

# The human development index: enlarging peoples choices



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In the later part of twentieth century the concept of Human development has gained great importance, and it has enhanced the need of research and development on the the topic.

According to Founder[1]of Human Development report the basic purpose of development is to enlarge people's choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.

The HDI is part of the HDR, a flagship study produced annually by the UNDP. The first UNDP Human Development Report was prepared and launched in 1990. The index was developed by Pakistani economist Mahbub ul Haq and Sir Richard Jolly, with help from Gustav Ranis of Yale University and Lord Meghnad Desai of the London School of Economics. It has been used since then by the United Nations Development Programme in its annual Human Development Report. The report is annually translated into more than a dozen languages and launched in more than 100 countries.

Countries fall into three broad categories based on their HDI: high, medium, and low human development. A HDI below 0. 5 is considered to represent “ low development”. A HDI of 0. 8 or more is considered to represent “ high development”. This includes all developed countries, such as those in North

America, Western Europe, Oceania, and Eastern Asia, as well as some developing countries in Eastern Europe, Central and South America, Southeast Asia, the Caribbean, and the oil-rich Arabian Peninsula..

Human development index (HDI) looks beyond GDP to a broader definition of well-being. It is claimed as a standard means of measuring human development, a concept that, according to the United Nations Development Program (UNDP) refers to the process of widening the options of persons, giving them greater opportunities for education, health care, income, employment, etc. The basic use of HDI is however to rank countries by level of “ human development” which usually also implies to determine whether a country is a developed, developing, or underdeveloped country. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life, being educated, and having a decent standard of living.

living a long and healthy life is measured by life expectancy,

being educated is measured by adult literacy and enrolment at the primary, secondary and tertiary level

having a decent standard of living is measured by purchasing power parity, PPP, income

The HDI is comparable over time when it is calculated based on the same methodology and comparable trend data. HDR 2007/2008 presents a time series in HDI for 1975, 1980, 1985, 1990, 1995, 2000 and 2005. This time series uses the latest HDI methodology and the most up-to-date trend data

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for each component of the index , Human development index trends. Please note that the HDI is designed to capture long-term progress in human development, rather than short-term changes.[2]

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 2007/2008 editions of the Report are not directly 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; hence for that reason the most up-to-date HDI trend data based on consistent country coverage, methodology and data, Human Development Index Trends, in HDR 2007/2008[3]were used for calculations of the study.

It is claimed that ideas of Indian Nobel prize winner Amartya Sen were influential in the development of the HDI. Sen described it however as a “vulgar measure”, because of its limitations, though accepting that it nonetheless focuses attention on wider aspects of development than the per capita income measure it supplanted. Nowadays the HDI is a pathway for researchers into the wide variety of more detailed measures contained in the Human Development Reports.[4]

The index is not in any sense a comprehensive measure of human development. It does not, for example, include important indicators such as gender or income inequality and more difficult to measure indicators like respect for human rights and political freedoms. What it does provide is a

broadened prism for viewing human progress and the complex relationship between income and well-being.[5]

For the purpose of research study SAARC countries were targeted. The question of the study was mainly to infer that when all of these countries got freedom almost at the same time and they share a similar background and political history than why there is much difference in their development trends and patterns.

The South Asian Association for Regional Cooperation (SAARC) is an economic and political organization of eight countries in Southern Asia. In terms of population, its sphere of influence is the largest of any regional organization: almost 1.5 billion people, the combined population of its member states. It was established on December 8, 1985 by India, Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan. In April 2007, at the Association's 14th summit, Afghanistan became its eighth member.

## **Literature Review**

As there is no previous research on HDI hence my review of literature is limited to the introduction, calculation methods, its use and the recent HD Report 2007/08. Human Development is much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations.

Development is thus about expanding the choices people have, to lead lives that they value. And it is thus about much more than economic growth,

which is only a means of-if a very important one -of enlarging people's choices.[6]

Fundamental to enlarging these choices is building human capabilities -the range of things that people can do or be in life. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible.[7]

This way of looking at development, often forgotten in the immediate concern with accumulating commodities and financial wealth, is not new. Philosophers, economists and political leaders have long emphasized human wellbeing as the purpose, the end, of development. As Aristotle said in ancient Greece, " Wealth is evidently not the good we are seeking, for it is merely useful for the sake of something else." [8]

In seeking that something else, human development shares a common vision with human rights. The goal is human freedom. And in pursuing capabilities and realizing rights, this freedom is vital. People must be free to exercise their choices and to participate in decision-making that affects their lives. Human development and human rights are mutually reinforcing, helping to secure the well-being and dignity of all people, building self-respect and the respect of others.[9]

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From the time it was created, the HDI has been criticized as a redundant measure that adds little to the value of the individual measures composing it; as a means to provide legitimacy to arbitrary weightings of a few aspects of social development; and as a number producing a relative ranking which is useless for inter-temporal comparisons, and difficult to interpret because the HDI for a country in a given year depends on the levels of, say, life expectancy or GDP per capita of other countries in that year. Each year, however, UN member states are listed and ranked according to the computed HDI. If high, the rank in the list can be easily used as a means of national aggrandizement; alternatively, if low, it can be used to highlight national insufficiencies. Using the HDI as an absolute index of social welfare, some authors have used panel HDI data to measure the impact of economic policies on quality of life.

