



## Wellbeing as an Indicator of National Performance Debate on 12 March 2020

On 12 March 2020, the House of Lords is due to debate a motion moved by Baroness Tyler of Enfield (Liberal Democrat) that “this House takes note of the case for Her Majesty’s Government to use wellbeing as a key indicator of national performance when setting budgets, deciding policy priorities and reviewing the effectiveness of policy goals”.

### Summary

National performance has traditionally been measured in terms of gross domestic product (GDP). However, over recent decades there have been moves to develop metrics that take wellbeing into account. In the UK, the Office for National Statistics (ONS) developed a framework of national wellbeing indicators that has been in use since 2011.

There is a recognition that measurement itself should not be the end goal. Instead, proponents of a wellbeing approach argue that wellbeing data should inform government policy, by helping to identify spending priorities and evaluate which policy interventions are successful in improving people’s lives.

The UK has already implemented some measures intended to use wellbeing evidence in making and evaluating policy. In 2014, the Coalition Government set up the What Works Centre for Wellbeing. It commissions research from universities on the impact that different interventions and services have on wellbeing. The What Works Centre for Wellbeing recently reported that many areas named as priorities by a Commission on Wellbeing and Policy in 2014 had seen “surprisingly big shifts in policy and public opinion”, for example, prioritising mental health and addressing loneliness as a policy issue. Another development was the revision in 2018 of the Treasury *Green Book* guidance on public sector appraisal and evaluation to include references to wellbeing at all stages of policy development.

Despite these shifts, there remain calls for government to better embed a wellbeing approach in policy-making. In May 2019, the All-Party Parliamentary Group on Wellbeing Economics suggested government departmental spending plans should be linked to an overall strategic goal to improve wellbeing. The New Zealand Government adopted such an approach with its 2019 wellbeing budget.

Organisation for Economic Co-operation and Development (OECD) economists have concluded that national governments still face many challenges in moving from wellbeing measurement to policy application. These include methodological challenges in finding the best way to measure wellbeing impacts and account for them in cost benefit analyses. There are also practical challenges in organising government structures to implement change.

Nicola Newson | 5 March 2020

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## I. Measuring National Performance: Going Beyond GDP

National performance has traditionally been measured in terms of gross domestic product (GDP). However, over recent decades there have been moves to go beyond GDP and find ways to assess national performance using a broader measure than an economic indicator.<sup>1</sup> New frameworks to measure wellbeing have developed in response to this agenda.

### I.1 Limitations of GDP

GDP is a measure of the size and health of a country's economy over a period (usually a quarter or a year).<sup>2</sup> The Office for National Statistics (ONS) produces estimates for GDP using three different approaches:<sup>3</sup>

- income;
- expenditure (household spending, investment, government spending, net exports); and
- production (the total value of goods and services produced).

Changes in GDP indicate changes in the size of the economy. GDP growth is therefore a key measure of the overall strength of the economy.<sup>4</sup> However, economists recognise that there are limitations to the use of GDP because it fails to capture some things society may value, and captures some things which may not be of value to society, as the Bank of England has explained:

[...] some things have a lot of value but are not captured in GDP because no money changes hands. Caring for an elderly relative would be one example of this [...]

GDP also doesn't tell us anything about how evenly income is split across the population. Growth could mean everyone becoming better off or just the richest segment getting even richer. In practice it usually lies somewhere between the two.

Next, it helps to bear in mind changes in the size of the population. If UK GDP rose by 2% next year, but the population grew by 4%, then average income per person would actually have fallen.

Finally, there are things which raise GDP that don't make the country better off. War is one example (a lot of money is spent, so GDP goes up). Or if a large chunk of the Amazon rainforest was cut down in one week, then you'd get a sharp rise in GDP from the sales of timber but at huge environmental cost.<sup>5</sup>

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<sup>1</sup> Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries' Experiences](#), 6 November 2018, p 7.

<sup>2</sup> Bank of England, ['What is GDP?'](#), accessed 28 February 2020.

<sup>3</sup> Office for National Statistics, ['National Accounts'](#), 4 February 2016.

<sup>4</sup> Bank of England, ['What is GDP?'](#), accessed 28 February 2020.

<sup>5</sup> *ibid.*

## 1.2 Developing New Metrics

The French Government set up a commission in 2008 to identify the limits of GDP as an indicator of economic performance and social progress, and to consider what additional information might be required to produce more relevant indicators of social progress.<sup>6</sup> The commission was known as the Stiglitz-Sen-Fitoussi Commission after the three economists who headed it. It published a report in 2009, in which it found that “the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people’s wellbeing”.<sup>7</sup> The commission recommended using a multi-dimensional definition of wellbeing that considered:

- material living standards (income, consumption and wealth);
- health;
- education;
- personal activities including work;
- political voice and governance;
- social connections and relationships;
- environment (present and future conditions); and
- insecurity, of an economic as well as a physical nature.<sup>8</sup>

It also argued that both subjective and objective dimensions of wellbeing are important, and that indicators should address inequalities in a comprehensive way.<sup>9</sup>

The commission said it regarded its report as “opening a discussion rather than closing it”.<sup>10</sup> The report encouraged national and international bodies to see how they could contribute to the agenda of developing better measures.

