

Incorporating well-being indicators in the policy-making process: the Italian Budget Law Experience



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Workshop for SRSP project “Policy coherence for sustainable development”
17th June 2021



Ministero dell'Economia e delle Finanze

Outline

- Well-being into policy-making in Italy
- What we do: content of the ESW documents
- Methodological aspects of existing models
- ESW indicators: data sources & Macroeconomic Framework

Well-being into policy-making in Italy (1)

- **ESW indicators systematically embedded in the budgetary process**
- Monitoring of ESW indicators throughout the year (reform of the budget law - L. 163/2016)
 - ✓ **April: ESW Annex to the Economic and Financial Document (EFD)** presented by the Ministry of Economy and Finance
 - evolution of ESW indicators over the previous 3 years
 - forecasts for the current year and over the budgetary process horizon (unchanged legislation/policy scenario)
 - ✓ **February: Report on ESW indicators** by the Ministry of Economy and Finance
 - evolution of ESW indicators in light of the budget law
- Data on the evolution of the 12 ESW indicators
 - ✓ Italian National Institute of Statistics (Istat): time series and update
 - ✓ Ministry of Economy and Finance: forecasts/impact evaluations

Well-being into policy-making in Italy (2)

- Committee for the selection of ESW indicators to include in the policy making process: MEF, Istat, Bank of Italy + 2 academic experts
 - inspired by Istat-ESW methodological framework
 - criteria for the selection of indicators: *parsimony, data availability and timeliness, feasibility, sensitivity to policy changes*
 - **12 ESW indicators** chosen (adopted by means of a Ministerial Decree - October 2017) **covering 8 Istat-ESW domains**
- Gradual development of methodologies to forecast ESW indicators
 - **at present forecasts/impact evaluations available for 7 ESW indicators**
 - information exchange and collaboration with Istat and other institutions

Well-being into policy-making in Italy (3)

The 12 ESW indicators by domain	
ESW domain	ESW indicator
Economic wellbeing	<ol style="list-style-type: none"> 1. Per capita adjusted disposable income 2. Disposable income inequality 3. People living in absolute poverty
Health	<ol style="list-style-type: none"> 4. Healthy life expectancy at birth 5. Excess weight (overweight & obese)
Education and training	<ol style="list-style-type: none"> 6. Early leaving from education and training
Work and life balance	<ol style="list-style-type: none"> 7. Non-participation rate, by gender 8. Ratio of employment rate for women aged 25-49 years with preschool age children to the employment rate of women aged 25-49 without children
Security	<ol style="list-style-type: none"> 9. Predatory crime rates (burglary rates, pick-pocketing rates, robbery rates)
Politics and institutions	<ol style="list-style-type: none"> 10. Efficiency of civil justice (length of civil proceedings)
Environment	<ol style="list-style-type: none"> 11. Emissions of CO2 and other greenhouse gases (tons of CO2 equivalent per capita)
Landscape and cultural heritage	<ol style="list-style-type: none"> 12. Illegal building rate

- In **green** the four indicators with available forecast/impact evaluation methodologies
- In **blue** the indicator subject of a research project to develop a microsimulation model in collaboration with the University of Roma, La Sapienza
- In **red** the indicators for which we provided a projection in the latest ESW Report in February or ESW Annex in April.

Incorporating well-being indicators in the policy-making process

What we do: content of the ESW documents (1)

- In the ESW documents there are two main components:
 - ✓ Qualitative section
 - ✓ Quantitative section

- ✓ Qualitative section
 - **February:** policy measures adopted with the Budget Law passed in December and other relevant laws, grouped by ESW domains
 - **April:** policy priorities and measures adopted after the December Budget Law and taken into account in the Economic and Financial Document (EFD), grouped by ESW domains (or specific indicator)

What we do: content of the ESW documents (2)

✓ Quantitative section

- **February and April:** retrospective analysis of the indicators
 - dynamics of indicators over time
 - territorial and gender analysis
 - decompositions and special focus on particular indicators or themes (i.e. geographical disparities)
- **February:** forecast / impact estimate / projections of the indicator considering the measures incorporated into the Budget Law
- **April:** trend and policy scenarios in line with the macroeconomic forecasts (unchanged legislation and policy scenarios)

Methodological aspects

- Innovative and challenging approaches (research activity)
 - Literature review (theoretical and empirical) for each ESW indicator
 - Development of adequate analytical (statistical, econometric) tools

- Indicators/phenomena heterogeneity
 - Data sources (microdata, national accounts)
 - Availability, timeliness of data (e.g. territorial disaggregation)
 - Underlying dynamics, sensitivity to public policies

- Economic models
 - Micro approach: microsimulation, impact evaluation (e.g. inequality and poverty)
 - Macro approach: forecast (e.g. CO₂ emissions)
 - Connection with Macroeconomic forecasts

ESW indicators: data sources

- All data are provided by Istat, but not all time series are produced by Istat

Indicator		Source	
6	Early leaving from education and training	Istat - Labour force survey (LF)	
7	Non-participation rate		
8	Ratio of employment rate for women aged 25-49 with at least one child aged 0-5 to the employment rate of women 25-49 years without children, multiplied by 100		
4	Healthy life expectancy at birth	Istat - Survey on Aspects of daily life (ADL)	Istat - Life tables (LT)
5	Overweight or obesity	Istat - Survey on Aspects of daily life (ADL)	
1	Per capita disposable income	Istat - National Accounts (NA)	
2	Disposable income inequality	Istat - Eu-Silc	
3	People living in absolute poverty	Istat - Household Budget Survey (HBSs)	
9	Predatory crime rates = Burglary rate+Pick-pocketing rate+Robbery rate	Data on crimes reported to Police Forces (Ministry of Interior)	Data on Citizens' Safety Survey (Istat)
10	Length of civil proceedings	Ministero della Giustizia - Directorate General for Statistics and Organizational Analysis	
11	Emissions of CO2 and other greenhouse gasses	Istat, Ispra - Inventory and emissions accounts	
12	Illegal building rate	Cresme - Center for social, economic and market research for building and the territory (Cresme)	

Source: our elaboration on Istat

On-going projects to further analysis and forecasting of BES-MEF indicators

- **Project on «Development of a micro simulation model to estimate the impact of policies on absolute poverty»** , collaborative agreement between the MEF and the Università La Sapienza – intermediate outputs include
 - the creation of a new database AD- HBS as a result of the matching between administrative data on income (INPS) and microdata from the Istat survey HBS (Household Budget Survey), activity propedeutic to the development of a micro simulation model – see Relazione BES 2021
 - an estimate of the effects of the Covid-19 pandemic in terms of absolute poverty – see Allegato BES 2021
 - an impact evaluation of the refinancing of the «Emergency income» measure linked to the Covid-19 pandemic on the incidence of absolute poverty – see Allegato BES 2021
- **Project on “Modelling of Equitable and Sustainable Well-Being Indicators for Policy Use”**, supported by the EU’s Structural Reform Support Programme and implemented with the OECD – intermediate outputs include:
 - analysis of determinants and development of forecasting and impact analysis models for the indicators : healthy life expectancy at birth (Relazione BES 2021) and excess weight (Allegato BES 2021)
 - joint working paper on excess weight
- Administrative collaboration agreements- Ministry of Justice and Terna