In general to transform a raw variable, say  $x$ , into a unit-free index between 0 and 1 (which allows different indices to be added together), the following formula is used

where and are the lowest and highest values the variable  $x$  can attain, respectively.

The Human Development Index (HDI) then represents the average of the following three general indices:

LE: Life expectancy at birth

ALR: Adult literacy rate (ages 15 and older)

CGER: Combined gross enrollment ratio for primary, secondary and tertiary schools

GDPpc: GDP per capita at PPP in USD

UNDP has created a technical note on the definition of the HDI

## **2007 REPORT**

The report for 2007 was launched in Brasilia, Brazil, on November 27, 2007.

Its focus was on “ Fighting climate change: Human solidarity in a divided world.” Most of the data used for the report are derived largely from 2005 or earlier, thus indicating an HDI for 2005. Not all UN member states choose to or are able to provide the necessary statistics.

The report showed a small increase in world HDI in comparison with last year’s report. This rise was fueled by a general improvement in the developing world, especially of the least developed countries group. This marked improvement at the bottom was offset with a decrease in HDI of high income countries.



A HDI below 0.5 is considered to represent “low development”. All 22 countries in that category are located in Africa. The highest-scoring Sub-Saharan countries, Gabon and South Africa, are ranked 119th and 121st, respectively. Nine countries departed from this category this year and joined the “medium development” group.

A HDI of 0.8 or more is considered to represent “high development”. This includes all developed countries, such as those in North America, Western Europe, Oceania, and Eastern Asia, as well as some developing countries in Eastern Europe, Central and South America, Southeast Asia, the Caribbean, and the oil-rich Arabian Peninsula. Seven countries were promoted to this category this year, leaving the “medium development” group: Albania, Belarus, Brazil, Libya, Republic of Macedonia, Russia and Saudi Arabia.

On the following table, green arrows (↗) represent an increase in ranking over the previous study, while red arrows (↘) represent a decrease in ranking. They are followed by the number of spaces they moved. Blue dashes (↔) represent a nation that did not move in the rankings since the previous study.

### **Countries not included**

The following United Nations member states are not ranked in the 2007 Human Development Index, for being unable or unwilling to provide the necessary data at the time of publication.

## **Past top countries**

The number one ranked country in each year of the index. Canada has been the highest ranked country ten times, followed by Norway, which stayed at the top six times. Japan has been ranked highest twice and Switzerland and Iceland once.

## **How is the HDI used?**

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, Swaziland and Sri Lanka have similar levels of income per person, but life expectancy and literacy differ greatly between the two countries, with Sri Lanka having a much higher HDI value than Swaziland. 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.[11]

## **Methodology**

As it was not possible to personally collect the data, the data was collected from the UNDP Human Development Report 2007/08. The sample consists of SAARC countries. The data was analyzed through MS Excel by using Chi Square, Correlation and regression equations. chi square was applied on the indicators of HDI to check the dependence or association between indicators of the HDI of SAARC countries, coefficient of correlation was applied to the SAARC countries in comparison with Pakistan, and regression analysis was used to develop the HDI trends for the next 25 year with the interval of five years each. Following formulas were used for calculations:

## **LIMITATIONS OF THE STUDY**

The study had certain limitations which are as follows:

Because of the limited time available the scope of the study was narrowed down to SARRC countries only.

The availability of the data was also a limitation as there was only one year data of the trend available, of Maldives and Bhutan, hence the generated trends couldn't be calculated for both the countries.

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 2007/2008 editions of the Report are not directly comparable.

## CONCLUSIONS

To test the dependence between the indicators of the Human Development Index the chi-square test was applied, the results were that the indicators of the HDI are highly dependent on each other. The Hypothesis when put to test showed that the chi-square calculated was higher than the chi-square tabulated, which lies in the critical region.

Hence it was concluded that human development indicators are highly inter dependent.

To check the correlations between the Pakistan and the SAARC countries the coefficient of correlation was used which showed the strong correlation between Pakistan and all the SAARC countries.

The generated trends showed that there is a trend of increase in the Human Development index in all the SAARC countries.

After analyzing the data I conclude that the difference between the SAARC countries' HDI is because of the much higher differences in the education index and adult literacy rate(%aged 15 and older) and also CDP per capita (PPP US \$) rank minus HDI rank.