The Stiglitz–Sen-Fitoussi Commission did not invent the idea of measuring wellbeing and its relationship to national performance. Frijters et al suggest that “from a long-run perspective, the study of happiness has been innate to economics from its conception”.<sup>11</sup> Bhutan has been using the idea of “gross national happiness” to measure good governance since the 1970s, when the King of Bhutan declared that “gross national happiness is more important than gross domestic product”.<sup>12</sup> But the years since the Stiglitz-Sen-Fitoussi Commission have arguably seen a growing international consensus about the need for additional national indicators of economic performance and social progress to supplement established measures such as GDP.<sup>13</sup>

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<sup>6</sup> Commission on the Measurement of Economic Performance and Social Progress, [Report by the Commission on the Measurement of Economic Performance and Social Progress](#), September 2009, p 7.

<sup>7</sup> *ibid*, p 12.

<sup>8</sup> *ibid*, pp 14–5.

<sup>9</sup> *ibid*, p 15.

<sup>10</sup> *ibid*, p 18.

<sup>11</sup> Paul Frijters et al, [A Happy Choice: Wellbeing as the Goal of Government](#), Centre for Economic Performance, October 2019, p 4.

<sup>12</sup> Oxford Poverty and Human Development Initiative, ‘[Bhutan’s Gross National Happiness Index](#)’, accessed 28 February 2020.

<sup>13</sup> Parliamentary Office of Science and Technology, [Measuring National Wellbeing](#), September 2012, p 1.

The What Works Centre for Wellbeing summarises the benefits of a wellbeing approach as follows:

### **People-centred**

- Evaluation of the impact of policy programmes on people's lives and the things that are important to them (rather than abstract concepts/GDP etc).
- Highlighting inequalities and the diversity of experience through providing data at the granular, people-centred level.

### **Comprehensive, joined-up approach to policy**

- Providing a more complete picture of people's lives and intersectionality, recognising the value of both individual, community and national wellbeing.
- Supporting the strategic alignment of outcomes across government.
- Consider both wellbeing outcomes today and resources for tomorrow.<sup>14</sup>

There are now several international indices measuring wellbeing that look to compare how nations are performing, for instance:

- UN Sustainable Development Solutions Network's [World Happiness Report](#);
- Organisation for Economic Cooperation and Development (OECD)'s [Better Life Index](#);
- Eurostat indicators on [quality of life](#);
- Social Progress Imperative's [Social Progress Index](#); and
- New Economics Foundation's [Happy Planet Index](#).

Many countries have developed their own national wellbeing measures (NWMBs). For example, 34 out of 35 OECD countries collect life evaluation data.<sup>15</sup> In a comparative study of NWMBs in OECD and non-OECD countries, the OECD found that most countries have developed their measures within the past decade, and all have taken a multi-dimensional approach.<sup>16</sup> OECD economists have noted that most central government wellbeing initiatives are at a relatively early stage of development.<sup>17</sup> They suggest that greater evaluation is needed to help share best practice.

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<sup>14</sup> What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020, p 37.

<sup>15</sup> *ibid*, p 24.

<sup>16</sup> Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries' Experiences](#), 6 November 2018, p 7.

<sup>17</sup> Martine Durand and Carrie Exton, '[Adopting a Well-being Approach in Central Government: Policy Mechanisms and Practical Tools](#)', in Global Happiness Council, [Global Happiness and Wellbeing Policy Report 2019](#), February 2019, p 143.

Box 1 (right) summarises some of the terminology used to describe different ways of measuring wellbeing.

### 1.3 UK National Wellbeing Indicators

The UK has been one of the countries leading the way in developing NWBMs.<sup>18</sup> In 2010, David Cameron, the then Prime Minister, said he was asking the Office for National Statistics (ONS) to devise a new way of measuring wellbeing in Britain.<sup>19</sup> In his speech, Mr Cameron said that from 2011, the UK would start measuring national progress “not just by how our economy is growing, but by how our lives are improving; not just by our standard of living, but by our quality of life”.

The ONS developed a measurement framework consisting of ten domains and 38 measures of wellbeing, following national consultation.<sup>20</sup> The ONS published the first annual Life in the UK report in November 2012, alongside an interactive wellbeing wheel of measures.<sup>21</sup> The Coalition Government emphasised that the new indicators were not intended to replace GDP as a measure, nor to create a ‘happiness index’. Rather, the goal was that the new measures would inform policy by complementing traditional economic measures and providing “an additional way to think about what we value and the progress we’re making as a society”.<sup>22</sup>

#### Box 1: Describing Wellbeing

- **Individual wellbeing** refers to how well a person’s life is going. It is either self-reported by the individual (subjectively) or measured externally based on criteria such as health or income (objectively).
- **Social group wellbeing** refers to how well a social group is doing (defined by gender, ethnicity, class, age, geography, workplace or other criterion).
- **National wellbeing** refers to how well a country is doing in terms of the wellbeing of the population, the economy, and the environment. National wellbeing measures are often constructed and presented as the aggregate of individual wellbeing indicators.
- **Subjective wellbeing** refers to how people think and feel about their life, such as their emotional states, satisfaction with particular aspects of their life, or with life overall.
- **Objective wellbeing** refers to an external evaluation of wellbeing using measurable criteria and understanding of the social context.

