

ANALYSIS NO. 02/2021

TOWARDS A NORDIC WELLBEING ECONOMY

The concept of 'Wellbeing Economy' is increasingly being implemented by governments all over the world with New Zealand's Wellbeing Budget perhaps the most prominent example. However, 'Wellbeing Economy' has also reached the Nordic shores where initiatives are already undertaken in Finland and Iceland. But what is a Wellbeing Economy in essence? What different forms can it take? How does it function in practice? And what are its benefits and drawbacks?

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All constitutions of government are valued only in proportion as they tend to promote the happiness of those who live under them. This is their sole use and end.

– *Adam Smith, 1790*

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Foreword

Global political agendas are increasingly turning to some of humanity's most pressing issues, such as climate change, poor mental health, and inequality. It is often done through shared visions, goals and priorities as seen with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 and our own Vision 2030, aiming to make the Nordic Region the most sustainable and integrated region in the world by the end of this decade.

While it is crucial to set ambitious visions for our societies, it is equally important to consider whether our current economic models and policy tools advance their fulfillment.

A new model for tackling global challenges is at the core of the Wellbeing Economy concept. Put simply, it is about making an economy 'fit for the future' by complementing conventional economic indicators with a broader set of indicators to better capture a range of priorities and guide policymaking.

Several countries in the western hemisphere, including the United Kingdom and New Zealand, have already adopted National Wellbeing Programs and Wellbeing Budgets. At the same time, this concept has also reached Nordic shores with Iceland and Finland qualifying as global frontrunners.

The aim of this report is to contribute to a better understanding of what a Wellbeing Economy is. I also hope that it can contribute to a conversation as to how the Nordic countries can use the Wellbeing Economy model to support the Nordic vision for 2030 and thereby improve the lives of people in the Nordic Region.

I would like to thank Michael Birkjær, Alexander Gamedinger, and Sarah El-Abd of the Happiness Research Institute, who have written the report on behalf of the Policy and Analysis Unit at the Secretariat to the Nordic Council of Ministers. This report is part of a series of reports produced by the unit which highlight various topics that are important from a Nordic perspective.

Paula Lehtomäki

Secretary General, Nordic Council of Ministers



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Summary

To achieve social and environmental – and not just economic – progress, governments and international organisations are today reassessing the fundamentals of our economic systems. This has already resulted in hundreds of 'beyond GDP' measures being introduced by a variety of organisations in just the last decade, but more prominently, it has also sparked an official transformation process of the economic systems in New Zealand, Scotland, Wales, Iceland, and Finland towards a so-called Wellbeing Economy.

In theory, a Wellbeing Economy is about actively using wellbeing metrics and tools to inform government priorities and policymaking, but as documented in this report, this concept proves theoretically and practically complex and in practice governments do not seem to apply a designated one-size-fits-all approach.

The ambition of this report is to facilitate more clarity on what a Wellbeing Economy in essence *is*, what different forms it can take, how it functions in practice, as well as its benefits and drawbacks. In the bullets below, we summarise the findings and conclusions of this report:

1. A Wellbeing Economy goes beyond GDP

This report finds that a Wellbeing Economy is synonymous with a beyond-GDP-approach. At the core of a Wellbeing Economy, there is not only a desire to move beyond GDP but also an acknowledgement of the necessity to do so. However, it is crucial to note that going beyond GDP does not imply that GDP is being phased out or replaced. In fact, in many wellbeing economies, GDP continues to play a vital role.

2. A Wellbeing Economy is based on measures of subjective and/or objective wellbeing

This report finds that the contemporary Wellbeing Economy is based on objective and/or subjective wellbeing measures. While objective wellbeing indicators cover the 'hard facts' of wellbeing circumstances, such as longevity, education and air pollution, the subjective wellbeing indicators are concerned with the first-person subjective experience, which can be addressed by measures for life satisfaction, mental health or loneliness.

According to our research, the types of indicators used by different Wellbeing Economy initiatives vary significantly. While some initiatives are heavily reliant on objective indicators other subscribe more to a subjective wellbeing approach.

3. A Wellbeing Economy operates on three levels: monitoring, prioritising, and policymaking

The initiatives of states and governments to embark on the pursuit of a Wellbeing Economy typically take shape in three ways: to passively monitor the reality of people's wellbeing, to actively inform governments' wellbeing priorities, and to actively guide policymaking towards most wellbeing impact. In this report, a country is considered a Wellbeing Economy only if it actively uses wellbeing measures for the latter two. Countries that adopt passive monitoring frameworks and do not use the respective measures to inform government priorities and/or actively guide policymaking are not considered a Wellbeing Economy.

According to this report, several governments are already using wellbeing measures for both monitoring and prioritising and can thus be categorised as wellbeing economies, but only New Zealand, the UK, Bhutan, and Iceland are engaged in all three levels.

4. A Wellbeing Economy can address looming wellbeing issues in policymaking

Compared to the conventional economic approach (the utility-approach), a Wellbeing Economy has a particular advantage in terms of addressing looming issues such as loneliness, mental health problems, and potentially also environmental challenges. This is because a Wellbeing Economy is capable of addressing these non-market challenges through empirical insights into human experiences, whereas the utility approach is primarily geared to value market goods on market terms.

These advantages of wellbeing metrics over conventional metrics are today utilised by various stakeholders, perhaps most notably the Treasury in the United Kingdom and New Zealand, which have both adopted the measures for their policy appraisals procedures.

5. The Wellbeing Economy still lacks a 'common language'

Despite the aforementioned opportunities that a Wellbeing Economy presents itself with, it still hasn't found a 'common language'. Across the various Wellbeing Economy initiatives we have covered in this report, we identify significant discrepancies in regard to their application in theory and in practice. These discrepancies may inhibit comparisons between performance indicators, the creation of shared standardised frameworks, and general collaboration.

6. The use of wellbeing measures raises ethical concerns and questions

The use of wellbeing metrics raises a lot of ethical questions that the metrics cannot answer on their own: Is the wellbeing of unborn people worth less (or more) than people living today? Is the wellbeing of a child worth more than the wellbeing of an 85-year-old? How do we value the subjective wellbeing of people, relative to personal freedom, planetary boundaries, and migration when we are presented with a trade-off relationship between these issues? And does the use of wellbeing metrics pave the way for so-called paternalistic interventions? As with any other economic approach, there are various political and ethical questions and considerations that wellbeing metrics cannot bring any meaningful answer to without additional perspectives and political guidance.

7. Finland and Iceland are Nordic Wellbeing Economy frontrunners while Denmark is particularly unengaged with the concept

Today, the Wellbeing Economy concept is also being adopted and developed in the Nordic countries. In both Finland and Iceland frameworks for monitorisation and prioritisation are established, and in Iceland the government has already proposed several initiatives aimed at

accommodating the wellbeing priorities.

While Iceland and Finland are fully engaged with developing a Wellbeing Economy, relevant initiatives can also be identified in Sweden, Norway, and Denmark. However, of all the Nordic countries, Denmark seems to be the least engaged with the concept. The Danish initiative only includes a monitorisation exercise dating back to 2015. Since then, Denmark has not engaged in any other wellbeing initiatives of significance aimed at monitoring, prioritising, or including wellbeing metrics in policymaking.

Concluding remark by the authors: It's important to emphasise that the wellbeing measures used within a Wellbeing Economy are not, and will perhaps never be, perfect measures for human flourishing. Any measure attempting to capture the essence of human wellbeing through a set of indicators will almost always be a simplification or reduction of reality — a concern that applies to conventional economic indicators as well. Thus, in the years to come, when the concept of the Wellbeing Economy may develop further and emerge in even more countries, a fair evaluation of its performance should not be dependent on its ability to solve societal challenges in a flawless or even ideal manner. Instead, a fair assessment of the Wellbeing Economy's effectiveness should be based on how well it can address and cater for human wellbeing *in comparison* to traditional economic indicators and methodologies.



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Introduction: Why wellbeing?

For nearly a decade, the Nordic countries have been attracting international attention for their high levels of happiness. Nordic countries consistently rank among the very top performers on renowned wellbeing indices such as the United Nations' World Happiness Report,¹ the Human Development Index² and the OECD's Better Life Index.³ But how have the Nordic governments actively promoted societal wellbeing in the past to become 'Happiness Superpowers'?

The short answer: they have not. At least not directly.

Research suggests that high levels of income, extensive social benefits, low corruption, well-functioning state institutions, as well as a clear sense of autonomy, freedom, and social trust among citizens, are the most prominent reasons for Nordic happiness.⁴ While behind these remarkable achievements lies – at least in part – some successful policymaking, at the same time the respective decision-makers' original intention was undoubtedly to promote wellbeing, despite having little to no empirical guidance on what actually drives human wellbeing.

