FAQs on the Human Development Indices

What is the Human Development Index (HDI)?

The HDI – human development index – is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita.

To capture the attention of policy makers, media and NGOs and to draw their attention away from the more usual economic statistics to focus instead on human outcomes, the HDI was created to re-emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth.

- To question national policy choices - asking how two countries with the same level of income per person can end up with such different human development outcomes (HDI levels). For example, Viet Nam and Pakistan have similar levels of income per person, but life expectancy and literacy differ greatly between the two countries, with Viet Nam having a much higher HDI value than Pakistan. These striking contrasts immediately stimulate debate on government policies on health and education, asking why what is achieved in one country is far from the reach of another.

- To highlight wide differences within countries, between provinces or states, across gender, ethnicity, and other socioeconomic groupings. Highlighting internal disparities along these lines has raised national debate in many countries.

Is the HDI enough to measure a country's level of development?

Not at all. The concept of human development is much broader than what can be captured in the HDI, or any other of the composite indices in this Report (see gender-related development index, gender empowerment measure, and human poverty index). The HDI, for example, does not reflect political participation or gender inequalities. HDI and the other composite indices can only offer a broad proxy on the issues of human development, gender disparity, and human poverty. A fuller picture of a country's level of human development requires analysis of other human development indicators and information

Why is GDP per capita (PPP US$) used over GDP per capita (US$) in the HDI?

The human development index (HDI) attempts to make an assessment of 175 very diverse countries and areas, with very different price levels. To compare economic statistics across countries, the data must first be converted into a common currency. Unlike conventional exchange rates, PPP (Purchasing Power Parity) rates of exchange allow this conversion to take account of price differences between countries. GDP per capita (PPP US$) accounts for price differences between countries and therefore better reflects people's living standards. In theory, at the PPP rate, 1 PPP dollar has the same purchasing power in the domestic economy of a country as 1 US dollar has in the US economy.

Why doesn't the HDI include dimensions of participation, gender, and equality?

As a simple summary index, the HDI is designed to reflect average achievements in three basic aspects of human development – leading a long and healthy life, being knowledgeable, and enjoying a decent standard of living. Participation, gender disparity and human deprivation are measured in other

indices of the Report. Measurement issues related to these indices demonstrate the conceptual and methodological challenges that remain to be tackled.

Where do data for HDI come from? What are the criteria for a country to be included in the HDI?

Currently, for various reasons, there still exist many data gaps in even some very basic areas of human development indicators. While advocating actively for the improvement of human development data, as a principle and for practical reasons, HDRO does not collect data directly from countries or make estimates to fill these data gaps in the Report.

The one exception is the human development index (HDI). The Human Development Report Office strives to include as many UN member countries as possible in the HDI. For a country to be included, data ideally should be available from the relevant international data agencies for all four components of the index (the primary sources of data are the United Nations Population Division for life expectancy at birth, the UNESCO Institute for Statistics for the adult literacy rate and combined primary, secondary and tertiary gross enrolment ratio and the World Bank for GDP per capita [PPP US$]). But for a significant number of countries data are missing for one or more of these components.

In response to the desire of countries to be included in the HDI, the Human Development Report Office makes every effort in these cases to identify other reasonable estimates, working with international data agencies, the UN Regional Commissions, national statistical offices and UNDP country offices. In a few cases the Human Development Report Office has attempted to make an estimate in consultation with regional and national statistical offices or other experts.

Why isn't the HDI compiled for all UN member countries?

While the data in the Report demonstrate the wealth of human development statistics available, they also reveal many data gaps in basic areas of human development. Not all UN member countries have sufficient data available to calculate the HDI or other indices. However, for the 18 UN member countries not included in the HDI in HDR 2003, basic human development indicators (where available) are shown in Table 30 of the Report.

Is the HDI comparable over time?

