



# Measuring National Wellbeing



Governments and other institutions worldwide are increasingly interested in measuring and monitoring wellbeing at the individual, social group and national levels. This POSTnote summarises the latest research on measuring national wellbeing, its components and causes, and examines some policy implications.

## Background

Wellbeing is at the core of diverse policy agendas ranging from social inclusion to environmental sustainability. National wellbeing measures provide information for policy makers and citizens about social and economic progress, and can inform policy development. The measures reflect the effort to shift from focusing exclusively on national accounting to include people's quality of life. The main public policy questions are:

- how to measure national wellbeing in ways that provide regular assessments of how a country is doing
- how to use information on wellbeing to design and implement public policies.

## What is Wellbeing?

Definitions of wellbeing vary with several terms used (Box 1) including national wellbeing, individual wellbeing, subjective wellbeing, happiness, quality of life or life satisfaction. Some view wellbeing as wholly psychological; it is subjectively experienced by individuals. It can refer to an emotional state such as happiness or anxiety. It can also be a judgement about satisfaction with life overall or with certain domains, or the extent to which life has meaning or purpose. A contrasting view is that wellbeing refers to an objective or external assessment of people's daily living conditions such as their abilities and opportunities to live a good life. Another

## Overview

- There is growing international consensus about the need for additional national indicators of economic performance and social progress to supplement established measures such as GDP.
- Many countries are developing methods to collect and present data on wellbeing. The UK has taken a leading role by developing a national wellbeing framework.
- Happiness research has received much attention, but it is only one aspect of individual and national wellbeing.
- National wellbeing measures reflect many dimensions of people's lives and goals, and their link to sustainability and the economy.
- Wellbeing data and analysis could be used to inform central and local policy-making.

prominent view is that wellbeing results from meaningful and sustainable interactions between an individual and their social and physical environment.

## Consensus and Disagreement

Four key factors (Box 2) have influenced several countries to develop data collection tools called National Wellbeing Measures (NWBMs). Despite the many conceptions of wellbeing, consensus is that the measures should incorporate many dimensions and must include more than one subjective (for example, happiness) or objective aspect (such as income). There is disagreement on which dimensions to include and particularly if subjective wellbeing should be included. There are different views on whether and how to combine the information about the different dimensions into a single number or index. A single index number simplifies the information and enables progress to be tracked easily over time. Harmonising a core set of common indicators of national wellbeing measures and their indexing, is also needed to make international comparisons.

## Limitations of Economic Indicators

Gross domestic product (GDP) measures the monetary value of goods and services produced in a country. The size and growth of GDP reflects economic performance and is often used as the headline indicator of a society's success and progress. However, GDP is not necessarily a good measure of personal or national wellbeing. By focusing on

**Box 1. Common Terms to Describe 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.

production, GDP masks income inequalities and deprivations. Rising GDP does not mean incomes of the worst off or the majority of citizens are increasing. GDP can include economic activity related to undesirable situations. For example, cleaning up oil spills or rebuilding after a tsunami contributes to GDP growth. Furthermore, GDP excludes unpaid activities such as housework, time and effort of family caregivers or improvements in quality of life produced from healthcare.

*Income and Wellbeing*

GDP, as an indicator of national wealth, is often perceived to reflect personal incomes. Calculations can be made to estimate GDP per capita, or average real incomes. It is assumed that as GDP and average real incomes grow, more wellbeing is produced from more consumption. However, economic research shows that the link between income and wellbeing is not straightforward. Initial research showed that while higher levels of national wealth are associated with greater happiness across countries, within a country, increasing incomes over the life course seems to produce diminishing or no increases in happiness.<sup>1</sup> One explanation is that increasing incomes do not increase happiness if everybody's incomes are also increasing, since additional income is used to keep up with others. The relationship between GDP, personal incomes, and wellbeing is contested and is being actively researched.