Today, such guidance is increasingly available. A global turning point was the 2008 financial crisis, which led prominent institutions such as the OECD and UN, as well as leading economists, to strongly advocate a more pluralistic measurement of social progress.⁵ This gave birth to the 'beyond GDP' agenda, which has prompted the growing availability of wellbeing data in the western hemisphere. The active use of this data in agenda-setting and policymaking is what we refer to as 'the Wellbeing Economy'. This approach is increasingly being implemented by governments all over the world, with New Zealand's Wellbeing Budget⁶ perhaps the most prominent example.

The Wellbeing Economy has also reached Nordic shores. In 2017, the Swedish government

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1. Helliwell, J. et al. (2021).
 2. UNDP. (2020).
 3. <http://www.oecdbetterlifeindex.org/>
 4. Helliwell, J. et al. (2020).
 5. Stiglitz, J. E. et al. (2009).
 6. The Treasury - New Zealand. (2019, December 12).

introduced its 'New Measures of Wellbeing' framework to monitor trends in people's quality of life and the long-term sustainability of the economy.⁷ In 2019, Kattín Jakobsdóttir, the Prime Minister of Iceland, introduced a similar framework involving 39 proposed national indicators to measure the prosperity and quality of life of the citizens of Iceland.⁸ From 1 July to 31 December 2019, Finland, meanwhile, held the Presidency of the Council of the European Union. Throughout its term, it advocated the adoption of a Wellbeing Economy on a regional, as well as state level.⁹

But why do the Nordic countries need a Wellbeing Economy when they have done so well without? Why not just stick to business as usual?

Is GDP not enough?

Our current economic system, with its emphasis on economic growth, is, in fact, rooted in the idea of human wellbeing.¹⁰ The general idea is that economic growth provides people with a greater choice, allowing them to fulfil their desires, thereby improving their wellbeing.

Many will agree that this system has done so admirably. Since the end of the Second World War, which marked the beginning of our collective focus on economic growth, the latter has progressed in tandem with substantial global improvements in health, literacy, and longevity.¹¹

However, there have been concerns from the outset that GDP growth – i.e. the increase in the amount of goods and services produced within a country in a given time period – is not an adequate indicator of human progress. Even Simon Kuznets, the economist who invented the concept of GDP, emphasised that "the welfare of a nation can scarcely be inferred from a measure of national income. (...) Goals for more growth should specify more growth of what and for what".¹² Today, criticism of GDP is being expressed by state officials and international organisations like the UN, the EU, and the OECD, who strongly advocate for a 'beyond GDP' agenda. The criticism is often expressed with reference to increasing rates of mental health disorders around the world, but also to climate change and loss of biodiversity, which is jeopardising the wellbeing of future generations.¹³

Regarding the current state of wellbeing, studies of subjective wellbeing tend to confirm that people's perceived wellbeing has slowed in terms of progress or even declined despite continued economic growth. One pertinent example is India. From 2006 to 2018, GDP per capita doubled in size, while the average life satisfaction of the population dropped from 5.35 to 3.82 on a 0 to 10-point scale, a staggering 25% decrease. Today, only 3% of the Indian population can be considered 'thriving' according to the Gallup World Poll, one of the lowest rates recorded around the world.¹⁴

These wellbeing issues and trends can also be identified in the Nordic countries. According to recent estimates by the OECD, more than one in six people across the Nordic countries¹⁵ have a mental disorder,¹⁶ equivalent to about 4.5 million people. For young people in particular, problems such as loneliness, stress, and poor mental health seem to be increasing over time.¹⁷

7. Ministry of Finance - Sweden. (2017, August 1).

8. Prime Minister's office - Iceland. (2019, September 18).

9. European Council. (2019, October 24).

10. Read, D. (2007).

11. The Global Health Observatory. (2021).

12. Report to the US Congress in 1934.

13. Stiglitz, J. et al. (2018).

14. Lall, J. (2018, July 1). In happiness research, thriving refers to people who rate their current lives between a '7' or higher on the 0-10 life satisfaction scale.

15. Denmark, Finland, Iceland, Norway and Sweden.

16. Anxiety disorders, Depressive disorders, Alcohol and drug disorders, Bipolar disorders and schizophrenia.

17. Relevant literature: Reneflot, A. et al. (2018); Bakken, A (2017); Sosialstyrelsen (2017); Gyllenberg, D. et al. (2018); Lasgaard, M. (2020).

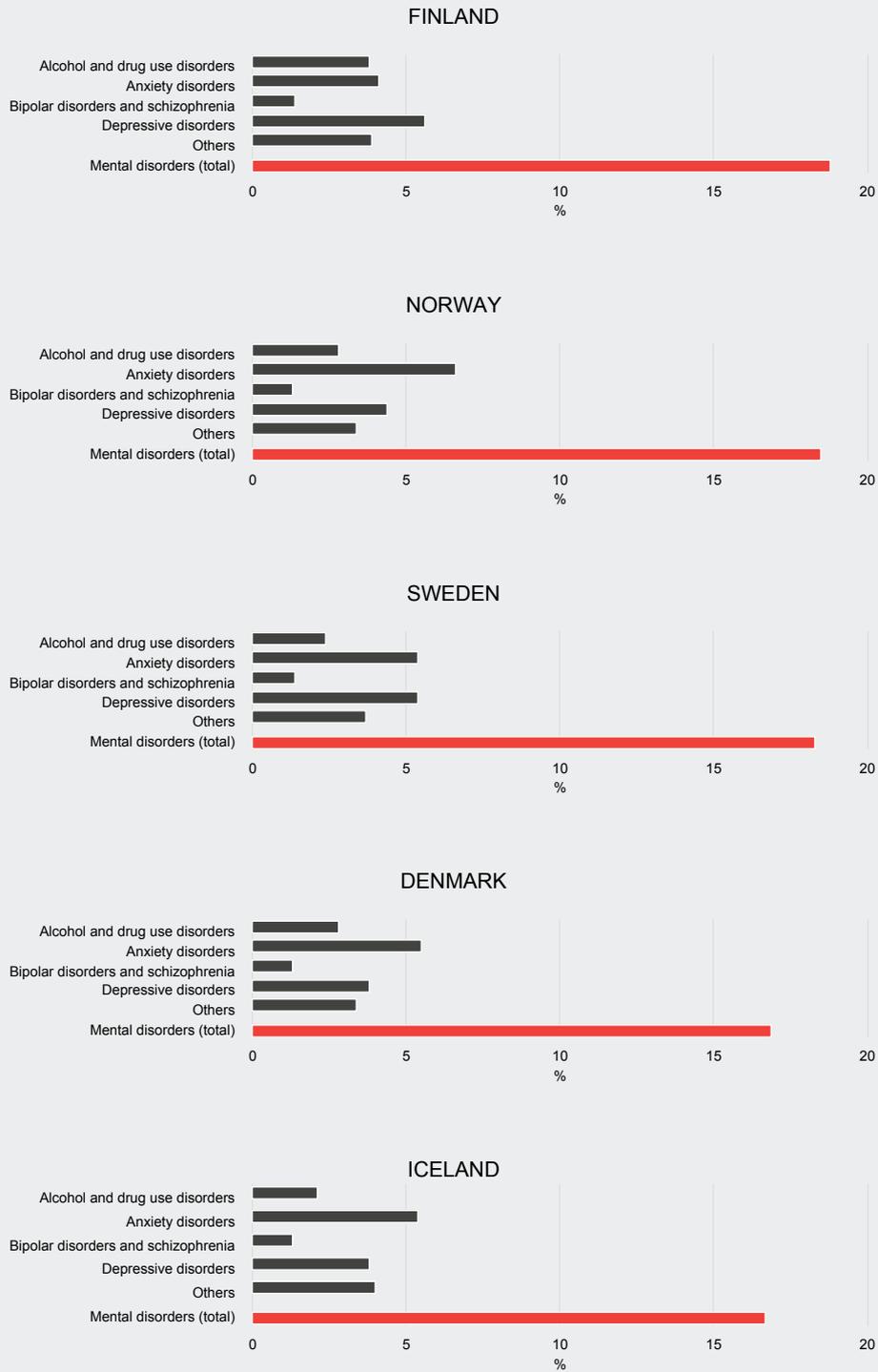


Figure 1.1 Share of population experiencing mental disorders in the Nordic countries

Source: OECD/EU (2018) Health at a Glance: Europe 2018: State of Health in the EU Cycle. Paris: OECD Publishing; 2018.

