

Human Development Index (HDI) - A poor representation to Human Development Approach¹

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Summary

The Human Development Approach (HDA) emerged as an attempt to put people back at the centre of development discussions and action plans. The approach is complex and it is associated with a number of characteristics, such as those of peoples' choices, capabilities, improvement of peoples' basic positive freedoms, etc. The philosophical articulation of this approach has greatly benefited from the contributions of Sen and Ul Haq. The Human Development Index (HDI) is the instrument towards which HD became known worldwide. The HDI is an attempt to represent human well-being and allow comparisons among different countries/regions. From an operational sense, the HDI is the first broad-ranging representation of the Capability and Basic Needs Approaches. Its empirical relevance has proved to be very meaningful to UN agencies and governments all over the world. And yet, the HDI has been extensively criticised for its lack of desirable statistical properties

The objective of this paper is to explore the limitations of the HDI as a proxy for HD. In particular, the main issue addressed here concerns the validity of the arguments that dispute the proposition of the HDI as an indication of HD. Our discussion is related to the correlation between high HDI and peoples' real opportunities and; the problem of context and distribution sensitivity of the index. The results show that the presence of valuable functionings, such as people living long, being literate and having middle per capita income; does not prevent the overwhelming biasing effect of the high level of inequality in different aspects of the society. This leaves a high percentage of the population without any chance to develop their capabilities and live as a full human being.

Resumo

O paradigma do Desenvolvimento Humano (DH) veio à tona como uma tentativa de colocar as pessoas de volta ao cerne das discussões e ações na área socioeconômica e política. O principal objetivo do referido paradigma é aumentar as opções de escolha das pessoas. Na opinião de Sen (1999) DH é um processo de aumento das Capacitacoes das pessoas para torna-las capazes de ser e/ou fazer aquilo que elas consideram como sendo algo de valor. O índice de desenvolvimento humano (IDH) é o instrumento através do qual o paradigma do desenvolvimento humano tornou-se

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mundialmente conhecido. A missão do IDH era representar, de forma sintética, o nível de desenvolvimento humano e bem estar de um país ou região, além de permitir a realização de comparações entre países e/ou regiões. No entanto, apesar da rápida difusão e aceitação do IDH, as bases fundamentais do desenvolvimento humano, que são a promoção das capacitações, ampliação das escolhas e/ou oportunidades têm ficado esquecidas. Questiona-se assim se o IDH, de alguma forma reflete as proposições da Abordagem das Capacitações e do Desenvolvimento Humano. A discussão ao longo do trabalho refere-se a correlação entre alto IDH e as reais oportunidades enfrentadas pelas pessoas e, ao problema de sensibilidade do índice em relação a questões distributivas e de contexto. Os dados utilizados referem-se ao Rio Grande do Sul, um dos estados classificados como de alto desenvolvimento humano no Brasil. Os resultados evidenciam que, apesar das pessoas terem alta expectativa de vida, serem alfabetizadas e terem, no agregado, renda per capita considerada média, as desigualdades são significativas em diversos aspectos, tais como acesso a educação em nível médio e superior, oportunidades no mercado de trabalho e acesso a serviços básicos.

1 - Introduction

The search for the right theory to understand, explain, measure or promote a good life style has been a subject on which social scientists, economists, philosophers, psychologists, and so forth have been struggling for long time. An interesting evolution has occurred from these attempts. Briefly, this paper goes through the changes that occurred from the use of gross national product (GNP) as the main well-being measure until the creation of human development index (HDI) as the main quality of life index. Since the 1990s, social public policies around the world have been thought, implemented and measured based on the principles of Human Development (HD) Approach. There is no doubt that the referred evolution, with the HDI implementation, represents advancement in relation to the previous views. The HDI is currently used for many different purposes; from simple comparative index to a decision-making instrument for public policy elaboration and credit decision. It is particularly used as a measure to rank countries as well as an indicator to define resources destinations.