(Parliamentary Office of Science and Technology, [Measuring National Wellbeing](#), September 2012)

The indicators capture both subjective and objective measures. For example, the personal wellbeing domain includes the results of questions asking participants to rate their satisfaction with their lives, their feeling of how worthwhile the things they do are, and their levels of happiness and anxiety. These are subjective measures. Other domains include objective indicators, such as the level of unemployment and reported crime. According to OECD researchers who conducted a comparison of wellbeing measures developed in different countries, subjective wellbeing measures “have received particularly close attention in the UK policy context”.<sup>23</sup>

<sup>18</sup> All-Party Parliamentary Group on Wellbeing Economics, [Wellbeing in Four Policy Areas](#), September 2014, p 3.

<sup>19</sup> Prime Minister’s Office, ‘[PM Speech on Wellbeing](#)’, 25 November 2010.

<sup>20</sup> Cabinet Office, ‘[National Wellbeing](#)’, updated 23 October 2013.

<sup>21</sup> Office for National Statistics, [Measuring National Wellbeing: Life in the UK 2012](#), November 2012.

<sup>22</sup> Cabinet Office, ‘[National Wellbeing](#)’, updated 23 October 2013.

<sup>23</sup> Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries’ Experiences](#), 6 November 2018, p 52.

The ONS has revised the indicators since they were first introduced.<sup>24</sup> The ONS has presented the data in an online [Measures of National Wellbeing Dashboard](#) since 2017.<sup>25</sup> Box 2 (below) shows the ten domains and 41 indicators captured in the dashboard. Since it started compiling wellbeing data, the ONS has published regular bulletins. In February 2019, the ONS published its *Personal and Economic Wellbeing Bulletin* for the first time, bringing together measurements of material living standards and personal wellbeing into one publication.<sup>26</sup> The ONS said this would make it easier for policy-makers to bring this information together to consider the interaction between changes in the economy and individual life satisfaction.

### Box 2: UK National Wellbeing Indicators

#### **Personal wellbeing**

- Life satisfaction
- Worthwhile
- Happiness
- Anxiety
- Mental wellbeing

#### **Relationships**

- Unhappy relationships
- Loneliness
- People to rely on

#### **Health**

- Healthy life expectancy
- Disability
- Health satisfaction
- Depression or anxiety

#### **What we do**

- Unemployment rate
- Job satisfaction
- Satisfaction with leisure time
- Volunteering
- Art and culture participation
- Sports participation

#### **Where we live**

- Crime
- Feeling safe
- Accessed natural environment
- Belonging to neighbourhood
- Access to key services
- Satisfaction with accommodation

#### **Personal finance**

- Low income households
- Household wealth
- Household income
- Satisfied with household income
- Difficulty managing financially

#### **Economy**

- Disposable income
- Public sector debt
- Inflation

#### **Education and skills**

- Human capital
- Not in education, employment or training (NEETs)
- No qualifications

#### **Governance**

- Voter turnout
- Trust in government

#### **Environment**

- Greenhouse gas emissions
- Protected areas
- Renewable energy
- Household recycling

(Office for National Statistics, '[Measures of National Wellbeing Dashboard](#)', 23 October 2019)

<sup>24</sup> Eg, Office for National Statistics, [Measuring National Wellbeing in the UK: Domains and Measures: Sept 2016](#), 22 September 2016, p 7.

<sup>25</sup> Office for National Statistics, '[Reinventing the 'Wellbeing' Wheel](#)' 28 March 2017.

<sup>26</sup> Office for National Statistics, '[Beyond GDP: How ONS is Developing Wider Measures of Wellbeing](#)', 4 February 2019.

## 2. From Measurement to a Policy Approach

### 2.1 Wellbeing as a Policy Objective

The idea of measuring wellbeing has become more mainstream over recent years, but there is a recognition that measurement itself should not be the end goal. Instead, proponents of a wellbeing approach argue that wellbeing data should inform policy. They argue that a ‘wellbeing lens’ can help to identify spending priorities and allow an evaluation of which policy interventions are successful in improving people’s lives.

The Legatum Institute, a think tank, established a commission on wellbeing and policy in 2013.<sup>27</sup> The commission consisted of economists, including Lord O’Donnell (Crossbench) and Lord Layard (Labour). The commission said that measuring wellbeing was “the first task of governments at every level”, to show them how their population was faring and to enable benchmarking.<sup>28</sup> The commission argued that research on subjective wellbeing measures could be added to policy interventions “at very low cost and administrative burden”. This in turn would “provide policy makers with powerful evidence of the marginal cost-effectiveness of very different interventions on wellbeing”. The commission proposed a new model of cost-benefit analysis based on life-evaluation measures that could give “answers that are more relevant to what is really important in people’s lives”.<sup>29</sup>