It is, however, very important to state that these parallel trends of economic growth and wellbeing declines do not necessarily indicate causation. Even though loneliness and depression can rise in a period of economic growth, growth itself may not be *causing* depression or preventing people from living good lives. Another possible interpretation is that GDP should still be considered a primary driver of human wellbeing, merely falling short of capturing *some* of the vital aspects of wellbeing. In fact, according to the World Happiness Report, GDP per capita is the single best predictor of high average population life satisfaction across countries.¹⁸

Towards a Wellbeing Economy

The search for additional 'beyond GDP' metrics has already resulted in hundreds of measures being introduced by a variety of organisations in just the last decade.¹⁹ Famous alternatives to GDP include index measures like the *Human Development Index*²⁰ or agenda-setting dashboards such as the *Sustainable Development Goals*.²¹

More recently, a third approach has gained traction among policymakers and international experts: subjective wellbeing. This approach relies heavily on people's self-reported answers to questions like 'How satisfied are you with your life nowadays?' and has proven to be a valid and reliable measure of experience across contexts.²²

It is the adoption of these wellbeing measures by states, policymakers, and other members of the international community that are today paving the way towards the concept now known as the Wellbeing Economy.

The Wellbeing Economy is a theoretically and practically complex concept, however, often rooted in diverging theories of wellbeing. In practice, there is no designated one-size-fits-all policy approach that governments can apply. The aim of this report is therefore to provide a framework for understanding and engaging with the concept.

The first section of this report will discuss the theory and practice of a Wellbeing Economy, answering questions such as 'What is a Wellbeing Economy?' and 'What does it look like?'

The report's second section will focus on the emergence of a Wellbeing Economy in the Nordic region, answering questions such as 'how is the Wellbeing Economy being implemented in the Nordic countries?' and 'what are some key opportunities and challenges that Nordic agents are facing or might face?'

DISCLAIMER

This report shouldn't be read as a critique of GDP as a measure of welfare or wellbeing. Nor should the reader be misled to believe that there is a general consensus that GDP should be abolished in order to establish a functioning Wellbeing Economy. Even though many of the Wellbeing Economy initiatives we investigate in this report use a criticism of historical reliance on GDP as their starting point, we find great variation in their view of the continued role of GDP as a measure of progress and wellbeing. While some initiatives seek to replace GDP with new measures of progress, others seek to complement it. It is not our intention in this report to adjudicate these positions.

18. Helliwell, J. et al. (2021).

19. Hoekstra, R. (2020).

20. United Nations Development Programme (n.d.).

21. United Nations. (n.d.).

22. Happiness Research Institute & Leaps by Bayer. (2020).



Photo: Headway/Unsplash

Prominent organisations working with the Wellbeing Economy agenda

Wellbeing Economy Alliance (Global)

The Wellbeing Economy Alliance (WeAll) is a prominent cross-sectoral collaboration hub for academics, businesses, citizens, and networks, with the mission of spreading knowledge and policy tools working towards a Wellbeing Economy. Established in 2018, the WeAll network today comprises more than 200 organisations.²³

Wellbeing Economy Governments partnership (Global)

The Wellbeing Economy Governments partnership (WeGo) is an alliance of governments which promotes the sharing of expertise and transferable policy practices in building a Wellbeing Economy. Established in 2018 by founding member Scotland, it today includes the governments of New Zealand, Iceland, Wales, and Finland.²⁴

23. <https://wellbeingeconomy.org/>

24. <https://wellbeingeconomy.org/wego>

OECD Centre on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE) (France)

The aim of the OECD Centre on Well-being, Inclusion, Sustainability and Equal Opportunity (WISE) is to generate new data and solutions that improve people's wellbeing, reduce multidimensional inequalities, and better understand the impact of policies and business actions on people's lives today and in the future.²⁵

What Works Centre for Wellbeing (United Kingdom)

The What Works Centre for Wellbeing is an independent centre of collaboration that develops and shares robust and accessible wellbeing evidence to improve the decision-making of governments, businesses, and civil society. Their aim is to develop and share robust, accessible, and useful evidence on wellbeing.²⁶

The Happiness Research Institute (Denmark)

The Happiness Research Institute is an independent think tank. Its mission is to inform decision-makers of the causes and effects of human happiness and make subjective wellbeing part of the public policy debate. It designs and implements decision-making tools (such as the WALY-model) to set new standards for resource allocation and impact investment.²⁷

Doughnut Economics Action Lab (United Kingdom)

Doughnut Economics Action Lab (DEAL) is a global hub for new economic thinking. Its aim is to help create 21st century economies that are regenerative and distributive by design, so that they can meet the needs of all people within the means of the living planet.²⁸

25. <https://www.oecd.org/wise/>

26. <https://whatworkswellbeing.org/>

27. <https://www.happinessresearchinstitute.com/>

28. <https://doughnuteconomics.org/>



Photo: Clive Tompsett/imagebank.sweden.se

Chapter 1: In theory and practice

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In almost all OECD countries nowadays, national statistical offices have started to include these [wellbeing] measures in their surveys... [we] need to go beyond measurement.

– *Martine Durand, Chief Statistician and Director of Statistics Directorate, OECD (2016).*²⁹

Our definition of a Wellbeing Economy: A Wellbeing Economy means allowing subjective and objective wellbeing indicators to inform government priorities and/or guide policy decisions.

To be considered a 'Wellbeing Economy government' based on this definition, governments must 'go beyond measurement' and give wellbeing metrics an active role in government. Or put differently: Governments that passively monitor societal wellbeing through national wellbeing frameworks or merely commission national statistical offices (or third parties) to collect and measure wellbeing indicators *cannot* be considered a Wellbeing Economy government under this definition.

29. Durand, M. (2016, December 12–13).

The Wellbeing Economy has two main building blocks, which we call 'theory' and 'practice'.

In theory, a Wellbeing Economy is about metrics and tools that are capable of capturing and assessing human wellbeing. However, as wellbeing has proven to be a rather elastic concept, it is important for decision-makers to be mindful of the various definitions of wellbeing, as well as the implications of choosing one definition over another. Thus, 'the theory of Wellbeing Economy' is concerned with defining the type of wellbeing an economy is designed to promote.

In practice, wellbeing metrics can serve three different purposes:

1. **Monitoring:** Wellbeing metrics are used by governments or statistical offices to monitor the reality of people's lives and wellbeing.
2. **Prioritising:** Wellbeing metrics provide information for government priorities, wellbeing budgets, and/or concrete agendas.
3. **Policymaking:** Wellbeing metrics are used at policy-level to provide a systematic assessment of the impacts expected and/or achieved by policies. This will often be realised through the adoption of wellbeing measures in cost-benefit analyses for proposed policies (so called ex-ante analysis) or in the evaluation of the outcomes of implemented policies (so-called ex-post analysis).

Evaluating the quality of policies ex-ante or ex-post?

In policymaking processes, policymakers need to assess the quality of given policies. This assessment can be achieved both ex-ante and ex-post. An ex-ante evaluation provides strategic information about policy choices at an early stage, where the possibility to influence the course is greatest. In practice, this approach often attempts to find the best policy solution, i.e. possible alternatives, using cost-benefit or cost-effectiveness analysis. Ex-post evaluation, conversely, is completed *within* the operating process and can provide useful learning experience for future design and decision-making for similar projects.

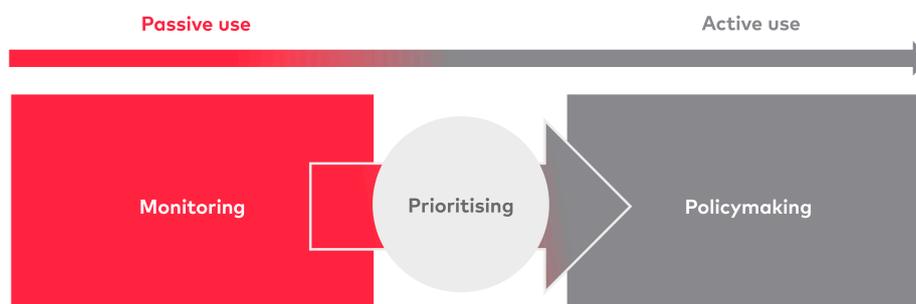


Figure 1.2 The three purposes of wellbeing metrics in a Wellbeing Economy

It is important to differentiate between these three purposes, as they are brought to bear at different stages of the policymaking process and reflect different commitments. To **monitor** people's quality of life, a multitude of indicators are needed to capture various aspects of wellbeing. Most commonly, the initial choice of indicators is an active political exercise. Once a wellbeing framework is agreed on, however, monitoring will be the next step. This suggests a **passive use** of wellbeing measures which does not qualify the respective government as a

Wellbeing Economy government under the definition in question. Conversely, if the wellbeing indicators provide information for actual government **priorities** and/or guide **policymaking** at ministries and public authorities, it suggests an **active use**, and the government *does* qualify as a Wellbeing Economy government.