The HD assumption and principles are rooted as a combination result from the previous approaches such as Economic Development, Basic Need (BN) and the Capability Approach (CA). In general terms, the HDI was the main instrument through which the HD approach became known. HDI is supposed to measure the level

of HD and to represent human well-being at national, regional or municipal level. In some way, the HDI is the first broad-ranging representation of the BN and CA goals. At the same time that the use of HDI became very popular and accepted, the main goals of the Human Development approach, especially the ones related to the improvement of people's capabilities started to be forgotten. Our hypothesis in this paper is that the power attributed to HDI is over evaluated, which means that in practical terms the broad propositions from Capability and Human Development approaches are not contemplated in the index. In that sense the opportunities to more deprived people have not been promoted and, we can also have cases where high HDI is misreading the reality. What is being measured as High Human development in developing countries, for example, can be rather different from the same index in developed countries or regions. In this paper we attempt to deal with these problem towards the following two aims. 1) To discuss the correlation between high HDI and people's real capabilities and/or opportunities and; 2) to analyse the sensitivity problem of the index to context and distribution aspects.

According to Anand and Sen the motivation to HDI creation was the search for an index that can be able: "to focus directly on the lives that people lead – what they succeed in being and doing" (1994:2). The questions which were used as a guide in the search for the right way to build the index were:

"Do they have the capability to live long? Can they avoid mortality during infancy and childhood? Can they escape preventable morbidity? Do they avoid illiteracy? Are they free from hunger and undernourishment? Do they enjoy personal liberty and freedom?" (Anand and Sen (1994:2).

The belief among the HDI creators are that the index is an alternative to the GNP and income based measures. In such a sense, the HDI has the responsibility to be a multidimensional index and also to be a measure of capability achievements. Although HDI is supposed to measure capabilities, Anand and Sen (1994:12) acknowledge that it "has been concerned only with the enhancement of very basic capabilities of people". In their opinion the HDI can suffer from a limitation concerning to the lack of power to capture the differences among the industrialised and advanced countries. Once income and literacy are very similar in terms of

achievements among developed countries, the only differences are due to small variations in life expectancy. But they recognise that if the will is to capture a slightly high level of development, there is the need for a more complex indicator. In their words: “Yet once we take of the high and similar levels of achievement of basic capabilities, it becomes relevant to assess performance using more refined capabilities” (Anand and Sen, 1994:13)

To contrast the theoretical propositions with the obtained results we will use the available socio-economic data on education, labour market, income and household conditions from Rio Grande do Sul, Brazil. The state of Rio Grande do Sul was chosen due to the fact that it is classified as having a high level of human development, HDI=0,814 (Atlas do Desenvolvimento Humano, 2000). At the same time, evidences related to choices, opportunities and distribution (of income, resources and opportunities) suggest that Human Needs are not being satisfied and Essential Capabilities are not being promoted in a full sense. The referred evidence can be illustrated by the income inequality index 0,59 (PNUD, 2000), overall unemployment rate 15,3% (FEE, 2004), and female unemployment rate of 17,9% (PED, 2002).

The paper is structured as follows: Part one we present the introduction, in part two the origin, bases and evolution of the Human Development approach and HDI construction. Part three refers to the debate among critics and defenders of the HDI. Part four brings empirical results from our case study and part five summarise some final considerations.

2 - Human Development Approach

The first part of this section refers to the origin, evolution and concepts of Human Development. The last part discusses the creation of the HDI and its measurement problems. The origin of HD concept goes back more than thirty years ago, however, the last decade faced its highest evolution, especially in the conceptualisation of the theme. The high point of this debate comes after the 1990s, when the United Nation Development Program (UNDP) published the Human Development Report and the Human Development Index (HDI).

The Human Development Approach emerged as an attempt to put people back in the centre of the discussions and actions related to economic and social policies. The HD paradigm is defined as a process that covers all aspects of development – whether economic, international trade, budget deficit, fiscal policy, savings, investments in basic technology, social services or safety nets for the poor. “No aspect of the development model falls outside its scope, but the main advantage is the widening of people’s choices and the enrichment of their lives. All aspects of life are viewed from that perspective” (Ul Haq, 1998: 20). The arguments present at HDR (1990: 9,10) are that the core ideas of HD refer to the fact that human well-being is central to the goal of development and that human beings constitute the major economic resource. Sen has emphasised that human development is a process to improve people’s Capability to do or to be what they consider valuable. In other words it means to improve people’s positive freedom (Sen, 1970, 1985, 1987, 1992, 1997, 1999). As Stewart (1996) says, the HD definition mentioned above draws on elements from Basic Needs (BN) and from the Capability Approach (CA), which means to focus on people as a priority in themselves. The attempt is to promote all aspects of their lives, from their basic physiological needs until psychological necessities, feelings, freedom and autonomy of choice.

