

Background Paper on Wellbeing

1. Introduction: What is Wellbeing

Wellbeing is the ultimate goal of policy making and everyone has a general feeling what it is. Unfortunately, it is not as easy to agree on a definition or to measure it. There are many reasons behind this difficulty:

Wellbeing is a matter of value judgement: Wellbeing is not the same for every society, group, religion, let alone individuals. Like with the notion of “development” many wellbeing topics are subject to informal rules and values governing society. The most striking example is pollution: until mid-20th century nobody thought clean air or water was a matter of wellbeing.

Each discipline defines Wellbeing based on its own scope and tools:

- A. Sociology classifies it in five different types (Davis, 2019):
 - Emotional Wellbeing. The ability to practice stress-management techniques, be resilient, and generate the emotions that lead to good feelings.
 - Physical Wellbeing. The ability to improve the functioning of your body through healthy eating and good exercise habits.
 - Social Wellbeing. The ability to communicate, develop meaningful relationships with others, and maintain a support network that helps you overcome loneliness.
 - Workplace Wellbeing. The ability to pursue your interests, values, and purpose in order to gain meaning, happiness, and enrichment professionally.
 - Societal Wellbeing. The ability to actively participate in a thriving community, culture, and environment.
- B. Conversely, political science claims that (Bache and Scott, 2017) Current discussions about wellbeing in public policy draw heavily on certain accounts of the good life that find their roots in ancient ethical theory, which focused particularly on the relationship of virtue (arête) and happiness (eudaimonia).
- C. Last but not least in Economics “Wellbeing is more than just happiness. As well as feeling satisfied and happy, wellbeing means developing as a person, being fulfilled, and making a contribution to the community.” (Shah and Marks, 2004) or ‘Wellbeing can be understood as how people feel and how they function, both on a personal and a social level, and how they evaluate their lives as a whole.’ (Michaelson, Mahony and Schifferes, 2012).

Measurement problems derive partly precisely on the difficulty to decide what to measure (because of different values and disciplinary approaches) but also how to measure it to ensure the qualities of SMART (Specific, Measurable, Achievable, Relevant and Timely) indicators.

2. GDP and its limitations

A first approach to systematically and comparably measure wellbeing started before the second World War. The modern concept of GDP (Gross Domestic Product) was first developed by Simon Kuznets for a US Congress report in 1934. After the Bretton Woods conference in 1944, GDP became the main tool for measuring a country's economy. Alternatively, GNI measures economic

activity according to ownership not location. The main advantages of GDP are that it is “objective”, standardised and not subject to value judgements, as well as that it is widespread and allows for international and interregional comparisons

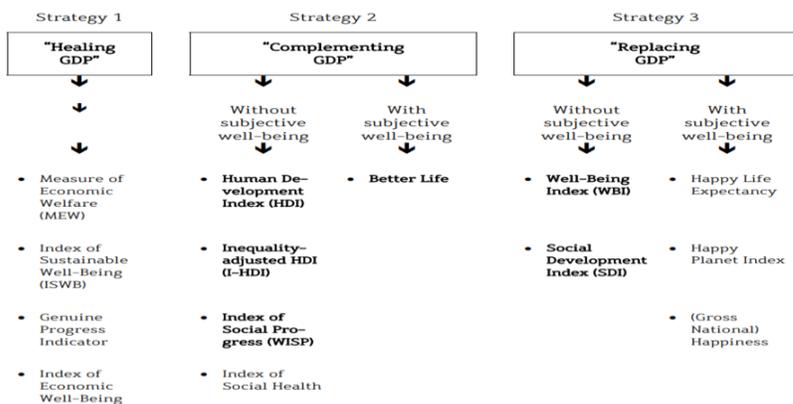
However, Kuznets himself warned against its use as a measure of welfare. Indicative difficulties include: its inability to measure negative externalities (pollution, congestion), non-market transactions, the informal economy, quality improvements in goods and services (the famous quote by R. Solow "*You can see the computer age everywhere but in the productivity statistics*") and last but not least *Wealth distribution*. The same drawbacks apply to GNI.

With complaints about the dominance of GDP as a measure of wellbeing in 2009, a group of economists led by Nobel laureate Joseph E. Stiglitz, French economist Jean-Paul Fitoussi, and Nobel laureate Amartya Sen issued a report challenging gross domestic product (GDP) as a measure of progress and wellbeing. Published as *Mismeasuring Our Lives* by The New Press, the book sparked a global conversation about GDP and a major movement among scholars, policy makers, and activists to change the way we measure our economies. As a consequence, the OECD propose a new, “beyond GDP” agenda. This book provides an accessible overview of the last decade’s global movement, sparked by the original critique of GDP, and proposes a new “dashboard” of metrics to assess a society’s health, including measures of inequality and economic vulnerability, whether growth is environmentally sustainable, and how people feel about their lives.