In 2014, the All-Party Parliamentary Group (APPG) for Wellbeing Economics called for a wellbeing approach to policy.<sup>30</sup> It assessed that, despite important advances in measurement, governments were not widely using wellbeing evidence to inform policy. It argued that wellbeing was not “just about health or improving people’s resilience”, nor “an optional extra to be considered once economic policy objectives have been met”. Rather, it argued wellbeing should be an overarching policy objective that combines economic and non-economic objectives into a single framework. The APPG supported the view that wellbeing analysis could improve the quality of evidence on which policy is based. It proposed that data on subjective wellbeing would give “a more accurate picture of how policy translates into better lives for people” than the traditional approach of using GDP to measure national progress or market prices to assess policy costs and benefits.<sup>31</sup>

The APPG also argued that public spending could be made more effective by embedding wellbeing analysis in policy-making.<sup>32</sup> The Government could direct public money towards those policies that were more effective at improving people’s lives. The APPG cited evidence that addressing the causes of low wellbeing has the potential to save public money in the long run by reducing demand on public services such as health and welfare.<sup>33</sup> For example, it was suggested that promoting cycling and walking could save the NHS money, or spending on mental health could help people back to work and thus save on benefits payments.

<sup>27</sup> Legatum Institute, ‘[The Commission on Wellbeing and Policy](#)’, 28 March 2014.

<sup>28</sup> Commission on Wellbeing and Policy, [Wellbeing and Policy](#), 20 March 2014, p 70.

<sup>29</sup> *ibid*, p 25.

<sup>30</sup> All-Party Parliamentary Group on Wellbeing Economics, [Wellbeing in Four Policy Areas](#), September 2014, p 3. Further information about the All-Party Parliamentary Group on Wellbeing Economics is available on its [website](#).

<sup>31</sup> *ibid*, p 10.

<sup>32</sup> *ibid*, p 14.

<sup>33</sup> *ibid*.

The OECD suggested that the potential benefits of considering wellbeing indicators in a policy context include:<sup>34</sup>

- Providing a more complete and coherent picture.
- Supporting the strategic alignment of outcomes across government.
- Highlighting inequalities and the diversity of experience through providing data at the granular, people-centred level.
- Considering both wellbeing outcomes today and resources for tomorrow.
- Promoting evaluation of the impact of policy programmes on people’s lives.
- Fostering public debate.

In 2014, the Coalition Government established the What Works Centre for Wellbeing, building on the work of the ONS to measure national wellbeing and of the Legatum Institute’s commission on wellbeing and policy.<sup>35</sup> The What Works Centre for Wellbeing has argued that in many policy areas, wellbeing complements other explicit objectives and targets.<sup>36</sup> This could be the case “even where audiences have been reluctant to recognise wellbeing as the overall goal”. For instance, higher employee wellbeing could produce economic gains by reducing absenteeism and improving productivity.

However, the What Works Centre for Wellbeing also recognised that “it is not always the case that there are no downsides, or costs, of an intervention that targets wellbeing as the primary outcome”.<sup>37</sup> This is because usually “there is at least an alternative policy or project that could have been preferred under a different set of objectives or priorities”. The What Works Centre for Wellbeing explained that when taking a wellbeing-led approach, there would still be trade-offs necessary:

[...] we know that commuting can be bad for our wellbeing and a reduction in commute time increases our wellbeing. But if this is achieved through an investment in road infrastructure, which decreases air quality in the place we live, we made the implicit trade-off between commuting time and air quality. You could rank the importance of different determinants of wellbeing based on studies that quantify their impact on subjective wellbeing. But some determinants, like air quality, have longer-term consequences on our health and wellbeing as well as spillover effects on other groups.<sup>38</sup>

It found that making choices between different impacts could be complex. The What Works Centre for Wellbeing also highlighted that even where two different interventions could both have a positive impact on wellbeing, it could involve difficult trade-offs when deciding where to spend finite government budgets—for example, deciding how to divide expenditure between physical and mental health care.<sup>39</sup>

<sup>34</sup> Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries’ Experiences](#), 6 November 2018, pp 17–18.

<sup>35</sup> Cabinet Office and Department for Business, Innovation and Skills, ‘[New What Works Centre for Wellbeing](#)’, 29 October 2014.

<sup>36</sup> What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020, p 69.

<sup>37</sup> *ibid.*

<sup>38</sup> *ibid.*, p 70.

<sup>39</sup> *ibid.*, p 71.

## 2.2 Implementation in the UK

The UK has already implemented some measures intended to use wellbeing evidence in making and evaluating policy. As noted above, the Coalition Government established the What Works Centre for Wellbeing as part of a wider What Works Network to improve public services through evidence-based policy.<sup>40</sup> The centre commissions research from universities on the impact that different interventions and services have on wellbeing and seeks to translate these findings into practical evidence for decision-making<sup>41</sup>.