From the criticism related to the economic development theory emerged the idea of Human Development. This conception brings intrinsically a deep concept of human life, which is closely related to poverty and well-being discussions. Human Development is a wider concept, which put people back to the centre of the aims. In this sense the human development is a concern to all human beings not exclusively to those who are under economic deprivation. This is not a new or original idea, it comes from long previous discussions.

The first ideas were born from issues related to the sustainability of economic development and the existing doubts about economic growth sufficiency. These references are date from the end of the last World War. During the sixties, doubts about desirability of growth were added to the sufficiency. At this time the poverty problems started to emerge and the high economic growth rates were not helping to

solve the problem. In the following discussions, in the early seventies, the environmental problems were added to the discussion (Desai, 1991).

The economic effects of the oil shock moved this debate away from the middle to the end of the seventies. In the eighties themes concerning poverty, income distribution and environment received again a central place at discussion table. During the eighties it was easy to evaluate the high economic growth rates that occurred in the seventies, and its effects on people's lives, businesses and on the environment. In fact, during that period much damage was done to the environment and the income became more concentrated, which resulted in social problems. The central issue to be discussed was to examine how far economic growth was necessary as well as sufficient to solve the human problems and to fulfil their necessities (Desai, 1991).

There are two main roots where the human development paradigm comes from. One is from studies about economic inequality, social choice and poverty. The second is from the searches for a non-economic indicator/measure of development, which was highlighted by the Physical Quality of Life Index (PQLI) proposed in 1979 by Morris (Desai, 1991). These two roots, from where the human development concept was born, suggest that the concept can be interpreted as going back to the human welfare problems. In Desai (1991:534) words "the concept relates to the guaranteeing of sufficient resources, so that basic capabilities are assured and examines the use people make of these capabilities".

In spite of the early discussions, the present and most usual definitions of human development became known in the nineties. It happened especially with Mahbul Ul Haq and Amartya Sen's job at United Nations Program. Ul Haq (1998) presented a range of five factors that are common for all societies when using the human development conception. The first definition was the idea that people must be in the centre of the stage. Each activity should be analysed to see how much each person participates in it or benefits from it. The second one brings the idea that human development can be analysed in two ways – one refers to the formation of human capabilities and the other is about the use people make of their acquired capabilities. In third he puts the importance of having a careful distinction between ends and means - the idea is to focus on the ends without forgetting the means. The fourth

factor is the idea that the human development paradigm embraces all aspects of society – not only in economic terms, and the last factor is that people are both, means and ends in the human development process.

Ul Haq (1998) emphasised that people must be the core of discussion, which means that all other resources need to be managed to reach human well-being. In that sense the idea contrasts with the radical environmentalist view, which puts the environment before humans. According to the Human Development Approach the sustainable environment is the one that helps to improve people's lives now and also in the future.

The reasons why human development is the most important goal to be persuaded for nations can be illustrated with Streeten's (1994) six reasons. He says that human development is important.

- (1) First and above all because it is an end in itself that needs no further justification;
- (2) Human development is a means to higher productivity;
- (3) It slows human reproduction by lowering the desired family size;
- (4) Human development is good for the physical environment;
- (5) Reduced poverty contributes to a healthy civil society increased democracy and great social stability;
- (6) Human development has political appeal, and so it may reduce civil disturbances and increase political stability.

The richness of human development concept and the wider amount of uses bring a huge measurement problem. It has been argued that the concept of human development is clearly much wider and richer than what can be captured in any index or set of indicators (Ul Haq 1998). It is known and accepted that a good concept is very important and that it is the departure point to reach the human aims. At the same time, if it is impossible to measure or to operationalise the idea, it will be easily misunderstood or misused.

An example of good aim and wrong understanding was what happened with the Basic Need theory. As illustrated by Ul Haq (1998) and Alkire (2001) the concept of basic needs was not centred in commodity possession. The core of this theory was

concerned to provide the opportunity for all to have a full life, emphasising the poor. Many times the basic need theory is criticised because it was understood that it is restricted to the need of economic resources.