These theoretical and practical debates will be discussed further in the first part of this chapter and visualised in Table 1.1, which summarises and compares three approaches to wellbeing.

In the second part of this chapter, we will provide examples of how a Wellbeing Economy is currently being adopted by governments around the world, with New Zealand (and the CBAx model) serving as an in-depth case study on how wellbeing metrics are used in decision-making.

Three approaches to wellbeing

'Utility', 'objective wellbeing', and 'subjective wellbeing' are the terms we use to help navigate through the many seemingly chaotic approaches and definitions of wellbeing. In practice, government Wellbeing Economy strategy might take a hybrid form, drawing from several wellbeing approaches at once. We encourage the reader to be mindful of this throughout the report here. In the subsequent paragraphs, we introduce each of the different wellbeing approaches and clarify how their metrics relate to monitoring, prioritising, and policymaking.

Although all of the three approaches share the common assumption that the aim of public decision-making is to optimise societal well-being,³⁰ they differ in the ways they define, and measure said wellbeing. These distinctions can have large economic, social, and political consequences. In the words of Nobel laureate Joseph Stiglitz: *"What we measure affects what we do."*³¹

30. Read, D. (2007).

31. Hirschauer, N., et al. (2015).

Table 1.1 Three theoretical approaches to wellbeing

	Current economy	Wellbeing economy	
HOW IS WELLBEING DEFINED?			
	Utility	Objective wellbeing	Subjective wellbeing
HOW IS IT MEASURED?			
	Revealed preference Stated preference	Physical observations and surveys	Surveys
HOW IS IT USED?			
WHAT IS MONITORED?	Economic indicators and consumer preferences	Social and environmental indicators (e.g., life expectancy, CO2-emission, gender pay gaps, etc.)	Subjective wellbeing indicators (e.g., life satisfaction, positive affect, negative affect)
WHAT IS PRIORITISED?	Economic growth	Objective goals for humanity (e.g., the Sustainable Development Goals)	Subjective wellbeing burdens (based on measures like Wellbeing Adjusted Life Years or the subjective wellbeing valuation technique)
WHAT DRIVES POLICYMAKING?	Cost-benefit-analyses using income values	Cannot be applied in cost-benefit-analyses (Must elicit values based on utility or subjective wellbeing approach)	Cost-benefit-analyses using wellbeing values (e.g., CBAX)

Utility: In theory

Since the 1930s, economists have tended to think about wellbeing in terms of utility, which is maximised by the fulfilment of individuals' preferences and desires. Rooted in the idea that people always make decisions to maximise their own wellbeing, economic theory assumes that their utility levels can be derived from consumption behaviour.³² For instance, it is assumed that individuals are able to rank bundles of goods in terms of their desirability and that larger quantities of goods and services are always preferred.³³

In practice, as most goods and services can be purchased, the utility of a person is measured by *revealed preference* methods involving some sort of detective work, whereby clues about the preferences of individuals are pieced together based on their economic behaviour.³⁴ However, there are several societal goods that cannot be or are not traded on a market, such as clean air or parenting. These non-market goods are instead elicited/measured by *stated preference* methods which measure utility through carefully worded survey questions. The intention here is to assess an individual's willingness-to-pay-for or willingness-to-accept a good or an experience. Money plays an important role in both the revealed and stated preference methods. As money is scarce, it is assumed rational individuals will spend it only on the things they truly desire. As a result, income becomes a proxy for utility (or wellbeing) on an individual and population level:

32. Read, D. (2007).

33. Peterson, L. G. (2003).

34. Peterson, L. G. (2003).

high income is equated with higher wellbeing on an individual level and economic growth is equated with the success of a society.

However, while utility has often been considered a measure of wellbeing in the past, throughout this report we consider it to be *distinct* from the Wellbeing Economy approach. As we will discuss, the inability of utility to reflect that which matters in life has inspired the search for new and better definitions of wellbeing.

Utility: In practice

- **Monitoring people's reality using utility:** Based on this approach, societal progress is equated with economic health. In orthodox economics, many macroeconomic metrics for a stable economy are tracked on a national level, such as economic transactions, trade, unemployment rates, inflation, or GDP per capita. In addition, non-market goods will often be monitored and valued using consumer preferences.
- **Wellbeing priorities using utility:** The utility approach prioritises economic growth, as this is equated with higher income for individuals and, thus, higher wellbeing. This, however, does not always correspond with subjective wellbeing levels. Figure 1.3 contrasts the evolution of GDP with life satisfaction in Denmark from 2005 to 2020. Despite economic downturns during the financial crisis in 2008 and the COVID-19 crisis in 2020, the Danish economy has grown by as much as ten percent from the base year of 2005. According to the utility approach, this increase in wealth has meant an increase in wellbeing among the Danish population. When asking the Danish population directly, however, the picture looks much different. We clearly see a relative 'decoupling' between wealth and subjective wellbeing.

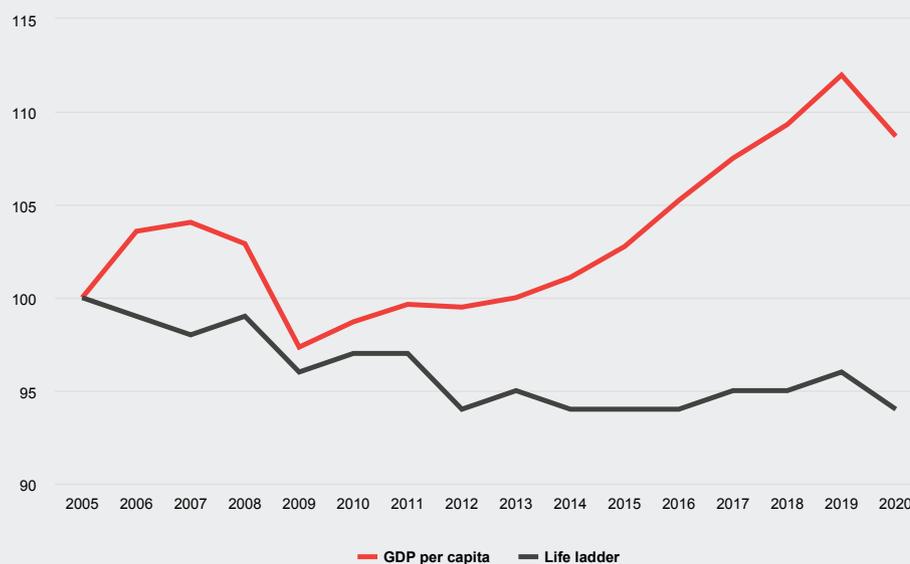


Figure 1.3 GDP per capita vs. life satisfaction in Denmark from 2005–2020 (Year 2005 = Index 100)

Source: GDP per capita: OECD, Life Satisfaction: World Happiness Report

- **Policymaking using utility:** Cost-benefit analyses (CBA) and cost-effectiveness analyses (CEA) are used by decision-makers of all kinds to select between various policy choices. Using money as a metric, a traditional CBA compares the monetary costs of a policy with its benefits and prioritises the one which produces the most wealth.

Based on the utility approach's assumption of rationality, choosing policies according to income seems perfectly reasonable. However, Nobel prize-winning contributions from psychologists and economists including Daniel Kahneman and Richard Thaler have revealed an impressive array of cognitive biases that lead people to persistently irrational decision-making.³⁵ In reality, human beings often do not behave as rational wellbeing maximisers in the way conventional economic models have tended to assume. The effect of much of this work has been to relegate choice behaviour as an insufficient indicator of human wellbeing. This in turn raises the question of the usefulness of utility-based CBAs.