The What Works Centre for Wellbeing published a report in February 2020 on the state of wellbeing evidence and lessons for policy-makers.<sup>42</sup> It argued that many of the areas identified as priorities by the Commission on Wellbeing and Policy in 2014 had “seen surprisingly big shifts in policy and public opinion”.<sup>43</sup> It gave the following examples:<sup>44</sup>

| <b>Priority area</b> | <b>Recommendations of Commission on Wellbeing and Policy in 2014</b>  | <b>Shifts identified by What Works Centre for Wellbeing in 2020</b>   |
|----------------------|---|---|
| Mental health        | <ul style="list-style-type: none"> <li>• Treat mental ill health as professionally as physical ill health.</li> <li>• Support parents.</li> <li>• Build character and resilience in schools.</li> </ul> | Mental health has remained a priority for each of the last three prime ministers. Mental health service and research investment is improving, as is action on physical health of those [with] mental illness and mental health of those with physical health conditions. Mental health and related subjects are now part of the curriculum and Ofsted inspection. |
| Community            | <ul style="list-style-type: none"> <li>• Promote volunteering and giving.</li> <li>• Address loneliness.</li> <li>• Create a built environment that is sociable and green.</li> </ul>                   | The Jo Cox Commission on Loneliness resulted in: <ul style="list-style-type: none"> <li>• A cross-government strategy on loneliness.</li> <li>• A minister for loneliness.<sup>45</sup></li> <li>• Significant cross-sector activity led by British Red Cross, the Co-op and researchers.</li> </ul>  |
| Income and work      | <ul style="list-style-type: none"> <li>• Promote economic growth.</li> <li>• Reduce unemployment through active welfare.</li> </ul>   | Wellbeing at work is a priority in many sectors. Many large and medium organisations now have a staff wellbeing strategy in place.  |

<sup>40</sup> Cabinet Office and Department for Business, Innovation and Skills, ‘[New What Works Centre for Wellbeing](#)’, 29 October 2014.

<sup>41</sup> What Works Centre for Wellbeing, ‘[About Us](#)’, accessed 3 February 2020.

<sup>42</sup> What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020.

<sup>43</sup> *ibid*, p 37.

<sup>44</sup> *ibid*, pp 38–9.

<sup>45</sup> Tracey Crouch was first appointed Minister for Loneliness in January 2018. Responsibility for loneliness now sits with Baroness Barran, Minister for Civil Society in the Department for Digital, Culture, Media and Sport.

|            |   |  |
|------------|---|--|
|            | <ul style="list-style-type: none"> <li>• More wellbeing at work.</li> </ul>   |  |
| Governance | <ul style="list-style-type: none"> <li>• Treat citizens with respect and empower them more.</li> <li>• Measure wellbeing and make it a policy goal.</li> <li>• Give citizens the wellbeing data they need.</li> </ul> | How we do things, as government, charities and businesses, is getting more attention, whether that's how to increase participation in sport activities, or the idea of kindness in the delivery of services. |

Another development in the UK was the revision of the Treasury *Green Book* in 2018 to include references to wellbeing at all stages of policy development, following a review of research from the What Works Centre for Wellbeing.<sup>46</sup> The *Green Book* provides the Treasury's guidance on how to conduct public sector appraisal and evaluation in the UK. The 2018 edition was the first major revision since 2003.<sup>47</sup> The *Green Book* now states that improving wellbeing is one of the principles that underpin economic appraisal:

Appraisal is the process of assessing the costs, benefits and risks of alternative ways to meet government objectives. It helps decision makers to understand the potential effects, trade-offs and overall impact of options by providing an objective evidence base for decision making.

Economic appraisal is based on the principle of welfare economics—that is, how the government can improve social welfare or wellbeing, referred to in the *Green Book* as social value.<sup>48</sup>

The guidance states that policymakers consider wellbeing when generating a long-list of potential policy options:

At the long-list appraisal stage, evidence on the determinants of wellbeing can help describe Business As Usual and the purpose or scope of an intervention through SMART objectives. It may help to identify interventions which have an impact on wellbeing or another outcome which is affected by wellbeing. This supports the development of a long-list of options or the most efficient way of implementing a proposed solution.

Where appropriate evaluations of previous or similar interventions, international and wellbeing evidence, should be used to design options that build on what works, to avoid repeating past mistakes.<sup>49</sup>

<sup>46</sup> Economic and Social Research Council, '[Research Puts Wellbeing at the Core of Public Policy Evaluation](#)', December 2018.

<sup>47</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), March 2018, p iv. References to wellbeing were not the only changes made to the *Green Book*—see page iv and Matthew Bell, '[Once in a Generation Change to UK Government's Approach to Decision-making](#)', Frontier Economics, 6 March 2018.

<sup>48</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), March 2018, p 12.

<sup>49</sup> *ibid*, p 16.

In the section on valuing costs and benefits, the *Green Book* identifies use of “direct wellbeing based responses” as a possible approach for estimating the relative prices of social costs and benefits without a market price.<sup>50</sup> The *Green Book* states that subjective wellbeing evidence can “help challenge implicit values placed on impacts by providing a better idea of the relative value of non-market goods”.<sup>51</sup> It notes that the methodology for assessing subjective wellbeing “continues to evolve” and “may be particularly useful in certain policy areas, for example community cohesion, children and families”.