The same kind of analysis can be applied to the discussion related to the economic development and economic growth. Sen (1983) when analysing the critics that have been done to the Economic Development theory said. “I shall argue that the obituary may be premature, the original themes – while severely incomplete in coverage – did not point entirely in the wrong direction, and the discipline of economic development does have a central role to play in the field of economic growth in developing countries” (Sen, 1983:745).

The literature suggests that the core of the Economic Development theory as well as the essence of the Basic Need theory was pointing to the right direction. Or, at least, these theories were trying to promote a broader contribution to human life than it was understood and used. The Economic Development theory as a separate body of economic analysis comes from the Keynesian Revolution. As a result of that, the main emphasised point was the economic growth. In Sen’s opinion it is a normal result and therefore, the researchers need to always take into consideration the overall factual prevailing at the time the theories were formulated. In this sense the economic growth theory is a result of a time where the thoughts were back to economic growth promotion and industrialisation (Sen, 1983).

The main aim of Economic Development theory was to improve quality of life. The problem with that was to believe that economic growth was the main, and the only way to reach this goal. Sen (1983:748) says “growth is not the same thing as development and the difference between the two has been brought out by a number of recent contributions to development economics”.

Maybe the main problem with the economic development theory was to take into consideration only one dimension of the concept. It can be appealing to agree that economic growth is one aspect and, it is an important aspect of economic development, but is not the only one. Using Sen’s arguments “the real limitations of traditional development economics, arose not from the choice of means to the end of

economic growth, but in the insufficient recognition that economic growth was not more than a mean to some other objectives. The point is not the same as saying that growth does not matter.” (1983: 753). As well as Sen, Ul Haq (1998) believes that the original ideas of economic theory were related to people’s quality of life. He points that after the Second World War, an obsession with economic growth models and national account grew from the economist’s main schools of thought. These ideas are that what matter is what could be measured.

According to Mahbub Ul Haq who was the main responsible for the HDI creation, the main aim was to substitute GNP for an index that expressed better the human condition. For a long time, the main measure that was used to differentiate countries between developed and underdeveloped was the GNP. This measure started to receive a large amount of critics. Critics were specially based on the argument that GNP was not good enough to measure economic development. According to what was presented by Noorbakhsh (1998), the start point of the criticism to GNP measures comes from the pioneer United Nations report (UN, 1954). In the referred report were presented arguments against the use of GNP as the only way to measure the standard of living. Among other reasons Ul Haq (1998) points the fact that, market rules determine GNP prices and give more value to guns than to milk, which justifies the inadequacy of GNP as well-being measure.

The discussion about how to measure economic development in the last decades resulted in a range of different socio-economic indicators. There were important advancements in data collection, and attempts to get a complete, practical and comparable indicator. The most known was the physical quality of life index (PQLI) – Morris (1979). However, none became world-wide accepted and known until the HDI publication in 1990. There were two purposes to HDI construction and presentation. The first was to be an optional measure in substitution to GNP uses. The second was to represent at least in some way the new and broad ideas of what Human Development concept meant.

HDI is supposed to fill the lack of a comprehensive measure of development that could capture all, or many more of the choices people make. To develop this kind of indicator demands facing some difficulties, such as the following. First, some

researchers proposed score economic indicators and social indicators both without enough composite aggregation. The policy makers rejected it as a hard measure to digest. Second, several composite measures lacked a sound methodological base and were abandoned after brief trials. And the last difficulty is that there was not enough investment to construct a measure that would be an alternative to GNP, nor was the effort sustained long enough to develop, refine and test socio-economic indexes. According to Ul Haq (1998), national income account had taken five decades of investment and research, and yet many aspects of these accounts were still being investigated. During the search for HDI development the following six principles were used as guides:

- 1 - The new index would measure the basic concept of human development to enlarge people's choices.
- 2 - The new index would include a limited number of variables to keep it simple and manageable.
- 3 - A composite index would be constructed rather than a plethora of separate indices.
- 4 - The HDI would cover both social and economic choices.
- 5 - One of the most important decisions was to keep the coverage and methodology of HDI quite flexible – subject to gradual refinements as analytical critiques merged and better became available.
- 6 - An index can be only as good as the data fed into it, a lack of reliable and up-to-date data series was not allowed to inhibit the emergence of the HDI.