The HDI is comparable over time when it is calculated based on the same methodology and comparable trend data. HDR 2003 presents a time series in HDI for 1975, 1980, 1985, 1990, 1995 and 2001. This time series uses the latest HDI methodology and the most up-to-date trend data for each component of the index. Please note that the HDI is designed to capture long-term progress in human development, rather than short-term changes.

Is the HDI comparable across editions of the HDR?

Due to revisions to the data series for some or all of the components of the HDI, changes in the HDI methodology, or variations in the country coverage, the HDI values and ranks presented in the 1990 through 2003 editions of the Report are often not comparable. The year-to-year changes in the index often reflect data improvement, instead of real increase or decrease in the level of human development.

The Human Development Report Offices strongly advises against constructing HDI trend analysis based on the HDI published in different editions of the Report. For the most up-to-date HDI trend data based on consistent methodology and data, please refer to Table 2 (Human Development Index Trends) in HDR 2003.

Is the HDI available before 1975?

Comparable data are not available for all components of the HDI before 1975, so 1975 is the first year for which the HDI was calculated in HDR 2003. Estimates for some indicators are available before this time, such as life expectancy, which are available since 1950.

Why was the HDI methodology changed in the 1999 HDR?

The methodology of the HDI has evolved and improved over time. In 1999, the formula used to treat the income component of the HDI was significantly refined, setting the methodology on a more solid analytical foundation

What is the gender-related development index (GDI)?

The GDI – gender-related development index – is a composite indicator that measures the average achievement of a population in the same dimensions as the HDI while adjusting for gender inequalities in the level of achievement in the three basic aspects of human development. It uses the same variables as the HDI, disaggregated by gender.

What is the gender empowerment measure (GEM)?

The GEM – gender empowerment measure – is a composite indicator that captures gender inequality in three key areas:

• Political participation and decision-making, as measured by women's and men's percentage shares of parliamentary seats;

• Economic participation and decision-making power, as measured by two indicators – women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions;

• Power over economic resources, as measured by women's and men's estimated earned income (PPP US$).

How are the GDI and the GEM used?

To draw attention to gender issues. The GDI adjusts the HDI for inequalities in the achievement of men and women. A comparison of a country's ranking on the HDI and its ranking on the GDI can indicate the existence of gender discrepancy. To illustrate that gender empowerment does not depend on income, it is useful to compare relative rankings on the GEM and the relative level of national income. For example,

• Poland ranks 25th in the GEM, ahead of Japan, in 44th place, yet income per person in Poland is about one third that of Japan's (9,450 PPP US$ vs. 25,130 PPP US$ for 2001).

• The UK and Finland have very similar income per person (24,160 PPP US$ and 24,430 PPP US$ for 2001) yet in the GEM Finland ranks 5th, the UK 17th. Both indicators can be disaggregated to highlight gender inequality within countries, which can vary widely across regions.

What is the human poverty index (HPI-1 and HPI-2)?

Poverty has traditionally been measured as a lack of income - but this is far too narrow a definition. Human poverty is a concept that captures the many dimensions of poverty that exist in both poor and rich countries—it is the denial of choices and opportunities for living a life one has reason to value. The HPI-1 – human poverty index for developing countries – measures human deprivations in the same three aspects of human development as the HDI (longevity, knowledge and a decent standard of living). HPI-2 – human poverty index for selected high-income OECD countries – includes, in addition to the three dimensions in HPI-1, social exclusion.

For HPI-1 (developing countries): deprivations in longevity are measured by the probability at birth of not surviving to age 40; deprivations in knowledge are measured by the percentage of adults who are illiterate; deprivations in a

decent standard of living are measured by two variables: the percentage of people not having sustainable access to an improved water source and the percentage of children below the age of five who are underweight.