*Environment and Wellbeing*

Human wellbeing is dependent on the environment. Some scientists argue that if the pursuit of ever-increasing GDP growth is based on unsustainable use of natural resources or is harmful to the environment, it threatens the wellbeing of current and future generations.<sup>2</sup> Some economists recognise that current measures of growth do not take into account environmental costs, and require adjustments.

*Beyond GDP*

The call to look beyond GDP to measure national wellbeing is not new. Many countries collect social statistics and current efforts to develop NWBMs build on these by drawing on recent wellbeing research. Many economists argue that individual wellbeing is best reflected in a person's objective opportunities to engage in valued activities. At the same

**Box 2. Drivers of Measuring National Wellbeing**

- Political interest in developing new indicators that are more informative than personal incomes or GDP in assessing how well or poorly the lives of citizens are going.
- Advances in measurement and research on different dimensions of subjective wellbeing and its links to health, mortality, productivity, cost-savings and environmental sustainability.
- The potential for research on behavioural economics (the psychology of decision making under uncertainty) to inform public policy aimed at improving wellbeing.
- Its potential use in policy design, monitoring and evaluation and as an aid in better targeting of resources.

time, subjective wellbeing research has progressed significantly, reinforcing its importance as a component of wellbeing. The efforts to develop NWBMs are increasing and involve a range of research institutes, governmental and supra-national agencies (see Box 3).

**National Wellbeing Measures****The Stiglitz Commission**

Created by President Sarkozy in 2008, the Commission on the Measurement of Economic Performance and Social Progress (the "Stiglitz Commission") recommended that NWBMs should include eight core components: 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 (economic and physical). Partly as a result of the Stiglitz Commission, many countries with established social statistics are developing sets of key indicators or 'dashboards' of national wellbeing.

The development of national wellbeing dashboards and an index measure of all the components is complex. A key challenge is in reconciling public and expert opinions on what wellbeing or a good life is, what its components are and weighting the relative importance of each. Some countries task experts to identify the key indicators, while in others politicians and the public are more involved.

**Box 3. Timeline of Recent Key Events in Measuring Wellbeing**

- **1994** United Nations publishes first Human Development Index.
- **2000** First issue of the Journal of Happiness Studies is published.
- **2002** UK Cabinet Office Strategy Unit Report, Life Satisfaction: the State of Knowledge and Implication for Government.
- **2007** European Commission initiates the 'Beyond GDP' project.
- **2008** President Sarkozy establishes the Commission on the Measurement of Economic Performance and Social Progress.
- **2009** OECD starts Better Life Initiative and Work programme on measuring wellbeing and progress.
- **2010** The US government establishes a Commission on Key National Indicators, allocating \$70 million to the project.
- **2010** The UK Office for National Statistics begins a programme to develop statistics to measure national wellbeing.
- **2011** US National Research Council, the National Institute on Aging and the UK Economic and Social Research Council jointly support an expert panel on subjective wellbeing and public policy.
- **2011** UN General Assembly Resolution on Happiness 65/309.
- **2012** UN High-Level meeting on happiness and wellbeing. Release of the UN World Happiness Report.

### *Wellbeing Indexes*

Before the Stiglitz Commission report, various national wellbeing measures and indexes were available. The UN's Human Development Index contains only three components: life expectancy, education and income per capita. This was partly due to its focus on developing countries and their limited data. Many more components are included in the OECD's Your Better Life Index, the European Statistical System (Eurostat) indicators, the Dutch Life Situation Index and the Canadian Wellbeing Index.

Several non-governmental organisations in the UK have produced wellbeing indexes. The New Economics Foundation's Happy Planet Index incorporates environmental sustainability of wellbeing. The Humankind Index by Oxfam Scotland has nineteen components while the Open University and YouGov survey uses fifty indicators.<sup>3</sup> The Good Growth Index by Demos focuses on equitable and sustainable economic growth. Gallup, Inc. is a prominent private sector body that offers a Well-Being Index with global scope. While centred on providing wellbeing data nationally and for each state in the United States, Gallup can offer information for countries that have not developed their own NWBMs, and for making cross-country comparisons and research.