Despite its limitations, GDP remains a very popular measure thanks to its easiness and spread. The main argument is that to a large extent GDP correlates highly with the UN human development index and the Gallup Life Satisfaction index.

3. New approaches

The OECD is not alone in proposing alternatives. A large number of efforts are made internationally, of which SPI is one. Measuring opportunities arising from computing power, access to information, big data and data analytics have facilitated the creation of new indicators. An overview of such indicators is presented on the table below:



Source: Delhey and Kroll (2013)

The content differs in various aspects: it reflects the value judgement of each measuring endeavour, it measures different territorial levels (national, regional or even local sometimes), it refers to one or more countries etc. But they share several common elements: all of them value health, education and the environment but they may add different dimensions, measure specific topics within each indicator and aggregate them in different ways. They all include both objective, measurable statistics as well as perceptions.

Examples include:

Name	Level	Author	Start year	Frequency	Content
Sustainable Economic Development Assessment (SEDA)	National	Boston Consulting Group	2012	Yearly	3 categories: economics, investments, sustainability 10 dimensions and 40 indicators
Better Life Index	National	OECD	2011	Yearly	11 dimensions: Housing, Income, Jobs, Community, Education, Environment, Civic engagement, Health, Life Satisfaction, Safety, Work-Life Balance 24 indicators
Gross National Happiness Index	National	Bhutan	2006 2011 (revised version)	2010 - 2015	4 pillars: good governance, sustainable socio-economic development, cultural preservation, and environmental conservation 9 dimensions and 33 indicators

While most indicators are covered at the national level it is also recognised that only part of well-being depends on national policies; policies at the sub-national level matter and one may find significant differences in wellbeing within the same national borders, hence also efforts to measure wellbeing regionally. The differences are not in the type of indicators measured but in their level of disaggregation:

Name	Level	Author	Start year	Frequency	Content
Canadian Index of Wellbeing (CIW)	National and provincial and regional	Canada	2011	Ad hoc	8 categories, 33 dimensions, 64 indicators including: community vitality, democratic engagement, education, environment, healthy populations, leisure and culture, living standards, and time use
Regional Wellbeing	Regional	OECD	2005	Yearly	12 dimensions: Housing, Income, Jobs, Education and skills, Environmental quality, Civic engagement and governance, Health Status, Social connections, Subjective wellbeing, Personal Security, Work-Life Balance, Accessibility of services (24 indicators)

The Social Progress Index recognises four components of Foundations of Wellbeing are:

- Access to Basic Knowledge
 - Secondary enrolment rate
 - Lower secondary completion only
 - Early school leaving
- Access to Information and Communications
 - Internet at home
 - Broadband at home
 - Online interaction with public authorities
- Health and Wellness
 - Life expectancy
 - General health status
 - Premature deaths from cancer
 - Premature deaths from heart disease
 - Unmet dental needs
- Ecosystem Sustainability.
 - Satisfaction with air quality
 - Air pollution-pm10
 - Air pollution-pm2.5
 - Air pollution-ozone

- Pollution, grime or other environmental problems
- Protected land (Natura 2000)

4. Measurement problems and the inequality issues

Measuring means deciding whether to apply experimental, quantitative studies or randomised controlled trials; Using objective or subjective indicators; Creating multidimensional frameworks or a single indicator and the key issue How much weight should be given to the different domains of wellbeing? How does inequality (of revenue, wealth, minorities treatment) affect overall wellbeing?

Inequality has led to the emergence of the so-called “geography of discontent” (this may be used as the opposite to wellbeing): High unemployment, low wage growth and other symptoms of poor socio-economic performance have led to a growing public discontent with the political and economic status quo. In parallel and since the 2008 global financial crisis, there has been a growing mistrust from citizens about the capacity of their governments to ensure wellbeing now and in the future. Within national boundaries the degree of discontent reflects the economic performance of a region relative to others in the country. With unchanged policies, unfolding megatrends such as automation will further increase the spatial divides that create this pattern of discontent and likely increase tension while undermining social cohesion (OECD, 2019).