For HPI-2 (selected high-income OECD countries): deprivations in longevity are measured by the probability at birth of not surviving to age 60; deprivations in knowledge are measured by the percentage of adults lacking functional literacy skills; deprivations in a decent standard of living are measured by the percentage of people living below the income poverty line, set at 50% of the adjusted median household disposable income; and social exclusion is measured by the rate of long-term (12 months or more) unemployment of the labour force.

How is the HPI used?

• To focus attention on the most deprived people and deprivations in basic human capabilities in a country, not on average national achievement. The human poverty indices focus directly on the number of people living in deprivation – presenting a very different picture from average national achievement. It also moves the focus of poverty debates away from concern about income poverty alone.

• To highlight the presence of human poverty in both the rich and poor countries. High income per person is no guarantee of a poverty-free country. Even among the richest countries, there is human poverty. The HPI-2 for selected high-income OECD countries (HPI-2) shows that out of 17 European and North American countries, the US has the second highest level of income per person, but also the highest rate of human poverty.

• To guide national planning for poverty alleviation. Many National Human Development Reports now break down the HPI by region or other socioeconomic groups to identify the areas or social groups within the country

most deprived in terms of human poverty. The results can be dramatic, creating national debate and helping to reshape policies.

Why aren't all the countries included in the GDI, GEM, and HPI?

Lack of data is a particular constraint in monitoring gender disparity and poverty. Coverage of the GDI in HDR 2003 is limited to 144 countries, GEM to 70 countries, and the HPI-1 to 94 developing countries and HPI-2 to 17 high-income OECD countries

Are data comparable in different editions of the HDR?

As a result of periodical revisions to data by international agencies, statistics presented in different editions of the Report are often not comparable. For this reason the Human Development Report Office strongly advises against constructing trend analysis based on data from different editions of the Report.

Why does some national data differ from data in the HDR or else show that data is missing when data is available from national sources?

When compiling international data series, international data agencies often need to apply internationally adopted standards and harmonization procedures to improve comparability across countries. Where the international data are based on national statistics, as they usually are, the national data may need to be adjusted. Where data for a country are missing, an international agency may produce an estimate if other relevant information can be used. And because of the difficulties in coordination between national and international data agencies, international data series may not incorporate the most recent national data. All these factors can lead to significant discrepancies between national and international estimates.

This Report has often brought such discrepancies to light. And while the Human Development Report Office advocates for improvements in

international data, it also recognizes that it can play an active role in such efforts. When discrepancies in data have arisen, it has helped to link national and international data authorities to address those discrepancies. In many cases this has led to better statistics in the Report.

How are the Regional/Income classifications determined?

The indicator tables of this year's Report cover 191 UN member countries along with Hong Kong, SAR (China) and Occupied Palestinian Territories. These countries and areas are classified in four ways: by human development level, by income, in major world aggregates and by region. These designations do not necessarily express a judgement about the development stage of a particular country or area. The term country as used in the text and tables refers, as appropriate, to territories or areas.

Human development classifications. All countries included in the HDI are classified into three clusters by achievement in human development: high human development (with an HDI of 0.800 or above), medium human development (0.500–0.799) and low human development (less than 0.500).

Income classifications. All countries are grouped by income using World Bank classifications (effective as of 1 July 2002) based on gross national income (GNI) per capita: high income (gross national income per capita of $9,206 or more in 2001), middle income ($746–9,205) and low income ($745 or less).

Major world classifications. The three global groups are developing countries, Central and Eastern Europe and the CIS and OECD. These groups are not mutually exclusive. (Replacing the OECD group with the high-income OECD group would produce mutually exclusive groups; see the classification of countries, page 361) Unless otherwise specified, the classification world represents the universe of 193 countries and areas covered.

Regional classifications. Developing countries are further classified into the following regions: Arab States, East Asia and the Pacific, Latin America and the Caribbean (including Mexico), South Asia, Southern Europe and Sub-Saharan Africa. These regional classifications are consistent with the Regional Bureaux of UNDP. An additional classification is least developed countries, as defined by the United Nations.

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