Despite progress in the UK towards embedding wellbeing in policymaking, there are still calls for this approach to have greater emphasis. The What Works Centre for Wellbeing has noted that “as yet, there is no overarching wellbeing framework established as a goal for decision making”.<sup>52</sup> It said it was “clear [...] that we are some way from wellbeing being the dominant narrative which underpins the decisions taken, particularly by policy makers”.<sup>53</sup>

### **Greater Emphasis Needed?**

In May 2019, the APPG on Wellbeing Economics wrote an open letter to Philip Hammond, the then Chancellor of the Exchequer, calling for a spending review to increase wellbeing.<sup>54</sup> The APPG argued that linking spending plans for different government departments to an overall strategic goal for the country focused on wellbeing would “enable the Government to explicitly prioritise spending on areas that have the most impact on people’s lives”.<sup>55</sup> The APPG identified the following areas as ones that had “an important impact on people’s wellbeing but have been relatively neglected”:<sup>56</sup>

- treatment of mental illness;
- wellbeing of children in schools;
- young people’s entry into skilled employment;
- social care and community services (eg youth centres and old people’s centres);
- improved wellbeing at work; and
- rehabilitation, skill acquisition and improved mental health in prisons.

The APPG suggested that to bring wellbeing to the fore in policy-making, the Treasury should ask government departments to justify their bids in terms of their impact on wellbeing.<sup>57</sup> It recommended that all expenditure should be judged by the impact on wellbeing per pound of net costs.<sup>58</sup> It further recommended that savings accruing in different government departments should be taken into account in evaluating net cost. The APPG said the Treasury should develop its own capacity to analyse proposals in terms of their impact on wellbeing. The revised *Green Book* would provide a basis

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<sup>50</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), March 2018, p 41.

<sup>51</sup> *ibid*, p 42.

<sup>52</sup> What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020, p 40.

<sup>53</sup> *ibid*, p 61.

<sup>54</sup> All-Party Parliamentary Group on Wellbeing Economics, [A Spending Review to Increase Wellbeing](#), May 2019.

<sup>55</sup> *ibid*, p 9.

<sup>56</sup> *ibid*, pp 9 and 5–6.

<sup>57</sup> *ibid*, p 7.

<sup>58</sup> *ibid*, p 25.

for this, but the APPG proposed the Treasury make “major efforts” to develop this analytical capacity in 2020–25, with many more controlled trials of new policy interventions to evaluate their effect on wellbeing. The APPG suggested that funding of this kind of wellbeing research could become “a standard use of government departmental research budgets”.

### **2019 Election Pledges**

During the 2019 general election campaign, Labour and the Liberal Democrats both made manifesto commitments about incorporating wellbeing into policymaking. The Labour Party said it would introduce a Future Generations Wellbeing Act, enshrining health aims in all policies.<sup>59</sup> The Liberal Democrats pledged to introduce a wellbeing budget and to base decisions for government spending on what will improve wellbeing, as well as economic and fiscal indicators.<sup>60</sup> This was listed as one of their three economic priorities for the next parliament. They said they would appoint a minister for wellbeing, who would make an annual statement to Parliament on the main measures of wellbeing and the effects of government policies on them.<sup>61</sup> They promised to introduce wellbeing impact assessments for all government policies and to prioritise spending on “the things that matter most to people’s wellbeing”, such as mental health services and jobs for the future.

The Conservative manifesto did not mention the term “wellbeing” specifically.<sup>62</sup> The theme of the manifesto was about “getting Brexit done” and then moving on to “making the UK an even better country—to investing in the NHS, our schools, our people and our towns”.<sup>63</sup>

It is not clear to what extent Boris Johnson’s Government intends to develop the use of wellbeing analysis to prioritise and evaluate such policies. Prior to the general election, Chris Ruane, then Labour MP for the Vale of Clwyd and chair of the APPG on Wellbeing Economics, tabled a parliamentary question asking whether the Treasury used ONS estimates of personal wellbeing in formulating policy, and what policies the Treasury had used to improve personal wellbeing in the last 12 months.<sup>64</sup> However, the Treasury response focused on data it had gathered and actions it had taken to inform health and wellbeing policy for staff within the department, rather than across government policy as whole.

### **2.3 Implementation by Other Governments**

Other governments have taken different approaches to using wellbeing to set policy priorities, for example through the budget cycle, through statutory commitments and through national wellbeing strategies. Some examples are set out below.<sup>65</sup>

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<sup>59</sup> Labour Party, [Labour Party Manifesto 2019](#), November 2019, p 34.

<sup>60</sup> Liberal Democrats, [Liberal Democrat Manifesto 2019](#), November 2019, p 16.

<sup>61</sup> *ibid*, p 27.

<sup>62</sup> Conservative Party, [Conservative Party Manifesto 2019](#), November 2019.

<sup>63</sup> *ibid*, p 59.

<sup>64</sup> House of Commons, [‘Written Question: Treasury: Health’](#), 25 October 2019, 912.

<sup>65</sup> Further case studies are considered in Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries’ Experiences](#), 6 November 2018.