### *Wellbeing Research*

Researchers from different disciplines including economics, psychology, public health, neurobiology and sociology are examining the components, consequences and distribution of both subjective and objective wellbeing. The aim is to identify characteristics and conditions that are correlated with things that contribute to wellbeing such as higher longevity, better health, more life satisfaction and happiness. For example, some psychiatrists argue that living a life with self-direction, meaningful relationships, and engagement and skill development leads to greater wellbeing.<sup>4</sup> A novel aspect of recent wellbeing research is that it focuses on the components and causes of positive aspects of human lives as well as the negatives. The premise is that the absence of mental and physical impairments does not necessarily lead to positive wellbeing.

## **Measuring National Wellbeing in the UK**

In November 2010, in response to a request by the government, the UK's Office for National Statistics (ONS) began developing indicators of national wellbeing (Box 4). These were based on advice from expert and stakeholder groups and public consultation. The UK is seen as taking a global lead in developing NWBMs and is at the forefront in incorporating subjective wellbeing into its assessment of national wellbeing. The ONS began asking four questions on subjective wellbeing as part of a national annual population survey (see Box 4) and published the first annual report in July 2012.<sup>5</sup> Three-quarters of people rated their life satisfaction as 7 or more out of 10 and 80% gave a rating of at least 7 when asked if they felt their lives were worthwhile. Teenagers, over 65s and those with partners reported higher life satisfaction and worthwhile ratings. Almost half of

those unemployed rated their life satisfaction as below 7, as did two-fifths of those with a disability. The ONS does not intend to condense all the indicators into a single wellbeing index and will collect more data and issue more complex analyses. It is thought that the information derived from analysis will be most useful in informing policy.

### **Box 4. Components of the UK's National Wellbeing Measures**

The ONS consulted widely with the public and international experts in developing the components of national wellbeing measures. It identified the following domains that influence subjective wellbeing.

- **Domains directly affecting individual subjective wellbeing:** relationships, health, what we do, where we live, personal finance, education and skills.
- **Other wider influences:** governance, the economy and the natural environment.

The ONS also states that issues of equality, fairness and sustainability apply to each domain, and further work is needed to ensure that future surveys can capture meaningful information about their impact on wellbeing.

### **Subjective wellbeing questions in UK Household Survey<sup>6</sup>**

The ONS's annual Integrated Household Survey of a large population sample (165,000 adults, aged 16 and over) now includes these four questions on subjective wellbeing. Respondents rate their response on a scale from 0 to 10, where 0 is not at all and 10 is completely:

- overall, how satisfied are you with your life nowadays?
- overall, to what extent do you feel the things you do in your life are worthwhile?
- overall, how happy did you feel yesterday?
- overall, how anxious did you feel yesterday?

## **Measuring Subjective Wellbeing**

Although media attention often focuses on happiness research and its relevance to policy development, it is only one component of subjective wellbeing research which has many dimensions. The ONS questions capture information on some commonly recognized dimensions, all in one place.

- daily experience of positive and negative emotions
- satisfaction with life overall or with certain domains of life
- the extent to which life has meaning or purpose.

Some psychologists argue that the four questions (Box 4) do not sufficiently capture other important aspects of a good life aside from emotional states.

Recent advances in subjective wellbeing research come from the development of new techniques to capture people's momentary emotional states and how they spend their time on a daily basis.<sup>7</sup> The main method of collecting data on subjective wellbeing is to ask individuals to self-report responses to questions. Such surveys must be carefully designed as research shows that answers can be affected by the types of questions asked immediately before. Experts comment that conclusions should be drawn cautiously, since subjective wellbeing research is based largely on self-reports, and responses can be influenced by survey design.