Subjective Wellbeing: In theory

Subjective wellbeing is based on the belief that wellbeing is a 'measurable' good that is separable from the choices individuals make.³⁶ Instead of measuring purchasing choices, subjective wellbeing researchers are concerned with measuring first-person subjective experience by asking people directly to assess the quality of their lives.³⁷

Methods of measuring subjective wellbeing generally fall into two distinct categories: 'affect' and 'evaluation'. 'Affect' refers to the day-to-day experience of positive or negative emotions. These may include joy, anxiety, interest, boredom, pain, pleasure, and so on. Evaluation refers to a general assessment of certain aspects of life. The most widely used life evaluation measure, life satisfaction, asks respondents to answer the following question: 'All things considered, how satisfied are you with your life as a whole these days?'.³⁸ Responses are typically recorded on a scale of 0 to 10, with 0 being completely dissatisfied and 10 being completely satisfied. Over the last three decades, subjective wellbeing data has been routinely collected, analysed, and published by a variety of public and private stakeholders internationally.

35. Happiness Research Institute & Leaps by Bayer. (2020).

36. Read, D. (2007).

37. The idea of measuring happiness directly is not new but recently experienced somewhat of a renaissance. In the 18th century, English philosopher Jeremy Bentham embraced that human beings are governed by pleasure and pain and that public policy should provide "the greatest happiness of the greatest number". (Source: Bentham, J. (1789)). However, at that time, large scale measurements of happiness were deemed impossible, which led the approach to lose its prominence. In the 20th century, triggered by technological advancements and dissatisfaction with the utility approach, the revival of the approach was born. Famously, the economist Richard Easterlin claimed that, despite the dramatic rise in real incomes prior to the 1970s, countries' happiness has increased little, if at all. (Source: Gleisner, B. et al. (2011)). In the following years, additional research has begun to reveal robust and reliable insights into the nature and causes of human happiness. As a result of these efforts, an economic psychology founded on validated measurements of self-reported wellbeing has emerged. (Source: Happiness Research Institute & Leaps by Bayer (2020)).

38. Happiness Research Institute & Leaps by Bayer. (2020).

Subjective Wellbeing: In practice

- **Monitoring people's reality using subjective wellbeing:** As an integral part of the 'beyond GDP' agenda, economists and psychologists recommend that governments monitor the subjective wellbeing of citizens. We differentiate between two ways this is done in practice. The first group of countries integrate subjective wellbeing metrics such as life satisfaction, affect and domain measures like perceived health status, education, personal security, or housing quality into their national monitoring frameworks alongside a variety of objective indicators.³⁹ This is the case for both New Zealand's Living Standards Framework,⁴⁰ and the OECD's Framework for Measuring Wellbeing and Progress,⁴¹ which count life satisfaction among their indicators. While there are also monitoring frameworks like the New Economics Foundation's National Accounts of Wellbeing, which consist exclusively of subjective wellbeing indicators,⁴² this is not the global norm. The second group of countries places the responsibility to measure and monitor subjective wellbeing on third-party organisations or statistical offices. This is the case in the Netherlands, United Kingdom, Israel, Belgium, Denmark, Italy, and many others.⁴³ There are also non-governmental organisations which use subjective wellbeing to monitor progress around the world. Most noteworthy is the annual World Happiness Report, which ranks countries according to the life satisfaction of the average population.⁴⁴
- **Wellbeing priorities using subjective wellbeing:** To identify wellbeing priorities out of a wide range of indicators from a monitoring framework, subjective wellbeing can be used as a selection tool. One way to operationalise this is to use life satisfaction to assess the relative importance of each indicator in driving human wellbeing. As policymakers face budget constraints, this method can inform decision-makers on the circumstances that constitute the greatest immediate threat to human wellbeing. This is what we define as 'wellbeing burdens'. This has already been applied to the Sustainable Development Goals (SDGs), which saw well-known wellbeing economists Jan-Emmanuel De Neve and Jeffrey Sachs unpacking the relative importance of each SDG in terms of life satisfaction. Another example of this is the WALY-analyses conducted by The Happiness Research Institute for Danish organisation 'Ældre sagen', which document how loneliness constitutes the greatest wellbeing burden among those aged 50+ in Denmark.⁴⁵
- **Policymaking using subjective wellbeing:** Life satisfaction has a proven track record as a tool for guiding policymaking for public authorities at national and community level.⁴⁶ Today, wellbeing evaluation techniques are a popular alternative to 'stated' and 'revealed' preference methods for valuing non-market goods in CBAs.⁴⁷ In many countries, including New Zealand and the UK, wellbeing evaluation techniques have become the standard procedure for valuing non-market goods in policymaking. Happiness researchers have used these to value air pollution, flood hazards, terrorism, and wind turbines.⁴⁸ In New Zealand, social impact is valued using life satisfaction and included in the CBAX tool,

39. Durand, M. (2018).

40. The Treasury – New Zealand. (2019, December 12).

41. OECD. (2020).

42. Michaelson, J. et al. (2009).

43. For European Union Member States, Eurostat publishes a Quality of Life Dashboard, allowing policymakers to benchmark countries on several subjective indicators that cover important aspects of life (https://ec.europa.eu/eurostat/cache/infographs/qol/index_en.html).

44. <https://worldhappiness.report/>

45. Birkjær, M. & Kaats, M. (2021).

46. Life satisfaction is the preferred metric as it is a reliable measure of wellbeing across domains in a wide variety of contexts. It tends to remain stable over time across individuals, is associated with genetic and physiological markers, responds to changes in life circumstances, and can predict future behaviours including suicide. (source: Diener, E. et al (2012)).

47. One remarkable benefit is that individuals are not asked to value the issue at hand directly, but instead to evaluate their general life satisfaction. This presumably less cognitively demanding task does not seem to evoke answers considered desirable and therefore reduces the possibility of strategic behaviour. (Source: Frey, B. S. et al. (2009)).

48. Odermatt, R. & Stutzer, A. (2017).

providing an alternative to conventional cost-benefit analysis.⁴⁹ Wellbeing valuations have also been applied to value investment decisions in the private sector. The Happiness Research Institute, in collaboration with the impact investor Leaps by Bayer, has also developed a metric called 'Wellbeing Adjusted Life Years', which is able to steer decisions towards the greatest happiness return on investment.⁵⁰

Objective wellbeing: In theory

The objective wellbeing approach postulates that wellbeing is achieved through the provision of objective goods including relationships, meaningful knowledge, autonomy, achievement, and pleasure.⁵¹ In economics, objective wellbeing is most tangibly associated with the 'capability approach' pioneered by economist Amartya Sen and philosopher Martha Nussbaum.⁵² By this account, wellbeing is best understood in terms of 'capabilities', which are defined as people's real opportunities to participate in society and live a fulfilling life. The capability approach has influenced development policy and the creation and measurement of monitoring frameworks in particular, because it identifies a rather crucial role for government.⁵³ Explicitly, this approach calls for the expansion and provision of human capabilities such as health and education for everyone, rather than increasing economic growth for its own sake. Capabilities can be expanded by investing in different kinds of 'capitals' such as social, natural and human capital.⁵⁴

The capability approach differs from subjective wellbeing in that it is more expansive and informationally demanding.⁵⁵ Contrary to the subjective wellbeing approach, it recognises more explicitly that the wellbeing of individuals is affected by the circumstances surrounding them.⁵⁶ There is a larger focus on ensuring sustainable living practices and respecting the earth's biophysical boundaries, as this by extension ensures the wellbeing of future generations.⁵⁷ In that way, the capability approach complements the subjective and person-centric measurement of mental states with broader objective measurements of resource-use and inequalities within a society.

Objective wellbeing: In practice

- **Monitoring people's reality using objective wellbeing:** The objective wellbeing approach has inspired several countries and statistical offices to monitor a politically agreed-upon set of social and environmental indicators that measure a country's progress. Driven by the 'beyond GDP' agenda, countries and organisations have created indexes and dashboards that include either purely objective or a mix of objective and subjective measures of

49. Jensen, K., & Thompson, C. (2020).

50. Happiness Research Institute & Leaps by Bayer. (2020).

51. Rice, C. M. (2013).

52. Gleisner, B. et al. (2011).

53. Bache, I. & Reardon, L. (2016).

54. Dalziel, P. et al. (2018).

55. Bache, I., & Reardon, L. (2016).

56. Dalziel, P. & Saunders, C. (2015).

57. In Sen's view, an exclusive focus on happiness is problematic, as people have 'adaptive preferences', which means that expectations of life are linked with their experience of life. Rephrasing this slightly, a poor person may be satisfied with less. Therefore, instead of only measuring subjective wellbeing by asking the person directly, he proposes an alternative way, by paying more attention to "objective circumstances". (Source: Burns, T. (2016)).

wellbeing. Examples of this include the Social Progress Index or the Human Development Index, which contain exclusively objective wellbeing measures.⁵⁸ Countries like Wales,⁵⁹ Scotland,⁶⁰ and New Zealand⁶¹ have also developed dashboards that monitor societal wellbeing through a diverse set of indicators.