At present, the conceptualisation discussion has been improving significantly and the public has more awareness of the human development concept. However how to evaluate and how to promote human development, still remains controversial and sensitive to different interpretations and interests.

The development of the HDI prompted a new wave of discussions about human conditions. At the same time, the HDI has been criticised in different ways. Sometimes it is considered to have the same limitations as GNP measures, which were traditionally used to measure economic development. The only agreement point among researchers is that poverty and human development are multidimensional concepts and therefore, need to be measured taking this into account.

3 – HDI: A discussion between critics and defenders

As a result of this ambitious aim the HDI was submitted to a large amount of criticism. In fact, we can see arguments pro and against the HDI. In the following paragraphs we present the main points of this debate.

Researchers that believes HDI is an advancement in relation to the earlier measures says for example, that HDI presents contributions in terms of marginal returns to income. Also there are contributions in terms of multidimensionality, due to the use of longevity and knowledge as indicators. In such a sense, the index is considered more consistent and wider than just GNP (Luchters and Menkhoff 1996)

Streeten (1994 and 1995) arguments are that HDI results can clarify the inadequacy of previous indicators. In his opinion information from HDI is more complete and helpful to public policy decision. In the same direction Desai (1993) emphasises the fact that HDI captures better the distribution aspects of income once it works more efficiently than indices just based on averages.

Ul Haq (1998) says that HDI contributes especially in relation to the multidimensional aspects of human development. He recognises the fact that the concept of human development is much wider than what is reflected in HDI, but he says that the index can capture many aspects of human life that were not captured before.

Dasgupta and Weale (1992) recognise the importance and improvement that HDI brings. In their words HDI represents a good package of indices at a very aggregate level, which in some sense are the same arguments used by Streeten (1994)).

In summary, the advantages of HDI are concerning its capacity to reflect the human condition in a more appropriate way than the previous measurements. The complexities that are involved in the Human Development concept is also an open door to criticism in the measurement process. The main arguments against HDI as a solution to the human development idea can be summarised in four groups of critics as following.

The first group is related to the idea that HDI is not reflecting the human development idea accurately. Dasgupta and Weale (1992) point out the fact that it is an index restricted to the socio-economic sphere of life; the political and civil spheres are in the most part kept separate. Ram (1992) says that there is a sub-estimation of inequality among countries, which means that this dimension is not being taken into consideration appropriately. Moreover, Hicks (1997) pointed that inequalities inside countries and between genders are not considered in the index.

The second block of critics is concerning data quality and the exact construction of the index (Srinivasan, 1994; UNDP, 1993; Murray, 1993). Srinivasan (1994) arguments are that HDI is conceptually weak and empirically unsound. This strong critic comes from the idea that both components of HDI are problematic. The GNP in developing countries suffers from incomplete coverage, measurement errors and biases. Also the conversion process in the USA dollar using purchasing power parity (PPP) and exchange rate are problematic according to Srinivasan (1994: 241). The following component, life expectancy, “is not available for as many as 87 out of 117 less developed countries”. Under-five death data, in many countries, are a mathematical estimation and do not come from collected data. The definition and measurement of literacy are different among countries and also, this data has not been available since 1970 in a significant number of countries.

The third range of arguments showing the weakness of the HDI reflects the aggregation problems (Desai, 1991). In fact, Desai arguments are more suggestive than critical. He suggests that better information and techniques need to be found to solve problems such as the way longevity is considered; how much importance is given to each level of education and especially how the standard of life is included via GNP or income. He suggests that both the way each component is weighted and the quality of the data should be improved. (Desai, 1991: 355-356)

The last group of critics refers to the technical properties of the index (McGillivray, 1991; MacGillivray and White, 1993; Trabold-Nubler, 1991; Dossel and Gouner, 1994; Gormely, 1995; Noorbakhsh, 1998). McGillivray (1991) questions refer to the composition and the usefulness of the HDI. His arguments are that “the HDI, generally, reveals little more than any one of the pre-existing development indicators

alone reveals” (1991: 1462) meaning that HDI fails as a way to provide insights into inter country development level corporations as the pre-existing indicators did.

