

MEQIN

Measuring equivalent incomes: The implementation of individual well-being measures from Belgian data

DURATION
1/10/2013 - 31/12/2017

BUDGET
1.307.234 €

PROJECT DESCRIPTION

General objectives and underlying research questions

This research project aims at defining the statistical methodology that will allow one to build well-being measures that are consistent with the following principles:

- well-being is a multi-dimensional phenomenon;
- one reason why anti-poverty policies have had such disappointing outcomes is that the point of view of the poor people themselves has not sufficiently be taken into account,
- the aggregation of the many dimensions of well-being and insecurity has to be made first at the level of the person, and then be aggregated at the social level,
- the dominant paradigm of the even distribution of well-being in the household should be dropped, and
- social policies will not be designed adequately without a precise account of how potential beneficiaries themselves react to the induced changes in their environment.

Context

A new measure of individual well-being has recently been introduced in the economics literature. This measure is grounded on the notion of equivalent income. It has three key characteristics. First, it takes account of both external (e. g., consumption of private goods) and internal (e. g., health) dimensions of the well-being of individuals. Second, it offers a promising compromise between the traditional objective approaches to well-being, which are known to fail to take the point of view of the people themselves sufficiently well into account, and subjective approaches to well-being, which are known to fail to account for the differences in the amounts of resources that are necessary to help different individuals reach the same subjective satisfaction level. Equivalent incomes, on the contrary, measure the value that different people assign to the quantities of external and internal resources they have access to. Third, equivalent incomes can be measured at the personal level, dropping the assumption of an even distribution of well-being within the household, consistently with newly developed theories of collective household decision making.

Methodology

The notion of well-being based on equivalent incomes requires to estimate what economists call preferences, that is, how the individuals themselves trade-off among the many dimensions of well-being, so as to evaluate what each dimension brings to his/her well-being. At least three techniques can be used to recover these preferences: a first one based on revealed preferences, i.e., on the analysis of observed choice behavior, under the assumption that people in general choose what increases their well-being; a second one based on stated preferences and contingent valuation; a third one starting from measures of subjective satisfaction. All three techniques are known to suffer from important drawbacks.

The goal of this project is precisely to set up a data set of a representative sample of Belgian households. The data set will be constructed in such a way that the three techniques of estimating preferences will be applied and compared, with the objective of finding the way to mix them to reach the best possible estimates. Once preferences are estimated, measures of individual well-being can be computed.



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Nature of the interdisciplinary

The project that is described here gathers scientists in economic theory, health economics, social policy, econometric theory, and applied econometrics.

Potential impact of the research on science, society and/or decision making

This research will give scientists, observers and policy makers new tools to evaluate and design social policies. Three applications will be developed. The first application will consist in measuring poverty and inequality in the Belgian society, identifying the population at risk, and in evaluating the extent to which poverty and inequality are due to the different dimensions of well-being, especially health.

The second application is the analysis of gender inequality within the household.

The third application is the measurement of socioeconomic inequalities in health. This will be made possible by our account of the relationship between the health and the other components of well-being and the ways in which people trade-off between these components.

Description of finished products of research

The finished products will be

- a data base, representative of the Belgian population, which can be used to apply new measures of well-being,
- scientific events, as well as general conferences aimed at disseminating results of the research,
- scientific publications.



CONTACT INFORMATION

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LINKS

<http://sites.uclouvain.be/meqin/project.html>