- **Wellbeing priorities using objective wellbeing:** To prioritise some objective indicators over others, a selection tool must be applied. As different indicators are measured in different units, either an empirical or a political approach is required to be able to select such priorities. If the empirical approach is chosen, objective wellbeing must lend from subjective wellbeing or utility; it requires the use of either life satisfaction or stated-preference methods to inform policymakers on which indicators should be prioritised over others in the face of a limited budget. Taking the political approach, the priorities are simply chosen either by politicians, or experts, using a wide array of background research that informs their decisions. Arguably the most well-known example is the Sustainable Development Goals (SDGs), which measure different aspects of economic, social, and environmental development within countries.⁶²
- **Policymaking using objective wellbeing:** The objective wellbeing approach, being composed of several non-comparable indicators, cannot be used in impact assessment and policy evaluation. Instead, policymakers are forced to lend either from the utility approach or the subjective wellbeing approach. In its purest form, CBA converts impacts of a policy or investment decision into a single common currency. Conventionally, economic costs and benefits are valued in monetary units. The utility approach struggles to value non-market goods, however. More recently, wellbeing valuation techniques have gained traction in the valuation of these.⁶³

Cases: How wellbeing is adopted by governments

In review, state and government initiatives working towards a Wellbeing Economy typically take shape in one of three ways: passively **monitoring** the reality of people's wellbeing, actively informing government's wellbeing **priorities** and actively steering **policymaking** towards most impact on wellbeing. A country is considered a Wellbeing Economy only if it *actively* uses wellbeing for the latter two, either by providing information for its wellbeing priorities or guiding policymaking.

Armed with this terminology, we have created Table 1.2 to present information about various governments and their wellbeing initiatives. Aiming to consolidate our theoretical understanding of what constitutes a Wellbeing Economy, we highlight and classify certain countries' wellbeing initiatives according to Figure 1.2.

58. Elliott, S. J. et al. (2017).

59. Welsh Government. (2019, September 26).

60. Scottish Government. (2021, April 26).

61. The Treasury – New Zealand. (2019, December 12).

62. United Nations. (n.d.).

63. Durand, M., & Chair, M. (2019).

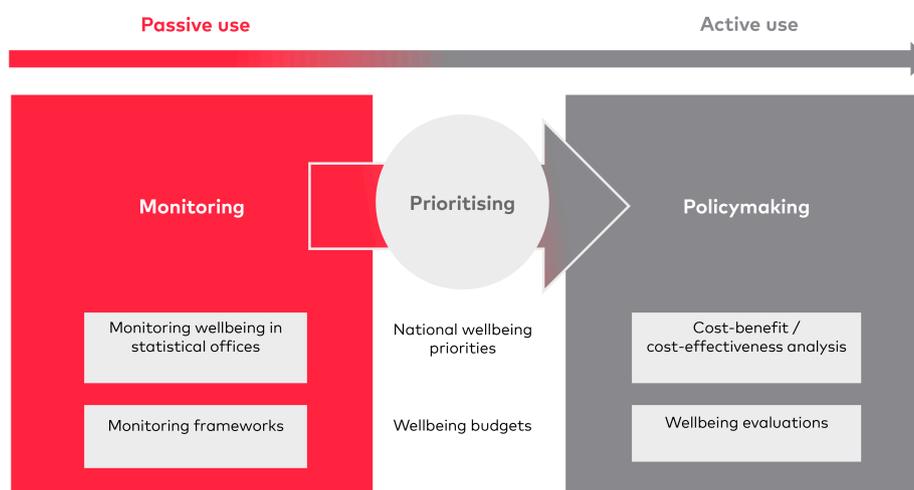


Figure 1.4 Classification of wellbeing initiatives

In this way, countries are classified as passively monitoring wellbeing either if they measure wellbeing indicators in their statistical offices or possess a monitoring framework. They are classified as actively providing information for wellbeing priorities if they have a wellbeing budget or set national wellbeing priorities etc.

We are aware there are many hybrid forms, making it difficult to put countries in neat categories. The intention of this exercise, however, is not to grade a country, but to bring clarity and structure to the theoretical and practical questions regarding the Wellbeing Economy. The overview of country classifications can be found in Table 1.2. A more detailed description of each country case-by-case can be found in Annex 1.1.

Table 1.2 Country classification

Country	Initiative(s)	Monitoring	Prioritising	Policymaking
Bhutan	Gross National Happiness Index	x	x	x
Scotland	National Performance Framework (NPF)	x	x	
The Netherlands	The Monitor of Well-being & SDGS 2020	x		
France	Law 411 - the Sas Act	x	x	
Canada	Canadian Index of Wellbeing	x		
Wales	The Wellbeing of Future Generations Act (2015)	x	x	
United Kingdom	Measures of National Wellbeing, The Green Book, and the What Works Wellbeing Centre	x	x	x
Italy	Equitable and Sustainable Wellbeing	x	x	
Australia	Measure of Australia's Progress (MAP) Treasury Wellbeing Framework	x	x	
Ecuador	Secretariat of Buen Vivir	x	x	
New Zealand	The Living Standards Framework (LSF), The Wellbeing Budget, and the CBAX tool	x	x	x
Germany	Wellbeing in Germany – what matters to us	x		

Case study: New Zealand and the CBAX model

This section draws on expert insights and knowledge from:

Kirsten Jensen, Principal Advisor, the Treasury of New Zealand (Te Tai Ōhanga)

Despite the fact that the New Zealand economy is relatively sound, experiencing robust growth, and maintaining low rates of unemployment, in May 2019 the Minister of Finance of New Zealand, Grant Robertson, and the Prime Minister of New Zealand, Jacinda Arden, introduced a new approach to the annual budget: The Wellbeing Budget.⁶⁴

The 2019 budget illustrated five priorities: aiding and investing in the transition to a sustainable and low emissions economy; supporting a productive nation in the digital age; improving Māori and Pacific incomes, skills, and opportunities; reducing child poverty; and supporting good mental health for all New Zealanders.⁶⁵ These five priorities were established as the five key areas that, with development and investment, would allow for increased wellbeing among New Zealanders. Although the 2019 Wellbeing Budget did not take a strictly environment-centred approach, there is a clear understanding, as stated in the budget, that New Zealand's natural resource base is the foundation for its long-term wellbeing.⁶⁶

But how can it be determined whether the budget will have an effective impact on the population's wellbeing?

The challenge of comparing the impact of budget proposals:

To provide information for budgetary decisions, ministries and public bodies conduct cost-benefit and cost-effectiveness analyses to evaluate the expected impact of different budgetary proposals. This exercise requires the use of a single unit or a 'common currency' of impact across all proposals, otherwise comparison between proposals would be impossible. For instance, if the effect of one proposal was valued in terms of its impact on people's health (e.g. expected effect on life expectancy) and another proposal was valued in terms of its impact on fiscal savings (e.g. cost saving from reduced hospitalisations), the impact of the two proposals would, by design, be more difficult to compare.

The common way to deal with this in economic appraisals is to use monetary market values (e.g. 'NZD\$') as the common currency. Based on the theoretical utility approach, it is generally assumed that the prices that people are willing to pay for goods or a service reflect the value of the benefits that they obtain from them. Thus, the monetary value of goods or a service can be estimated from information about whether people purchase these at particular prices and in what quantity, thus giving decision-makers the option of information about effect measures expected for their budget proposals.

However, for several impacts that are integral to wellbeing and public policy – such as air quality, quality of neighbourhood, a good social life – there is no observable market value. So how can wellbeing be considered in economic appraisals? To answer this question, the Treasury in New Zealand introduced new non-market valuations into CBAX to evaluate budget proposals. CBAX takes a wellbeing-based approach to cost-benefit analysis that encourages agencies to develop clearer information on the expected wellbeing impacts of budget initiatives.⁶⁷

64. The Living Standards Framework provides the basis for the wellbeing approach in the budget - informing budget priorities and the assessment of budget proposals. This includes multi-dimensional wellbeing domains (akin to the domains of the OECD Better Life Index). It is supplemented by He Ara Waiora, which brings a Māori perspective on wellbeing.

65. Ibid.

66. Ibid.

67. Treasury of New Zealand. (2020, December 11).

What is CBAX?

In practice, CBAX is a spreadsheet model containing values for various outcomes, ranging from the cost of improved contact with neighbours to the fiscal savings from avoiding diabetes. These outcomes can then be used by different ministries to run a cost-benefit assessment as part of their background analysis for their annual budget proposals.

