



## Policy Brief:

### Capturing Wellbeing through Global Indicators of Social Progress: Where Does Malta Stand?

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1. The main aim of this report is to understand and assess the potential for utilising measures of social progress in order to capture wellbeing in Malta. The report first delves into a number of leading indicators of progress that have been developed internationally, including a critical analysis of their respective strengths and weaknesses in relation to assessing wellbeing.<sup>1</sup> It then provides an assessment of Malta's performance across each of these indicators, both over time and in relation to other countries globally, thus providing a contextual background for Malta's wellbeing performance. These measures are all used internationally and therefore offer considerable methodological benefits over a new metric designed to gather objective data for wellbeing.
2. **Gross Domestic Product (GDP) per capita** measures the value added of goods and services produced within a country in any given year, divided by the number of inhabitants. In recent years, Malta has recorded robust growth in per capita GDP, fuelled by growth in key sectors like ICT, gaming, financial services, professional services and tourism, with only the agricultural sector recording a decline over this period.<sup>2</sup> Globally, Malta ranks within the top 25% out of 195 countries globally in terms of its GDP per capita, equalling the average within the EU-27.
3. The **Human Development Index (HDI)** was developed in 1990 for 190 countries by the United Nations Development Programme (UNDP), and assesses the long-term progress of a country in three basic dimensions of human development: health, education and living standards. As per the latest HDI figures for 2019, Malta ranks 28<sup>th</sup> out of 190 countries with an HDI score of 0.895.<sup>3</sup> Nonetheless, compared with the rest of the EU, Malta still lags a little behind, since the EU average HDI score is 0.911, with lower scores obtained for income per capita and both expected and mean years of schooling.
4. The **SDG Index** was developed as a quantitative dashboard to keep track of individual country progress towards the 17 Sustainable Development Goals (SDGs) adopted in 2015 by the United Nations. Collated by the Sustainable Development Solutions Network (SDSN), the index includes 170 quantitative indicators across 17 SDGs, with this list whittled down to 113 indicators for the EU-specific version of the SDG Index. At present, Malta ranks 33<sup>rd</sup> out of 193 countries (Global index), comparable to other high-income countries around the world, with key shortcomings in areas like responsible production and consumption, climate action and life below water.<sup>4</sup> From an EU perspective, Malta ranks 27<sup>th</sup> out of 31 countries, scoring poorly in areas like education, climate action, innovation and sustainable cities and communities.<sup>5</sup>

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<sup>1</sup> De Neve, J. E., & Sachs, J. D. (2020). The SDGs and human well-being: a global analysis of synergies, trade-offs, and regional differences. *Scientific reports*, 10(1), 1-12.

<sup>2</sup> Eurostat. (2021). GDP growth rate - volume. <https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en>

<sup>3</sup> United Nations Development Programme (2020). *Human Development Reports*. Human Development Report. <http://hdr.undp.org/en/countries/profiles/MLT#>

<sup>4</sup> Sustainable Development Solutions Network (2021). Sustainable Development Report 2021. <https://s3.amazonaws.com/sustainabledevelopmentreport/2021/2021-sustainable-development-report.pdf>

5. The World Economic Forum's **Global Competitiveness Index (GCI)** assesses the ability of countries to provide high levels of prosperity to their citizens, covering 141 countries since 2004. Data for 2019 shows that Malta ranked 38<sup>th</sup> out of 140 countries. Malta has improved its competitiveness ranking by 13 positions since 2012, with particularly high scores obtained in macroeconomic stability (1<sup>st</sup> globally), ICT adoption (25<sup>th</sup>) and health (26<sup>th</sup>). Nonetheless, Malta is somewhat lagging behind when it comes to business dynamism, which is related to administrative requirements for businesses and entrepreneurship (73<sup>rd</sup> globally) and infrastructure (47<sup>th</sup>).<sup>6</sup>
6. The **Human Capital Index (HCI)** quantifies the contribution of health and education to the productivity of workers within a country. Developed by the World Bank in 2018, the HCI covers 174 countries from around the world. In 2020, Malta ranked 32<sup>nd</sup> out of 173 countries with a measure of 0.71, equivalent to the mean score for high-income countries.<sup>7</sup> Malta scores well in terms of health outcomes, but lags behind other high-income countries in terms of harmonised test scores and learning-adjusted years of schooling.
7. The **Better Life Index (BLI)** was developed by the Organization for Economic Co-operation and Development (OECD). It consists of a set of 11 indicators which include housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, and work-life balance, covering 40 countries.<sup>8</sup> Given that Malta does not currently form part of the OECD, no data on the BLI is available for Malta.
8. While none of the indicators are explicitly set out to measure wellbeing, they shed light on the conditions that can create wellbeing for people living in Malta. It is interesting to note that despite the significant differences across the individual metrics used, Malta's performance is remarkably consistent across most indicators, with the country generally ranking among the top 25-30% of countries worldwide in terms of social progress. Nonetheless, Malta still lags behind several of its EU counterparts, which underscores potential room for improvement in this regard. The key areas that stand out are education, innovation and environmental protection, as attested from the results obtained across the HDI, SDG Index, the GCI and HCI in particular.
9. In identifying the best metric for Malta to proxy wellbeing, it is important to assess the relative strengths and weaknesses of each of the above measures. To this end, this report proposes a Multi-Criterion Decision Analysis (MCDA) approach, whereby each measure is assigned a score on the basis of a number of pre-set criteria and ranked, in order to select the most-suitable measure to proxy wellbeing for Malta. Such criteria include: i. the extent to which the measure is linked to wellbeing (validity and relevance); ii. the availability of data in time-series and cross-sectional form (hence international comparability); iii. the extent to which the measure is easy to interpret by policy makers, the media and the public; iv. the sensitivity of the measure to policy intervention (and hence the detail of the sub-indicators); v. the applicability to the specific interests of Malta (including the potential to tweak the tool by weighing different sub-indicators) and vi. the extent to which it can capture the wellbeing of all people in Malta, including children.
10. The MCDA is proposed to be conducted among a select group of stakeholders within the domain of wellbeing, in conjunction with the Malta Foundation for the Wellbeing of Society and the University of Malta, based on the expertise within the various fields of wellbeing locally.
11. While GDP per capita is the *de facto* proxy measure of wellbeing, it is quite plausible that the other measures assessed in this report score better against several of these criteria. This suggests that even without the generation of new data for wellbeing, or the composition of a new tool,

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<sup>5</sup> European Commission. (2020). *EU SDG Indicator set 2020. Result of the review in preparation of the 2020 edition of the EU SDG monitoring report*. [https://ec.europa.eu/eurostat/documents/276524/10369740/SDG\\_indicator\\_2020.pdf](https://ec.europa.eu/eurostat/documents/276524/10369740/SDG_indicator_2020.pdf)

<sup>6</sup> World Economic Forum (2019). *Global Competitiveness Report 2019*. <http://reports.weforum.org/global-competitiveness-report-2019/>

<sup>7</sup> World Bank. (2020). *The Human Capital Index 2020 Update: Human Capital in the Time of Covid-19*. <https://doi.org/https://doi.org/10.1596/978-1-4648-1552-2>

<sup>8</sup> Organisation for Economic Co-operation and Development (OECD). (2020). *OECD Better Life Index*. How's Life? <http://www.oecdbetterlifeindex.org/#/111111111111>

readily-available indicators exist which are capable of shedding light on the conditions that generate wellbeing in Malta.