It is considered that HDI as a development indicator has a problem of redundancy. The point is that, if there is a significant and positive correlation between the HDI and any one of its components, and then the former reveals few additional insights into inter country development levels. “Intuitively, a necessary, although not sufficient, property of a good composite indicator is that its components are themselves insignificantly correlated” (McGillivray, 1991: 1462)

Dasgupta and Weale (1992) point problems related to the cardinal treatment of an ordinal index. Trabold-Nubler (1991) fails on the use of the Atkinson formula. Luchters and Menskhoff (1996) show that there are problems with the application of a composite formula for transforming the GDP values into human development values.

From this discussion we can conclude that HDI represents an advancement in relation to previous indicators but it is not an indicator that can reflect properly the idea that Human Development concept brings in itself.

4 – Empirical Evidences

The aim of this section is to present empirical data and to discuss the HDI capacity to reflect human development through the enlargement of people’s choices, opportunities and capabilities. Initially we present general comments related to HDI and HDI-M (that is HDI at Town Council level) as well as IDESE (Socio-economic and development index). The following part presents separately each dimension (or group) of HDI and IDESE, trying to find evidence to support our hypothesis.

The data that will be presented and used to support the discussion is concerned to inequality, labour market, education (access to school and university), household’s conditions and vulnerability. We start with a brief explanation about the indexes and data. All data used refers to the year 2000, which is the last year we have all data available.

The HDI-M is the Town Council index calculated by Fundacao Joao Pinheiro, IPEA and PNUD using the same methodology used at HDI country level. Gini is the inequality index and needs no further explanation. Socio-economic development index (IDESE) is calculated by FEE (Statistical and Economy Foundation of Rio Grande do Sul) and follows nearly the same HDI methodology although it uses a wider number of variables (12 in overall). The variables are grouped in four groups. To each variable, in each group an index between zero and 1 is calculated. Each group or block has the same weight. The groups are as following.

Sanitation and household conditions. This block includes the proportion of households with fresh water (weight 0,5), the proportion of households with sanitation (weight 0,4), and the average of people per household (weight 0,1).

Education. Rate of illiterate people with 15 years of age or more (weight 0,35), rate of people who abandon school during the fundamental level (weight 0,25), rate of failure at fundamental level (weight 0,20) and rate of people attending middle level school (weight 0,20).

Health. Percentage of children born under standard weight (weight 1/3), rate of death under the age of 5 (weight 1/3) and life expectancy at birth (1/3).

Income: GNP per capita (weight 0,5) and Added value per capita from trade, housing and nourishment (weigh 0,5).

At the same time that Brazil shares the top three worse highest income inequality in the world, it is considered as having middle level of development according to Human Development Report - HDI = 0,766. Due to Brazil's vast dimensions, the diversities within the country are also huge and difficult to capture in aggregate measures. Among the states, 5 out of the 27 are classified as having a high level of human development. For example, the Capital of the country, Brasilia, has an HDI = 0,844, the highest in the country. Brasilia's high HDI can be explained by the characteristics of the town where most inhabitants are politicians or people working in offices related to the administration of the country. Apart from Brasilia the other states showing high level of human development are, in order, Santa Catarina, which is a very small state in the South of the country. Sao Paulo, which is the most crowded and industrialised state in Brazil. Rio Grande do Sul (RS), our case study, and Rio de Janeiro, the former

Capital of the country located near Sao Paulo and having the most serious problems related to violence, slums, drug trade and crime.

The reasons to use RS as a case study are that the state has no strong particularities and can be, in some aspects, compared to the other states of the country that are classified as having middle or low level of human development. In general terms, the Rio Grande do Sul's economy divided into agriculture, industry and services in relatively balanced proportion. The urbanisation rate is 81,65% and income inequality Gini coefficient is 0,59. 20% of the richest people have 62,9% of the state income and 20% of the poorest people have only 2,5% of the state income.

The performance at state level is: HDI = 0,814, Gini = 0,59 and the IDESE = 0,751. The lower level of IDESE shows that the inclusion of one group of variables put the state as a middle level of socio-economic development. The enlargement of the IDESE, shows also a different order of the Town Councils and reduction in the value of the indices to almost all Town Councils. For example, using HDI, the state has 172 towns classified as having high human development. When IDESE is taken into consideration only 9 town councils are considered as high socio-economic development. The town councils with the lower HDI = 0,666 have an IDESE = 0,496 near the border to be considered as a low human development place. The interesting point is that all groups in IDESE, have low level of development, however the inclusion of sanitation is the main aspect to push the index down. On the other hand, the highest HDI = 0,87 (Bento Goncalves) is not the same town council with the highest IDESE = 0,831 (Caxias do Sul). And also the lowest HDI is not equivalent to the lowest IDESE.