As with conventional economic appraisal methods, CBAX values are always measured in monetary terms (NZD\$) so that all impacts are comparable. However, different CBAX values monetise different types of impact and are derived from different methodologies. For instance, the actual fiscal savings for the government from 'avoided costs' of diabetes amount to \$4,075 per year, while the value lost for an individual living in a cold house is \$6,991 per year.⁶⁸ The former value can easily be elicited from actual fiscal costs savings, while the latter value is derived from a so-called subjective wellbeing valuation technique.

The subjective wellbeing valuation technique

As explained, for many government interventions, no market value is available for the relevant impacts, for which reason non-market valuation methodologies are needed to derive a value. In the CBAX model, these valuations include values based on self-reported life satisfaction values from the population converted into a monetary value.

To provide an example of how this method works: in the case of the value of living in a cold house, it is possible, using regression analysis, to infer how much life satisfaction individuals living in cold houses lose on average compared to people who do not live in cold houses. The inferred value on lost wellbeing can then be converted into a monetary value using a 'wellbeing-to-New-Zealand-dollars-exchange-rate' that is based on the correlation between life satisfaction and income within the population. For example, if a 10% decrease in income leads to a 5% decline in life satisfaction and living in a cold house also leads to a 5% decline in life satisfaction, the 'cost' of living in a cold house is roughly the equivalent of a 10% loss of income. In this specific case, the cost of 'living in a cold house' is valued at -\$6,681 per person per year.

In addition to the subjective wellbeing valuation technique, CBAX also makes use of other valuation methods – such as willingness-to-pay analysis – to elicit values for non-market impacts.

Armed with CBAX and the non-market valuation techniques – such as the subjective wellbeing valuation technique – policymakers now have the opportunity to value wellbeing in their economic appraisals.

68. For every point change on a 0–3 point scale.

Examples of 2021 values from CBAX:⁶⁹

	Monetary value	Unit	Methodology
Living in a colder house	-\$6,681	Per person	Subjective wellbeing valuation technique
(for every one point change on a 0–3 point scale)	(NZD)	per year	
Feeling lonelier	-\$17,543	Per person	Subjective wellbeing valuation technique
(for every one point change on a 0–4 point scale)	(NZD)	per year	
Having money shortage	-\$19,274	Per person	Subjective wellbeing valuation technique
(for every one point change on a 0–2 point scale)	(NZD)	per year	
Having diabetes	-\$4,968	Per patient	Total healthcare costs for people with diabetes compared to healthy counterparts
	(NZD)	per year	
Losing access to open space	-\$1,000	Per dwelling	Willingness to pay for open space worth \$2,000 to \$15,000 per hectare, with approx. 13 dwellings per hectare assumed
	(NZD)	per year	

Risk and opportunities of CBAX over conventional CBA

Improved comparability and coverage

The overall benefit of CBAX compared with conventional economic CBA analysis is that CBAX standardises values across proposals, increasing comparability. Furthermore, CBAX includes values based on subjective wellbeing methodologies, e.g. social connections and mental health, which essentially makes it possible to consider and compare vital components of welfare that are otherwise not valued. This argument is also echoed in an external assessment conducted in 2018, which states that the wellbeing valuations of CBAX have greatly improved the consistency of the cost-benefit assessments that the different ministries send each year as a background analysis for their budget proposals.⁷⁰

Easier and cheaper

Considering a non-market impact in a cost-benefit analysis is often a difficult and potentially time-consuming and expensive exercise for decision-makers if using conventional methodologies (such as willingness-to-pay analysis). It is often cheaper and quicker to develop the subjective wellbeing valuation technique using large datasets first, and then bring it into practice.

Monetisation or not?

Monetising values is a process that seems to cause a bit of division. While some are pro-monetisation, others argue it would be better to express outcomes in wellbeing terms – such as Wellbeing Adjusted Life Years (WALYs).⁷¹ In Kirsten's opinion, people are more familiar with monetary values, which makes these kinds of impact values more understandable than wellbeing values. Or put differently: it's easier to communicate and engage with an impact value of \$6,681 than 0.14 WALYs.

69. These values can be found in the online spreadsheet model: Treasury of New Zealand (2020, December 11).

70. Hogan, A. et al. (2018).

71. According to Chris Krekel in: Hebsgaard, T. (2021).

However, one could argue that monetised wellbeing values are more susceptible to misunderstanding, as people could read the values as a reference to actual fiscal costs, rather than as one theoretical monetary value. Furthermore, the wellbeing-to-income exchange rate used for monetisation is subject to debate.⁷²

It is, however, important that this discussion does not get in the way of what truly matters: open engagement and a nuanced approach that enables analysis across multi-dimensional wellbeing domains. As she states: "There are opportunities to have both WALY measure and monetisation. These can work together".

A need for more distributional analysis

A major concern with CBAX, but also cost-benefit analysis in general, is the current lack of distributional analysis. As governments begin to adopt wellbeing measures in their policy-making tools, it is becoming increasingly important that these tools not only look at average effects but also find ways to cover distributional impacts. Or as Kirsten Jensen puts it: "it is not just about what the impacts *are*, but also – for *whom*".

Three recommendations for Nordic governments and organisations considering wellbeing impact tools - by Kirsten Jensen

Be clear about use in decision-making

It is vital to consider how wellbeing metrics will be used in decision-making and for what purpose, including the interface with other analysis and consideration of all impacts, whether these are monetised or not. To incentivise the use of such tools, a clear demonstration of the tool's benefits and limitations in comparison to, for example, traditional cost-benefit analysis, may be needed.

Be open and transparent

Openness and transparency are key principles. Some impact tools are 'black boxes', with no way of knowing what assumptions are being made or how the models operate.

Be cautious but experimental

Compared to other non-market valuation methodologies, the use of subjective wellbeing metrics is relatively recent. As there is room for improvement, people should proceed with caution until the practice is further developed and established. At the same time, it's critical to leave space for experimenting with new measures and comparing findings and interpretations with other methods.

72. According to Chris Krekel in: Hebsgaard, T. (2021).



Photo: Maskot/Folio/imagebank.sweden.se

Chapter 2: A Nordic Wellbeing Economy

This chapter draws on expert insights from interviews conducted during the research phase for this report. The country case studies are informed by the following sources for this chapter:

- *Jussi Ahokas, Chief Economist at the Finnish Federation for Social Affairs and Health*
- *Päivi Mattila-Wiro, Ministerial Adviser at the Finnish Ministry of Social Affairs and Health*
- *Benedikt Arnason, Director General of Department of Policy Coordination, Prime Minister's Office*
- *Andreas Vilhelmsson, Public Health Researcher at Lund University and the University of Gothenburg*
- *Paul Fuehrer, Deputy Head of Department of the School of Social Sciences, Södertörn University*

In this chapter, we delve deep into each of the Nordic countries and place these on the Wellbeing Economy continuum, both theoretically and practically.

The Nordic countries have a considerable head-start in terms of wellbeing compared to the rest of the world. Since 2012, the Nordic countries have consistently ranked in the top ten of the world's happiest countries. Historically, they have had a strong emphasis on equality and a well-established welfare state model. A publication from the Sustainable Development Solutions Network in 2015 shows that the Nordic countries, alongside Switzerland, were the only countries prepared to meet the Sustainable Development Goals in 2030.⁷³

Despite these structural advantages, the Nordic countries are not utopias. 12.3 percent of the total population of the Nordic Region are struggling or suffering, with one in six suffering from a mental health disorder.⁷⁴ In Denmark, 75,000 good years of life are lost to loneliness annually in the adult population.⁷⁵ In Sweden, the cognitive skills of young adults under the age of 15 are below the OECD average.⁷⁶ In Norway, one in four have reported living with discrimination, while 38% live with low life satisfaction.⁷⁷ In Finland, suicide rates are way above the OECD average.⁷⁸ In Iceland, only 74% of the youth population perceive their mental health to be good.⁷⁹

In sum, a Wellbeing Economy approach might appeal to the Nordic countries if they are to leverage their head-start while addressing structural challenges in mental health and societal wellbeing. After a series of interviews and research, we can now outline how Iceland, Finland, and Sweden have worked towards implementing a Wellbeing Economy. Denmark on the other hand is not yet classified as working actively with the Wellbeing Economy, while a wellbeing strategy seems to be underway in Norway. Table 2.1 summarises the status of wellbeing economy initiatives in the Nordic countries.