As a response to the original “Beyond GDP” in Measuring What Counts and OECD paper (OECD, 2018) suggest that:

- **Measuring what happens at both ends of the income distribution, integrating different data sources, and measuring the joint distribution of income, consumption and wealth at the individual level.** When looking at inequality, it is also important to look at differences between groups (“horizontal inequalities”), at inequalities within households and the way resources are shared and managed, which are especially important in the case of wealth. We should also look beyond inequalities in outcomes to inequality of opportunity. Inequality of opportunity is even more unacceptable than inequality of outcomes, but the operational distinction between the two is fuzzy, as we don’t observe all circumstances that shape people’s outcomes and are independent of their efforts.
- **Subjective wellbeing measures are critical to assess the non-monetary costs and benefits of public programmes and policies.** Economic insecurity is a “new” field where much more effort is needed to develop metrics of the shocks affecting people, and of the buffers available to them. The 2008 crisis reduced not just people’s economic security but also their trust, because of the widespread perception of the unfairness in the manner in which the crisis was handled. The loss of trust (both in others and in institutions) is a long-lasting legacy of the crisis, whose effects are contributing to the political upheavals we are witnessing around the world. Finally, the measurement of sustainability in its environmental, economic and social dimensions, and of the resilience of systems to shocks, are priorities for research and statistical practice, requiring the contributions of different disciplines and approaches.

5. Policy conclusions and questions

A range of different views exist in society not only about what matters for wellbeing, what it constitutes, but also what sort of entity it is. So, policy makers are called upon to act without a guidebook and regulate/fund under conditions of uncertainty, disagreement on value judgements within their own community and a rapidly and constantly changing environment.

Recommendations for the set up for an excellent wellbeing policy are included in the OECD - Stiglitz, Fitoussi, Durand paper of 2018 include:

- i. No single metric will ever provide a good measure of the health of a country, even when the focus is limited to the functioning of the economic system. Policies need to be guided by a dashboard of indicators informing about people's material conditions and the quality of their lives, inequalities thereof, and sustainability. This dashboard should include indicators that allow us to assess people's conditions over the economic cycle. Arguably, policy responses to the Great Recession might have been different had such a dashboard been used.
- ii. Developing better metrics of people's wellbeing is important for all countries, whatever their level of development. National Statistical Offices should be given the resources and independence needed to pursue this task in effective ways, including through harnessing the potential of big data. The international community should invest more in upgrading the statistical capacities of poorer countries.
- iii. The quality and comparability of existing metrics of economic inequality related to income and, particularly, wealth should be further improved, including by allowing Statistical Offices to use tax records to capture developments at the top end of the distribution, and by developing measures of the joint distribution of household income, consumption and wealth.
- iv. Data should be disaggregated by age, gender, disability status, sexual orientation, education and other markers of social status in order to describe group differences in wellbeing outcomes; and metrics to describe within-household inequalities, such as those related to asset ownership and the sharing of resources and financial decisions within the household, should be developed.
- v. Efforts to integrate information on economic inequalities within the System of National Accounts should be pursued, in the perspective of achieving convergence between micro- and macro-approaches, and of understanding how the benefits of GDP growth are shared in society.
- vi. Assessing equality of opportunity is important. Measures of a broad range of people's circumstances should be developed, including by linking administrative records across generations and by including retrospective questions on parental conditions in household surveys, so as to allow comparison of measures of inequality of opportunity across countries and over time.
- vii. Regular, frequent and standardised collection of both evaluative and experiential measures of subjective wellbeing should be pursued, based on large representative samples with a view to shedding light on their drivers and on the directions of causality.
- viii. Policies should be routinely assessed for their effects on people's economic insecurity, measured through a dashboard of indicators that inform about people's experiences in

- the face of economic shocks, the buffers that are available to them, the adequacy of social insurance against key risks, and subjective evaluations of insecurity.
- ix. Better measures of sustainability are needed. This requires developing full balance sheets for various institutional sectors, covering all their assets and liabilities, measuring the rents implicit in asset valuations, as well as improved metrics of human and environmental capital and of the vulnerability and resilience of systems.
 - x. The measurement of trust and other social norms should be improved, through both general and specialised household surveys as well as more experimental tools administered to representative samples of respondents that rely on insights from psychology and behavioural economics.
 - xi. Access to statistical data and administrative records by academics and policy analysts should be facilitated, in ways that preserve the confidentiality of the information disseminated and that ensure a level playing field across different research teams and theoretical perspectives.
 - xii. To deliver “better policies for better lives”, wellbeing metrics should be used to inform decisions at all stages of the policy process, from identifying priorities for action and aligning programme objectives to investigating the benefits and costs of different policy options; from making budgeting and financing decisions to monitoring policies, programme implementation and evaluation.

Some questions are formulated below to discuss how regions perceive and apply wellbeing policies:

- When your region designs its structural policy how does it take wellbeing into consideration?
- Are there any priorities (your values) on a wellbeing measurement or (if not measurement) background philosophy?
- Which components of the SPI Wellbeing dimension do you consider most relevant for your region?
- Which indicators do you consider missing from the SPI Wellbeing indicators?
- Does it make sense to measure happiness/wellbeing at the regional level or is the national or local level determinant? Should there be different measurement subject to regulatory competence of the central/regional government (i.e. have a national indicator complemented by regional ones)?
- Should inequality be included in Wellbeing measurement? If yes which inequality and how?

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