What IDESE results are showing is that HDI is sensitive to small changes and that the inclusion of few more variables can affect significantly the classification and the position of the Town councils. However the main aim of this paper was to discuss if high HDI means high opportunities and promotion of capabilities. To reach this aim we will analyse separately each group or aspect of the HDI and also the sanitation group in IDESE.

Initially we look at the education aspect, which is the aspect with the highest contribution to the good performance of the state. The state education HDI = 0,904 and IDESE = 0,853. Once Human Development is supposed to promote the conditions for people act as full human beings we can check some additional indicators. For example, the percentage of people between 15 and 17 who have access to secondary education in the state is only 45,92%. The percentage of people between 18 and 22 with access to university is 5,89 % and for people above the age of 25 it is only 1,87%.

Another problem that people face in relation to education in the state is the quality of education. High rate of literacy does not mean that people have the proper knowledge and conditions to compete in the labour market. In developing countries there is restriction in the number of places offered to higher education. In RS, this opportunity is available for 0,01% of the population. The competition to get a place at university is strong, especially places at public institutions that are offered free of charge. The results of that can be, in some sense unfair. People who manage to get a place in higher education are the ones who are better prepared and/or who are able to pay for a private course.

The second dimension to be analysed is income. HDI income is 0,754 and an IDESE income = 0,757, both showing middle level of development. At the same time the inequality index, Gini = 0,59 (same index of the country). The per capita income was R\$ 246,46 (US\$ 126,38). A part from the serious inequality problems the state has a high level of unemployment and informality at labour market.

The indicators related to people's real opportunities, in each Town Council of the state, in the labour market refers to formal jobs (overall, by gender, by wage and by level of schooling) and number of people in the working age.

The data shows that people working in formal jobs within the state represent only 18,56 of the working age population. Between the Town Councils, there is high heterogeneity in job distribution. The inequality in terms of job opportunities shows also a gender bias. For example, men occupy the majority (58,9%) of the formal existing jobs. If it is separated by level of education, women in working age with a

university degree occupy 1,06% of the formal jobs and men with same qualification occupy 7,59% of the formal jobs.

The HDI is positively correlated to the percentage of people at working age having a formal job. The correlation coefficient is 0.55. However, if we analyse separately only the 194 Town Councils with HDI above 0,80 we still have 26,08% of people with formal jobs and 73,78% without the choice to get in. The other 273 Town councils with middle level of HD have an average of 13,21% of the working age population in formal jobs.

The sanitation dimension used in IDESE includes some basic goods or resources that are important for the promotion of the people's well-being. The inclusion of these indicators reduces the classification of the Town Councils. As a result of that we can see that HDI cannot be reflecting people's real conditions. The group called sanitation at Socio-economic development index shows that it is an aspect in which the state has a low performance with an IDESE sanitation = 0,562.

5 – Conclusions

The evolution, criticism and confrontations of HDI with other indicators and information available permit us to conclude that HDI is an evolution in relation to previous unidimensional indicators. However, it still does not reflect proper human development. The main proposition, in which Human Development is based, especially the ones related to the promotion of people's capability to act and live as full human beings are not contemplated and/or measured.

The weakness of the HDI can be seen in all block of variables, such as education, longevity and income. At the same time, it seems reasonable to agree that HDI is useful as a deprivation measure at a very aggregate level. But, the overvaluation and enthusiastic uses of the index as a public policy guide can be biased and dangerous. Broad indexes such as IDESE, can easily show the sensitivity of few more variable inclusion.

Just to conclude as an example. An important point to note here is that in our “model” example 82,44% of people in working age are out of the formal labour market without the chance to get a kind of “protected” job. It can represent a danger to the future sustainability of the development. Problems can come from both, individual and government level. For example people are not taking advantage of the benefits that come with a formal job like health assistance, the retirement perspective, unemployment benefits and so forth. On the government side, taxes are not being collected and the resources to invest and to pay for public services are diminishing.

6 - References

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