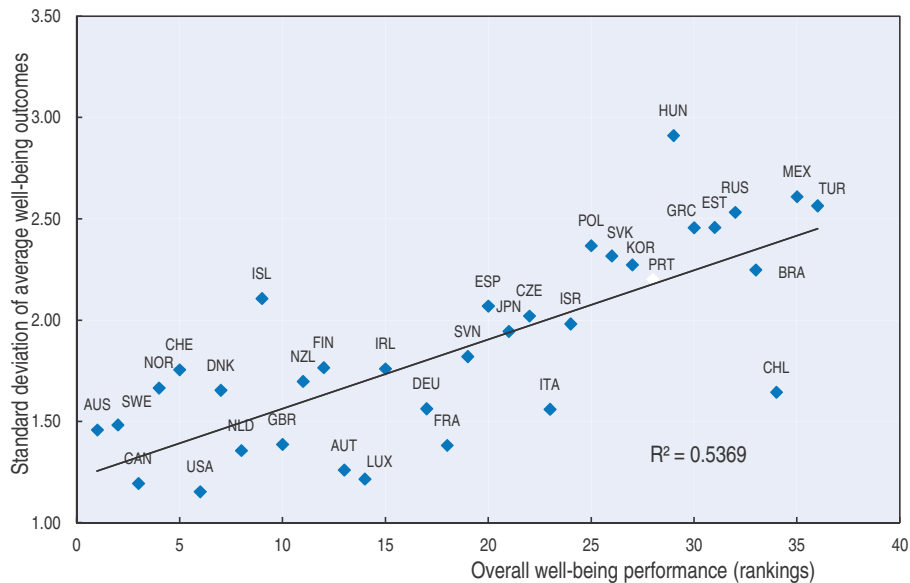
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Figure 1.A1.3. **Correlation between well-being performance and performance dispersion across indicators**

Notes: Rankings are calculated using the *Better Life Index* methodology (with equal weights). The choice of weights is for illustrative purposes only.

Source: OECD calculations.


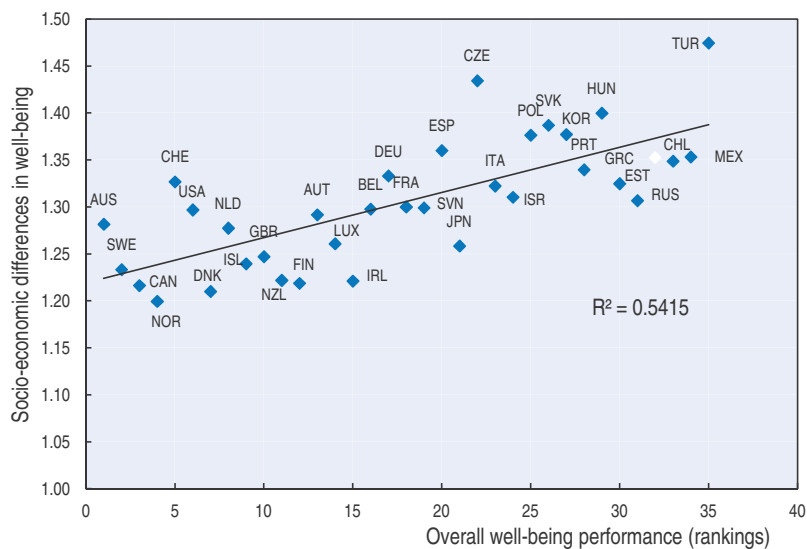

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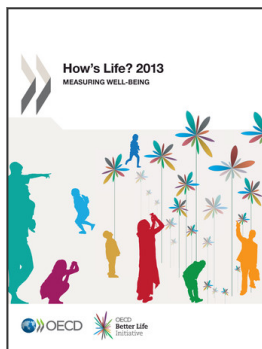
Figure 1.A1.4. **Correlation between well-being performance and socio-economic differences in well-being**



Note: The figure shows the correlation between an overall well-being performance measure (i.e. BLI rankings with equal weights) and an average measure of socio-economic differences (ratio of indicator value for individuals with high socio-economic background to indicator value for individuals with low socio-economic background) in well-being achievements in the *How's Life?* dimensions where information on the socio-economic characteristics of individuals is available. See <http://stats.oecd.org/Index.aspx?DataSetCode=BLI> for more details on the latter.

Source: OECD calculations.

StatLink  <http://dx.doi.org/10.1787/888932887654>



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