Researchers are linking responses about subjective wellbeing to other data sets, to identify possible associations with personal characteristics and skills, biology, situational factors, institutional factors, demographic characteristics,

and economic, employment and environmental factors (Box 4). The focus on happiness has led to attempts to distil the findings from studies on the determinants of subjective wellbeing into self-help tools for individuals. However, work is at an early stage with many questions being researched:

- does high subjective wellbeing (amongst other factors) cause aspects of a good life such as longevity and good relationships or is causation the other way round or in both directions?
- how do personality, biology and external environment interact to produce high subjective wellbeing?
- what are the points in a person's life where an intervention might best improve subjective wellbeing?

#### *Subjective Wellbeing and National Wellbeing*

The reason subjective wellbeing at the national level is not being measured by more governments is that there is disagreement as to whether it should be included in broader wellbeing initiatives, such as national wellbeing datasets. Criticisms of subjective wellbeing and policy applications range widely. One prevalent criticism is that governments should not try to intervene into people's psychological states, particularly if it is not related to illness. Another is that subjective wellbeing is not necessarily an adequate indicator of a good quality of life. A person can be happy despite being in poor health or having a low level of educational achievement. People can also psychologically adapt to social conditions, so subjective wellbeing can be high if they lower their expectations and aspirations.

### **Wellbeing Data and Public Policy**

The process of developing NWBMs by involving citizens is seen by prominent wellbeing researchers as an important feature of democratic governance. The involvement of citizens could provide valuable information and serves to justify the choice of the different components of national wellbeing. However, wellbeing researchers recognise that after the systems of NWBMs are in place, it will be necessary to identify the priorities among various social and economic policies, what the policy goals should be regarding each component of national wellbeing, and to ensure that the policy being considered will have the intended effect on wellbeing. The creation of NWBMs is thus seen to open up a whole new era of public deliberation and democratic governance related to quality of life.

### **Subjective Wellbeing and Public Policy**

#### *Impact Assessment*

Advocates of using subjective wellbeing measures to inform public policy identify many potential advantages. National wellbeing data could allow policymakers to target areas or social groups (Box 1) with the greatest need for improved wellbeing. Also, many policies are assessed according to cost-benefit analysis, with benefits framed in only economic terms. It is expected that research will identify a diverse range of discrete factors that affect subjective wellbeing. By monetising the value of subjective wellbeing, decisions could be made about which forms of spending will result in the greatest increase in wellbeing could also be

incorporated into cost-benefit analysis. The Treasury and the Department for Work and Pensions have examined how this approach could enable a wider assessment of the cost-benefit analysis of public policies.<sup>8,9</sup>

#### *Wellbeing and an Ageing Population*

Subjective wellbeing research is seen by those on the US National Academies Panel on Well-being and Policy to have a potentially significant role in making policy related to the growing proportion of the population who are elderly and/or living with chronic diseases. Longer life expectancies mean that more people will experience age-related degenerative disease, while chronic diseases require long-term medical treatment. It is anticipated that research on the determinants of subjective wellbeing could inform policies to improve individuals' quality of life in ways beyond the scope of clinical healthcare.

#### *Influencing Personal Decision Making*

UK policy makers are considering how large national data sets on subjective wellbeing could be used to help people make decisions that may influence their future wellbeing. For example, data on life satisfaction could be analysed according to various demographic characteristics such as profession or geographical location. This could then give people useful information about which profession to pursue, or where to live. The ONS has analysed the 2011 UK data by countries, region and county and also by gender, age, employment status and disability. Further analyses will be possible in the future as more data are collected.

Research in behavioural psychology shows that human decision-making is influenced by cognitive biases (subconscious mistakes in processing information), particularly where uncertainty exists.<sup>10</sup> The Cabinet Office Behavioural Insights Team is exploring how this knowledge could inform public policy development and improve wellbeing.<sup>11</sup> Policies could be designed to take into account the way choices are made, so that people are more likely to make decisions that improve their own personal wellbeing as well as that of others. Such policies could relate to organ donation, pension savings and health behaviours.

#### **Endnotes**

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