



Andrew Sharpe: Pioneer in the Measurement of Economic Well-Being

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Published online: 2 September 2020

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The measurement of economic well-being has been an important part of my professional career as an economist. In this short biography I will focus on some of the highlights.

My studies started in the field of geography receiving a BA from the University of Toronto in 1973 and a maitrise from the Université de Paris IV-Sorbonne in 1974. Discovering the importance of economics while in Paris, I then switched to this discipline, receiving a MA and PhD in economics from McGill University in 1978 and 1982 respectively. I then took a position in Canada's Ministry of Finance, rising to the position of Chief, Business Sector Analysis. In 1987, I joined the Canadian Labour Market and Productivity Centre (CLMPC), a bipartite non-governmental body as Director of Research.

In 1995, I left the CLMPC to found the Centre for the Study of Living Standards (CSLS), a small, not-for-profit economic research organization based in Ottawa, Canada focusing on living standards, productivity, labour market, economic well-being and Indigenous issues. Twenty-five years later, I am still the Executive Director

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of this organization. The CSLS has never had core funding so we have lived on project funding from a wide variety of sources. Survival has been a challenge at times, but always an invigorating one! In this article I will focus on the economic well-being component of my work at the CSLS.¹

I have always had an empirical bent, loving the challenge of bringing together many data series to paint a big picture of what is happening. I have also had a keen interest in living standards and economic well-being. In the mid-1990s it was already recognized that GDP was a vastly imperfect metric of economic well-being. There were then some, but relatively few, composite indexes of well-being that went beyond GDP, the UNDP's Human Development Index being the best known example. Consequently, I decided that one of the first projects of the CSLS would be the development of a composite measure of economic well-being.

Lars Osberg, a Professor of Economics at Dalhousie University and one the founding members of the CSLS Board of Directors, had been asked in the mid-1980s by the MacDonald Commission to develop a conceptual framework for the measurement of economic well-being. The article, published in 1985 (Osberg 1985) is in my view a seminal contribution to the well-being literature. Osberg made that case that economic well-being consists of four major domains, namely consumption flows, stocks of wealth, economic equality, and economic security, each domain in turn based on a number of indicators (28 in total). Since Osberg had not developed actual estimates for his framework, the two of us teamed up in the mid-1990s to put empirical meat on the conceptual bones of what was called the Index of Economic Well-being (IEWB). This partnership has continued to this day.

The first estimates of the IEWB for Canada were released in November 1998 (Osberg and Sharpe 1998). The IEWB was well-received, with national media coverage and many requests for presentations in various venues. IEWB estimates for OECD countries were released in 2002 (Osberg and Sharpe 2002a, 2002b).²

Pushing the IEWB forward over the years has been a fascinating, at times frustrating, but ultimately rewarding experience. The receipt by the CSLS of the 2020 ISQOLS Award for the Betterment of the Human Condition for the IEWB is particularly gratifying in this regard.

The funding for the IEWB has always been difficult. We started out with relatively generous financial support from Human Resources Development Canada (HRDC), the national employment department. However, this did not last. In the mid-1990s the HRDC made major cuts to the unemployment insurance program, reducing substantially the proportion of the unemployed who received benefits. This ratio is one of the indicators in the risks from unemployment sub-component of the economic security domain. The sharp decline in this variable resulted in a fall in the economic security

¹ My other activities at the CSLS include serving since 2000 as founding editor of the *International Productivity Monitor*, a leading international journal in the productivity field. Since 2005, the CSLS has served as secretariat for the International Association for Research in Income and Wealth (IARIW), a society founded in 1947 for the advancement of knowledge related to income and wealth issues. I serve as IARIW Executive Director.

² Estimates for the Canadian provinces were first released in 2009. Reports with updated estimates for OECD countries and Canada and the provinces have been released on an occasional basis. The most recent IEWB estimates for Canada were released in 2020 (Osberg and Sharpe 2020). Conceptual issues related to the IEWB were explored in Osberg and Sharpe (2005) and Osberg and Sharpe (2014). The CSLS website provides a full listing of publications on the IEWB <http://www.csls.ca/iwb/articles.asp>.

domain and in the overall IEWB. Needless to say, our funder was not impressed when informed that their policies were the cause of the fall on economic well-being in the country! Funding was not renewed and we never found another funder for IEWB development until 2018. We retained our principles and continued work on the IEWB through cross-subsidies from other CSLS projects. But we paid a price in much slower IEWB development than would have been the case with solid funding.

At the invitation of Alex Michalos, a fellow Canadian and true pioneer in well-being studies, I presented the IEWB to the Second ISQOLS Conference held in Williamsburg, Virginia in December 1998. The paper sparked a heated debate on the role of Quality of Life (QOL) indexes, especially for policy development. This motivated Michael Hagerty to establish an ISQOLS committee for the purpose of evaluating 22 QOL indexes on the basis of 14 criteria. I was appointed a member of the committee. The work of the committee was published in *Social Indicators Research* in 2001 (Hagerty et al. 2001). The article is frequently cited in the QOL literature. I was pleased that out of the 22 QOL indexes, the IEWB ranked third in terms of the summary evaluation.

In September 1998 I was invited to present the IEWB to the National Accounts Advisory Committee at the OECD in Paris. The presentation did not go well. The national accountants were very defensive as they perceived the IEWB as an attack on GDP, which it is not. The OECD at the time was a conservative institution hostile to composite indexes. How the world has changed! Since the early 2000s the OECD has become the world leader in advancing the well-being agenda through its extensive research activities and organization of the triennial OECD World Forum on Well-being. It even produces a composite metric, the How's Life Index. An approach to economic well-being that goes beyond GDP now permeates the work of all parts of the organization, including even the Economics Department.

What matters for economic well-being has also evolved greatly within the Government of Canada. I recall a presentation I made at a retreat for Ministry of Finance officials in 2006 where I pointed out that the Gini coefficient, an indicator used in the IEWB, was at a record high level in Canada. A senior official responded that income distribution was not a concern of the Ministry of Finance! The agenda was economic growth. I am pleased to report that this view is no longer current. Indeed, the Government of Canada has appointed within the Ministry of Finance a Minister for Middle Class Prosperity tasked with using QOL indices to improve both budgeting and public policy. The senior official who discounted the importance of economic equality has changed his perspective. He has left the Finance Ministry and is now writing a book on economic and social inclusion!

Looking back over the past two decades, I like to think that the work of the CSLS on the IEWB has in some small way contributed to the movement from a GDP-based focus on economic performance and social progress to a well-being-based focus.

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