

제6호

**KU-GSIS**  
**Policy Brief**

**Changing Paradigms in  
Measuring  
National Well-being:  
How Does Korea  
Rank 'Beyond GDP'?**

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Academics, politicians and citizens around the world are calling for multidimensional measures of national well-being to be included in public policy making. Under the motto “The Future of Well-Being”, the 6th OECD World Forum recently pushed forward this debate in Incheon, Korea. Comparing multidimensional well-being measures across countries, Korea ranks well in income and health, but shows deficiencies in social support, perceived freedom over life choices, air quality, and work-life balance. Multidimensional measures of well-being are increasingly being adopted by policy-makers around the world to improve people’s lives.

### *Changing paradigms in measuring national well-being*

During the 20th century, a country’s advancement was generally measured by the means of income growth only. Particularly, after World War II, countries around the world adopted the Gross Domestic Product (GDP) and its growth rate as the primary policy targets. The focus on income was certainly beneficial at that time, as many economies were destroyed and unemployment was raging high in the post-war era. Focusing on job creation and income growth in poor countries makes sense as this usually brings immediate improvements in people’s lives. However, once countries enjoy incomes at the levels of today’s OECD countries, then further income growth can only marginally improve the quality of life. Advanced countries should instead incorporate other dimensions of people’s well-being into their policy making (Easterlin, 2001; Stiglitz et al., 2009; OECD,

2011; Seaford, 2011; Helliwell et al., 2012).

Hence, it is only natural that over the past two decades, critique in rich countries has grown over a too narrow focus on GDP (Sen, 1999; van den Bergh, 2009; Gertner, 2010; Kahnemann and Deaton, 2010; Kubiszewski et al., 2013; Steptoe et al., 2015). GDP growth should be seen as a means to improve people's lives, but not as an end in itself. Therefore, several new indicators were constructed at the start of the 21<sup>st</sup> century that try to measure the quality of life in a wider sense. These indicators do not aim to deny the role of income, but instead aim to complement GDP and acknowledge that good policy-making requires a wide set of targets. The OECD's Better-Life-Index (BLI) and the United Nations' World Happiness Report (WHR) are among the most prominent sources for these new indicators. They take into account a wide range of both monetary and non-monetary, objective and subjective factors that impact on people's lives. The idea is to complement GDP with other dimensions of well-being and thus give governments more holistic measures that can be used to design better policies. For example, the OECD's Better Life Index features the following twelve dimensions of well-being: housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety, work-life balance, and gender equality.

### ***Koreans – rich but not particularly happy***

Korea was one of the prime examples showing how an initially poor country could advance rapidly if everything else was subordinated to the goal of economic growth. Thanks to the sacrifices made by two generations of Koreans, the country has become the 11<sup>th</sup> largest economy in the world by 2018 and tops global rankings in the fields of health and education. However, how does Korea

rank when applying a wider definition of quality of life? And are Koreans really satisfied with their lives at the start of the 21<sup>st</sup> century?

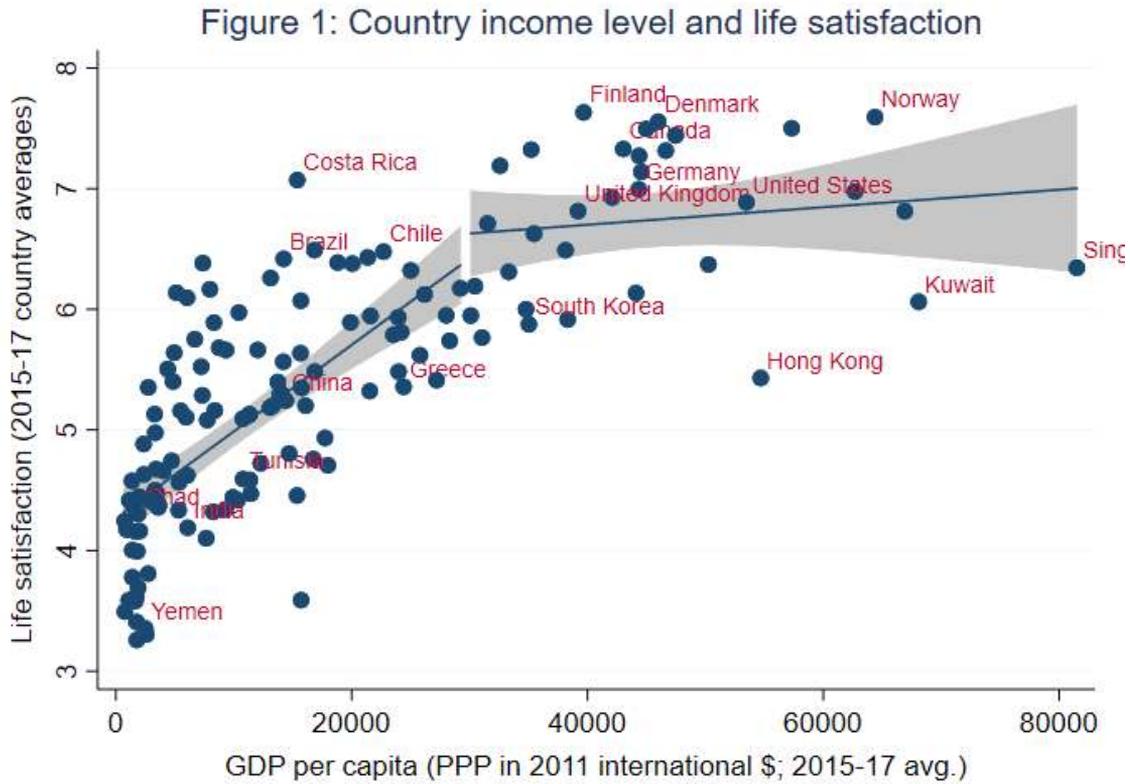
The Better Life Index ranks Korean life quality in the lower midfield of the 36 OECD member countries. On the one side, the BLI shows that Korea's strengths lie in *education*, *housing*, and *civic engagement*. On the other side, it reveals the country's weaknesses in *environment* (due to high levels of air pollution), *work-life balance* (due to long working hours), *life satisfaction* (due to low life ratings) and *community* (due to low levels of informal social support<sup>1)</sup>).

