

# ECONOMIC WELL-BEING

## 1. Basic concepts

Earning capacities and economic resources are not seen as an end but rather as a mean by which an individual is able to obtain and to support a specific standard of living. Variables which can help measuring the economic well-being include income, wealth, spending on consumer goods, housing conditions and ownership of durable goods. As for most of the other dimensions of well-being, it is important to go over the mere study of mean or median levels of the chosen indicators, evaluating also the distribution among population: the judgment on the level of material well-being of a society can change if the same overall mean income is equally divided among citizens or it is concentrated in the hands of a few wealthy people.

## 2. Dimensions considered to represent the domain

The domain was divided into two sub-dimensions:

1. Available income and wealth. The income can be seen as the return of the assets individuals have at their disposal, real, financial and human. In a market economy, income measures the purchasing power of individuals and it is therefore a very significant variable in estimating the level of economic well-being. Wealth, as well as guaranteeing income, reduces insecurity, making people less vulnerable to the possible negative events that may affect them; it facilitates access to credit, and therefore allows people both to equilibrate their consumption pattern along the life cycle and to invest in physical and human capital; it confers social prestige. This sub-dimension also includes the analysis of debt.
2. Expenditure on consumption and material conditions of life. Expenditure on consumption represents a direct estimate of goods and services that determine living conditions of an individual or a household, even if interpersonal comparisons are affected by differences in preferences and individual habits. Expenditure is strongly correlated to income. Material life conditions measure what is available in practice to individuals and the difficulties they encounter in acquiring the desired goods and services, capturing aspects that could not be detected by the level of income or consumption.

## 3. List of the best indicators

1. Per capita adjusted disposable income: *Ratio of adjusted household disposable income (inclusive of the value of in-kind services provided by public and non-profit institutions) to the total number of residents.* This indicator estimates the total amount of income available to people resident in Italy, including the value of in-kind services. The National Accounts provides estimates directly comparable across countries.
2. Disposable income inequality: *Ratio of total equivalised income received by the 20% of the population with the highest income to that received by the 20% of the population with the lowest income.* It is a simple statistic about the distance between the richest and the poorest. It is measured using income equivalent to take into account different family compositions (different needs between children and adults, economies of scale generated by sharing the same dwelling). This index is preferred to the Gini index because it is used for EU comparisons, though it does not provide information on the central part of the distribution.

3. People at risk of relative poverty: *Percentage of persons at risk of poverty, with an equivalised income less than or equal to 60% of the median equivalised income.*  
It focuses on the lack of disposable income (and therefore of purchasing power) relative to a standard fixed on the basis of the entire distribution. In this sense, it also reflects the inequality in income distribution and not just the absolute life conditions. It is one of the indicators used in the Action Plan Europe 2020.
4. Per capita net wealth: *Ratio of total net wealth of households to the total number of residents.*  
It is an indicator of financial resources other than income. The regional breakdown is currently unavailable.
5. People living in financially vulnerable households: *Percentage of people in households with debt service greater than 30% of disposable income.*  
It measures financial instability and possible economic difficulties. The regional breakdown is currently unavailable.
6. People living in absolute poverty: *Proportion of individuals belonging to households with consumption expenditure below the threshold of absolute poverty.*  
Compared with measures of relative poverty, this indicator is independent from the distribution of consumption expenditure. Its interpretation is straightforward: it represents the share of people who spend less than a socially necessary minimum. The threshold of absolute poverty is differentiated by number of household members, age of the components, macro-area and size of municipality of residence; it reflects regional differences in the cost of living. The regional breakdown is currently unavailable.
7. Severely materially deprived people: *Proportion of people living in households with at least 4 out of 9 deprivation items.*  
It is a Eurostat indicator that directly considers the lack, for economic reasons, of some goods and services which are considered essential for a decent life.
8. People suffering poor housing conditions: *Proportion of people experiencing overcrowding in houses without some services and with structural problems.*  
It measures the share of individuals experiencing poor housing conditions. It is correlated with past and present ability to purchase the service of a good as important as the primary residence. In the version proposed here, the indicator focuses on condition of housing deprivation.
9. Index of subjective evaluation of economic distress: *It combines three indicators: (a) share of individuals living in households answering "with great difficulty" to the question "Considering all the available income, how does your household manage to get to the end of the month?"; (b) proportion of individuals living in households with insufficient resources to face an unexpected expense of a given amount, fixed as a fraction of the median of the distribution of previous year equivalised income; (c) share of individuals who expect to be unable to make savings in the next 12 months.*  
This composite indicator captures a household's subjective evaluation of its own economic condition. It can be seen as a complementary measure of the objective assessments based on the level of income or wealth. However, it is influenced by personal aspirations and standards. In this formulation, it focuses on situations of economic difficulty.
10. People living in jobless households: *Proportion of individuals living in households with at least one component aged 18-59 years (with the exception of households where all members are full time students under 25 years) where nobody works or receives an occupational pension.*  
It represents the percentage of individuals living in households not participating in the labor market as none of their working-age components are employed. Following a recommendation of the "work and life balance" group of the BES scientific commission, this indicator differs from that of Europe 2020, that consider instead household with very low work intensity.

#### 4. Indicators under evaluation

1. Index of economic vulnerability of household adult members: share of individual income on household income.

The purpose of the indicator is to capture the degree of independence of each adult member of a family and its vulnerability with respect to unforeseen events. The typologies of income to be included and the household members that need to be considered in the analysis are under study. In particular, the indicator could focus only on the income earned by the partners in a couple, or also on the income received by children and other household members.

2. Index of deprivation of children: percentage of children who do not have access to child-specific goods and services.

The indicator mimics the indicator of severe material deprivation, but considers goods and services for the specific needs of children. Currently, there is a national survey that collects all needed information for the construction of this indicator. It is under evaluation the definition of specific indicators of child deprivation to be measured on a comparable basis with the Eu-Silc survey: a pilot module will be tested on a voluntary basis by some countries (including Italy) in the 2013 wave, while a specific module will be included in the 2014 wave. In addition to the lack of goods such as books, computers, clothes and shoes, these indicators will measure nutritional deprivation and deprivation in terms of places for play and socialization.