### **Wales: Statutory Commitment**

Wales established statutory duties relating to wellbeing in the Wellbeing of Future Generations Act 2015. The Act obliges the Government of Wales, local authorities and other public bodies to set and publish objectives to show how they will achieve the vision for Wales set out in the seven wellbeing goals defined in the Act.<sup>66</sup> These are: prosperity; resilience; health; equality; cohesive communities; vibrant culture and thriving Welsh language; and global responsibility. Public bodies covered by the Act must maximise their contribution to delivering each of these goals and must act to meet the objectives they set.

The Act also created the role of future generations commissioner for Wales. One of the commissioner's duties is to monitor and assess the extent to which public bodies are meeting their wellbeing objectives.<sup>67</sup>

The Welsh Government published its twelve wellbeing objectives for 2016–2021 in a “wellbeing statement” in 2017.<sup>68</sup> This statement sat alongside a document entitled *Prosperity for All—The National Strategy*. The Welsh Government described this as “a cross-government strategy to help us and our partners to better focus the energy and resources of the whole public sector”.<sup>69</sup>

### **Scotland: National Performance Framework**

Scotland has had a national performance framework since 2007.<sup>70</sup> The Scottish Government published its most recent version in 2018. The national performance framework sets out the Scottish Government's purpose, which includes a commitment to wellbeing:

To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.<sup>71</sup>

To help achieve this purpose, the framework sets out a series of outcomes. These are that people:

- grow up loved, safe and respected so that they realise their full potential;
- live in communities that are inclusive, empowered, resilient and safe;
- are creative and their vibrant and diverse cultures are expressed and enjoyed widely;
- have a globally competitive, entrepreneurial, inclusive and sustainable economy;
- are well educated, skilled and able to contribute to society;
- value, enjoy, protect and enhance their environment;
- have thriving and innovative businesses, with quality jobs and fair work for everyone;

<sup>66</sup> National Assembly for Wales Research Service, [The Well-being of Future Generations Act](#), May 2018, p 2.

<sup>67</sup> Future Generations Commissioner for Wales, [‘About Us: Future Generations Commissioner for Wales’](#), accessed 3 March 2020.

<sup>68</sup> Welsh Government, [Well-being Statement 2017](#), 19 September 2017.

<sup>69</sup> *ibid*, p 3.

<sup>70</sup> Scottish Government, [‘Wellbeing Economy Governments \(WEGo\) Policy Labs: First Minister’s Speech’](#), 1 May 2019.

<sup>71</sup> Scottish Government, [Scotland’s National Performance Framework](#), 2018, p 1.

- are healthy and active;
- respect, protect and fulfil human rights and live free from discrimination;
- are open, connected and make a positive contribution internationally;
- tackle poverty by sharing opportunities, wealth and power more equally.<sup>72</sup>

The Scottish Government has explained that the framework sets its approach to wellbeing:

The NPF (national performance framework) is Scotland’s wellbeing framework. It explicitly includes ‘increased wellbeing’ as part of its purpose, and combines measurement of how well Scotland is doing in economic terms with a broader range of wellbeing measures. These indicators incorporate a wide range of different types of data—from social attitudes and perceptions to economic and environmental statistics—in order to paint a picture of Scotland’s performance.<sup>73</sup>

Statutory obligations underpin the framework. The Scottish Government must consult on revisions to the national outcomes and must have regard to reducing inequalities when setting the outcomes.<sup>74</sup>

### ***New Zealand: Wellbeing Budget***

New Zealand’s government made its 2019 budget a “wellbeing budget”.<sup>75</sup> The finance minister used evidence and expert advice to identify where the government could make the greatest difference to the wellbeing of New Zealanders.<sup>76</sup> Each bid for funding required a wellbeing analysis to make sure that funding would address those priorities. As a result of this evidence-based process, the budget focused on five priority areas:

- **Taking mental health seriously:** Supporting mental wellbeing for all New Zealanders, with a special focus on under 24-year-olds.
- **Improving child wellbeing:** Reducing child poverty and improving child wellbeing, including addressing family violence.
- **Supporting Māori and Pasifika aspirations:** Lifting Māori and Pacific incomes, skills, and opportunities.
- **Building a productive nation:** Supporting a thriving nation in the digital age through innovation, social and economic opportunities.
- **Transforming the economy:** Creating opportunities for productive businesses, regions, iwi [social units in Māori society] and others to transition to a sustainable and low emissions economy.<sup>77</sup>

<sup>72</sup> Scottish Government, [‘What it is: An Overview of the Framework’](#), accessed 3 March 2020.

<sup>73</sup> Scottish Government, [‘Scotland’s Wellbeing—Delivering the National Outcomes’](#), May 2019, p 4.

<sup>74</sup> Scottish Government, [‘Community Empowerment \(Scotland\) Act 2015’](#), 7 February 2017.

<sup>75</sup> New Zealand Treasury, [‘The Wellbeing Budget 2019’](#), 30 May 2019.

<sup>76</sup> *ibid*, p 3.

<sup>77</sup> New Zealand Government, [‘How Does Budget 2019 Deliver a Wellbeing Approach?’](#), accessed 3 March 2020.