These new approaches do not only rely on conventional objective statistics, but also on subjective data that has newly been collected via large nationally representative surveys. That is, citizens are being asked directly to rate their quality of life, their freedoms and their social relationships. This newly collected type of data allows interesting new insights also into Korean society. It shows that Korea ranks rather low internationally when it comes to measures of subjective well-being such as self-reported life satisfaction and happiness. Figure 1 shows that Koreans are less satisfied with their lives than what would be expected given the country's income level. According to the UN's World Happiness Index 2018, Korea ranked only 57<sup>th</sup> among 156 countries analyzed. For this index, on average 1,000 people were asked to rate their lives every year in each country. The 2018 index reports country averages over the survey years 2015 to 2017. On a scale from 0 to 10, with 10 being the best possible life for them and 0 being the worst possible life, the average Korean life rating for the period 2015 to 2017 was 5.88. The Korean score is far below the top countries in the ranking, which are Finland (7.63), Norway (7.59), and Denmark (7.56). Interestingly, Korea is not the only East Asian country that scores

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1) Informal social support was measured by the fraction of people who gave an affirmative answer to the question "If you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not?".

significantly below the expected trend line when it comes to life satisfaction. Hong Kong and Singapore also perform poorly in terms of life ratings given their income levels.



Source: World Bank, WDI, and World Happiness Report 2018.

**Sub-indicators reveal weaknesses**

The World Happiness Report 2018 provides an in-depth analysis of factors that help explain the above cross-country differences in life ratings. Factors examined were per-capita income, healthy life expectancy, informal social support, freedom to make life choices, generosity, perceptions of corruption, unemployment, income inequality, as well as the experience of positive emotions (happiness, laughter, enjoyment) and negative emotions (worry, sadness, anger).

The report shows that all these factors have a statistically significant relationship with individual's life ratings.

Korea is doing relatively well when it comes to average incomes and health. Among the sub-indicators, Korea ranks relatively well in terms of *per-capita income* (28<sup>th</sup>), *healthy life expectancy* (4<sup>th</sup>), and *generosity* (39<sup>th</sup>).

