Measuring National Wellbeing

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.

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 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 (NWBM). 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
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-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. 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. 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
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 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.

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.

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
- 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 surveys uses fifty indicators. 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 NWBMIs, 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. 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 NWBMIs 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. 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
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 recognised 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. 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 serve 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.8,9

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.10 The Cabinet Office Behavioural Insights Team is exploring how this knowledge could inform public policy development and improve wellbeing.11 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
2 People and the Planet, The Royal Society, 2012
4 Ryan R & Deci E, Self-determination theory and the facilitation of intrinsic motivation, social development and well-being, Am. Psychol. 55 (68-78) 2000
5 Office of National Statistics, First ONS Annual Experimental Subjective Wellbeing Results, July 2012
10 POSTnote 328, Delaying Gratification, 2008
11 Cabinet Office, Behavioural Insights Team Annual Update, 2010–11