The government stated that the wellbeing budget tackled complex problems and considered social, environmental, and economic implications together by:

1. Breaking down agency silos and working across government to assess, develop and implement policies that improve wellbeing.
2. Focusing on outcomes that meet the needs of present generations at the same time as thinking about the long-term impacts for future generations.
3. Tracking our progress with broader measures of success, including the health of our finances, natural resources, people and communities.<sup>78</sup>

## 2.4 Challenges

OECD economists have concluded that “national governments still face many challenges in moving from wellbeing measurement to policy application”.<sup>79</sup> There are methodological challenges in finding the best way to measure wellbeing impacts and account for them in cost benefit analyses. There are also practical challenges in organising government structures to implement change.

A comparative study by the OECD of different countries’ experiences in using wellbeing metrics in policy-making and evaluation suggested that because “most of the case studies examined are relatively recent”, their “impacts are not always easily identified”.<sup>80</sup> Furthermore, it argued that “identifying the impact of a single indicator on policy” and “demonstrating causality in a public policy context” were always difficult.<sup>81</sup>

The OECD suggested that further work was needed on the barriers to wellbeing frameworks in policy settings. It noted that possible barriers included:

- **Political barriers:** these include a lack of legitimacy for the process to develop new indicators, a poorly defined narrative, and a lack of strong political imperative to look “beyond GDP”, ie limited demand for the use of alternative wellbeing data from the political level.
- **Indicator barriers:** these are mainly related to the methodology used for measuring wellbeing and sustainability, and to the lack of consensus around a dashboard of indicators as a measure of wellbeing.
- **Process and structural barriers:** these barriers relate to the support and incentives within policy-making for using wellbeing frameworks, as well as institutional resistance to change and poor communication of the frameworks to potential users and stakeholders.<sup>82</sup>

<sup>78</sup> New Zealand Government, ‘[What is Wellbeing?](#)’, accessed 3 March 2020.

<sup>79</sup> Martine Durand and Carrie Exton, ‘[Adopting a Well-being Approach in Central Government: Policy Mechanisms and Practical Tools](#)’, in Global Happiness Council, *Global Happiness and Wellbeing Policy Report 2019*, February 2019. See also Paul Frijters et al, *A Happy Choice: Wellbeing as the Goal of Government*, Centre for Economic Performance, October 2019.

<sup>80</sup> Organisation for Economic Cooperation and Development, *Policy Use of Well-being Metrics: Describing Countries’ Experiences*, 6 November 2018, p 6.

<sup>81</sup> *ibid*, p 24.

<sup>82</sup> *ibid*, p 23.

In a UK context, the What Works Centre for Wellbeing argued that central government is “not currently well set up to pursue wellbeing as an overarching goal for policy and a shared objective for all departments”, particularly because wellbeing tends to cut across the remits of more than one department:<sup>83</sup>

Government agencies and ministries tend to focus on the specific outcomes for which they are directly accountable and for which they have built up knowledge and expertise in delivering. Expanding the range of outcomes for which policy is responsible might see the encroachment of agencies into areas [about] which they do not have sufficient knowledge or experience. The result could be challenges for ownership between different departments [...] There may also be dimensions of wellbeing, such as the importance of relationships, that are critical for wellbeing, but that no department has direct responsibility for.<sup>84</sup>

The What Works Centre for Wellbeing said that the wellbeing cost effectiveness analysis endorsed by the Treasury *Green Book* was “most useful where the majority of impacts are monetised and wellbeing impacts can then be additionally measured”.<sup>85</sup> However, it argued that there is more methodological work to be done in using cost effectiveness analysis to make a decision regarding funding a policy or not.<sup>86</sup>

The What Works Centre for Wellbeing also identified wellbeing inequalities as an area where further work is needed to agree an approach. It said that data suggested that significant numbers of people are being left behind, but this gets lost in the aggregate measures of average wellbeing in a given area.<sup>87</sup> It concluded that without an agreed approach to measuring inequalities and identifying the differences between people in a given population group, “it is difficult to target interventions in a way that improves wellbeing overall and reduces wellbeing inequalities”.<sup>88</sup>

### 3. Further Reading

- What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020
- Paul Frijters et al, [A Happy Choice: Wellbeing as the Goal of Government](#), Centre for Economic Performance, October 2019
- Martine Durand and Carrie Exton, ‘[Adopting a Well-being Approach in Central Government: Policy Mechanisms and Practical Tools](#)’, in Global Happiness Council, [Global Happiness and Wellbeing Policy Report 2019](#), February 2019
- All-Party Parliamentary Group on Wellbeing Economics, [A Spending Review to Increase Wellbeing](#), May 2019
- Organisation for Economic Cooperation and Development, [Policy Use of Well-being Metrics: Describing Countries’ Experiences](#), 6 November 2018

<sup>83</sup> What Works Centre for Wellbeing, [Wellbeing Evidence at the Heart of Policy](#), February 2020, p 62.

<sup>84</sup> *ibid.*

<sup>85</sup> *ibid.*, p 63.

<sup>86</sup> *ibid.*, p 64.

<sup>87</sup> *ibid.*, p 66.

<sup>88</sup> *ibid.*, p 67.