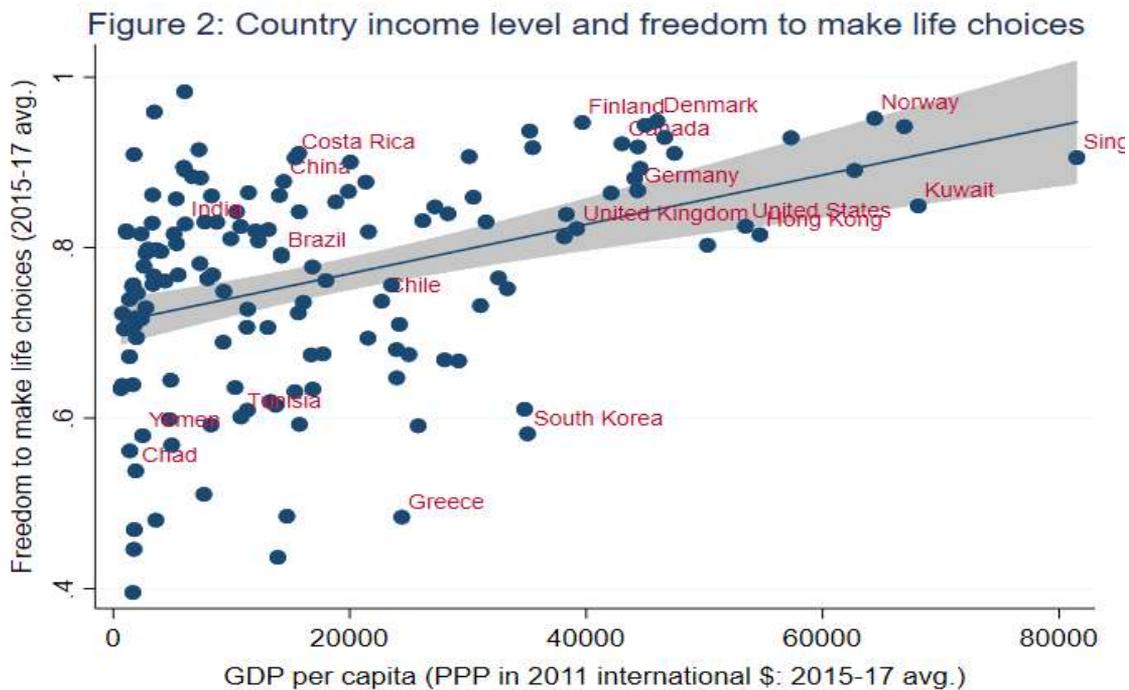
However, some sub-indicators suggest potential weaknesses in other dimensions of well-being which might have been overlooked in the past by policy makers. According to statistics on *informal social support*, 20 percent of Koreans report having no friends or relatives to turn to for help in difficult times. This fraction is four times higher than in Scandinavian countries where only 5 percent of the people report lacking such informal support. This leaves Korea ranked only 95<sup>th</sup> in the world in this category. Lately, loneliness has become a growing problem in many wealthy countries including Korea, in particular among the elderly (Kang and Rudolf, 2016). The UK has recently appointed a Minister for Loneliness showing the country's determination to address the issue. Many other OECD countries experiment with co-housing projects and other improved concepts of elderly care. Related Korean stakeholders should try to benchmark best practices around the world to close the gap in social support with other rich countries. Besides enhanced formal support for the elderly, the Korean government needs to improve the environment for informal social support. This is particularly important given that Korea features the highest old-age poverty rate among OECD countries.<sup>2)</sup>

Another area that calls for attention is Korea's surprisingly low ranking in the category *freedom to make life choices*. Here the country ranks only 139<sup>th</sup> out

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2) According to OECD poverty statistics, 45.7 percent of Koreans in retirement age were living in relative poverty in 2015, i.e. having a net income (adjusted for household-composition) of less than 50 percent of median net income. Korea's old-age poverty rate was approximately four times as high as the average OECD rate.

of 155 countries – amidst less developed countries such as Tunisia, Chad, or Yemen. As illustrated in Figure 2, only 58 percent of Koreans stated to be satisfied with their “freedom to choose what to do with their life”. In comparison, in the three happiest countries according to the WHR, 95 percent of the population reported to be satisfied with their freedom over life choices. Generally, a higher level of personal freedom is known to contribute to individually experienced well-being (Verme, 2009). While it is true that freedom can be defined differently across cultures, the low Korean score should be seriously considered.



Source: World Bank, WDI, and World Happiness Report 2018.

The fact that two out of five Koreans feel unfree to choose what to do with their lives calls for attention. While more research is needed to better interpret this statistic, it is likely to be understood with regard to Korea’s prevailing traditional social norms and some of its unique institutional factors. For example, compared to other OECD member societies, Korea features

relatively strong hierarchical structures both in family life and at the work place (Kim, 2007; Bae et al., 2011). These hierarchies are generally based on seniority and gender. In addition, although experiencing rapid change in this regard, some would argue that social norms continue to prescribe success in life in a relatively narrow way. Diversity and creative life choices continue to struggle in their search for acceptance in Korea. Moreover, parental influence over children's life choices remains strong, which is partly driven by high private investments into education. Besides, a relatively weak social safety net in combination with high old-age poverty are two additional factors that Koreans perceive as latent threats. These threats are likely to reduce risk-taking behavior and thus limit perceived as well as actual individual freedom.

### ***Conclusions***

What can we learn from these new trends in the measurement of quality of life? We noticed that the traditional GDP focus is no longer sufficient for governments in the 21<sup>st</sup> century. Modern governments are starting to regard a much wider range of indicators that affect people's lives. This means continuing to address people's worries in terms of education, jobs, income, and housing, but also promoting an environment of social support and civic engagement, respecting diversity, reducing inequalities, promoting working mothers and integrating migrants, promoting a healthy balance between work and leisure, and providing clean air and environmental sustainability. Today we are in the privileged situation that we can actually quantify many other dimensions that impact on the quality of life. Addressing these other dimensions effectively will help make Korean lives better.

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**Multidimensional well-being indicators**

OECD Better Life Index - <http://www.oecdbetterlifeindex.org/>

UNSDSN World Happiness Report - <http://worldhappiness.report/>

**About the author**

Robert Rudolf is an Associate Professor at the Division of International Studies of Korea University. He holds a PhD from the University of Goettingen in Germany. His main research interests lie in international development, subjective well-being, gender, and poverty/ inequality.