Table 2.1 Country classification

Country	Initiative(s)	Monitoring	Prioritising	Policymaking
Denmark	- Quality of Life Survey of 2015 – Statistics Denmark	X ^o		
Finland	- Economy of Wellbeing Steering Group and Wellbeing Committee - 2023 National Action Plan - Member of Wellbeing Economy Government's Alliance	X*	X*	
Iceland	- Quality of Life Survey 2018 - 39 Wellbeing Indicators framework - 2021–2025 Fiscal Strategy Wellbeing Priorities - Member of Wellbeing Economy Government's Alliance	X	X	(X)
Norway	- Quality of Life in Norway Report of 2020 – Statistics Norway	X	(X)	
Sweden	- New Measures of Wellbeing introduced in 2017 – Ministry of Finance and Statistics Sweden	X	X	

*Inactive – Marking an inactive phase of the respective initiative(s) for monitoring, prioritising, and/or policymaking – the initiative has not been formally applied.

^oTerminated – Marking the official termination of the initiative(s).

73. Kroll, C. (2015).

74. Birkjær, M. (2018). In happiness research, 'struggling' refers to people who rate their current lives between a '6' and '5' on the 0–10 life satisfaction scale. 'Suffering' refers to people who rate their current lives a '4' or lower on the same scale.

75. Birkjær, M & Kaats, M. (2021).

76. OECD. (2016).

77. Støren, K. et al. (2020, October).

78. OECD. (n.d.).

79. Arnardóttir, J. (2017, February 3).

Norway

In a first bid to gain knowledge of quality of life in Norway and explore potential differences and discrepancies in quality of life across different groups of the population, Statistics Norway conducted its first quality of life survey in March 2020.⁸⁰ To explore Norwegian quality of life, Statistics Norway focused on questions like 'How satisfied are you with life?', and other subjective questions on optimism about the future, commitment, coping, as well as positive and negative emotions. The survey from March 2020 also explored discrepancies with regard to how living conditions such as health, social relations, the school environment, democratic rights, leisure etc. could affect Norwegians' life satisfaction.

The 2020 report shows that Norway has initiated an extensive process of measuring wellbeing, but the government also declared in July 2021 that it will build a national wellbeing strategy in the near future.⁸¹

Denmark

Though Denmark for consecutive years held the title as the happiest country in the world,⁸² it is not known for employing and using wellbeing measures in policymaking. According to the OECD, 28 out of 37 member countries are today operating with some sort of wellbeing framework, but Denmark is not one of them.⁸³

In 2015 the Danish Statistical Office did, however, start to measure the quality of life of Danes in a nationwide project using subjective and objective wellbeing indicators, but this project wasn't continued.⁸⁴ Since then, Denmark has not engaged in any other wellbeing initiatives of significance aimed at monitoring, prioritising, or including wellbeing metrics in policymaking.

Denmark, as the only Nordic country, cannot be considered a Wellbeing Economy, according to our criteria in Chapter 1. Norway, on the other hand, has begun to track well-being on a national basis, and a wellbeing strategy appears to be in the works. Meanwhile, the other Nordic countries (Finland, Iceland, and Sweden) are very different cases in this respect.

80. Søren, K. et al. (2020, October).

81. Regjeringen (2021)

82. Helliwell, J. et al. (2021).

83. OECD. (2019a).

84. Danmarks Statistik. (n.d.).

Finland

This section draws on expert insight and knowledge from:

Jussi Ahokas, Chief Economist at the Finnish Federation for Social Affairs and Health, and Päivi Mattila-Wiro, Ministerial Adviser at the Finnish Ministry of Social Affairs and Health.

According to research, the Finnish welfare system is critical to the population's wellbeing,⁸⁵ which helps us to understand why Finland ranks top in the world on life satisfaction.⁸⁶ In the early 2010s, the Finnish Federation for Social Affairs and Health (SOSTE) was one of the first organisations to restart public debate on welfare and wellbeing in Finland. According to Jussi Ahokas, the Chief Economist of SOSTE, the political environment after the 2008 financial crisis and the austerity policies in Europe demanded a return to a more comprehensive social and health policy. SOSTE wanted to reframe political debate so that welfare would be seen as an investment opportunity for wellbeing in Finland. This was the starting point of the Wellbeing Economy narrative in Finland.

The Finnish government first started active efforts to work with the Wellbeing Economy concept during the Finnish Presidency of the European Council in 2019. At the end of its term, its policy conclusions advocated the use of wellbeing metrics in EU policymaking.⁸⁷ In the meantime, the Finnish government has been working on reforming the social welfare and healthcare system to ensure more equal and adequate welfare and healthcare services for the population. The intention is that Wellbeing Economy thinking will nourish this.⁸⁸

The Finnish concept of *Economy of Wellbeing*⁸⁹ still ascribes a large role to conventional economic growth. Building on the historical idea of Nordic welfare, it more closely resembles the thinking of the OECD and the European Union in calling for inclusive or sustainable growth. This approach differs from the view of SOSTE and Finnish civil society, which advocate an increased focus on wellbeing and sustainability of the planet, regardless of how it affects GDP.

The Finnish approach to the Wellbeing Economy

Although the Finnish Wellbeing Economy aims to promote wellbeing and sustainable economic growth simultaneously, economic growth must be economically, ecologically, and socially sustainable, and it must reduce inequalities. While acknowledging the importance of sustainability, the Finnish approach does not place ecological health and biophysical boundaries at the core of its thinking.⁹⁰ The Finnish government acknowledges that something needs to change, however, and that GDP alone is not an adequate measure of progress and wellbeing.⁹¹

The theoretical approaches of wellbeing as elaborated in Chapter 1 would, in many ways, categorise the Finnish Wellbeing Economy as a hybrid form. On the one hand, it seems to draw from the objective wellbeing approach in that it recognises the importance of monitoring and making decisions based on other indicators besides GDP, even though GDP is still recognised as a very important indicator. On the other hand, the Finnish Wellbeing Economy also draws on the subjective wellbeing approach, as subjective indicators are deemed important, with the Ministry of Social Affairs and Health set to review and possibly add new subjective wellbeing indicators in the coming years.⁹²

85. Pacek, A. et al. (2008).

86. Martela, F. et al. (2020).

87. Council of the European Union (2019, October 17); Demos Helsinki. (2021, February 9).

88. According to Päivi Mattila-Wiro (interview).

89. The wellbeing initiatives of the Finnish government are referred to as 'Economy of Wellbeing' instead of 'Wellbeing Economy'. To avoid confusion, we will refer to both as 'Wellbeing Economy'. However, one should keep in mind that the two concepts are different in certain respects, such as how they regard the role of economic growth. In the Economy of Wellbeing, economic growth plays a more important role than in the Wellbeing Economy.

90. According to Jussi Ahokas (interview).

91. Ministry of Social Affairs and Health. (2021, March 9).

92. According to Päivi Mattila-Wiro (interview).

What are the successes of the Finnish Wellbeing Economy so far?

By putting the concept on the political agenda of the European Union as part of Finland's 2019 Council Presidency, the Finnish government has made active efforts to work towards a Wellbeing Economy. The public organisation in charge of co-ordinating the Wellbeing Economy is the Ministry of Social Affairs and Health.

Until today, the wellbeing agenda in Finland has taken the form of a number of working programmes that incorporate Wellbeing Economy thinking: The Ministry of Social Affairs and Health has set up a Mental Health Programme and a Work Ability Programme, the aim of which is to boost employment as well as improve existing abilities to work and function at work.⁹³ The Prime Minister's Office has also implemented a nationwide inclusion project to improve career opportunities for people with partial ability to work⁹⁴ and is currently looking into ways of making children's wellbeing part of the government's budgetary process.⁹⁵

To further the cause of wellbeing thinking, ministries and organisations working on topics such as subjective wellbeing, sustainability, and welfare policies have begun collaborating to share ideas and form common strategies. More recently, the government has established three entities, operating on three levels, which together will pave the way towards a Finnish Wellbeing Economy.

Operating at the highest level, the Ministry of Social Affairs and Health has appointed a *Multisectoral Steering Group on the Economy of Wellbeing* that includes participants from ministries, local government, research institutes, social partners, and the business sector. These will be joined by international experts on wellbeing. The mission of the steering group is to conceptualise Wellbeing Economy thinking as a tool for decision-making and policy action at international and national level.⁹⁶

At a lower level, the steering group works closely together with the *Wellbeing Committee of the Advisory Board for Public Health*. This committee is charged with the development of concrete measures to strengthen wellbeing, health, and safety in different sectors of society.⁹⁷ Together, these two entities will develop the National Action Plan by 2023, outlining the future Wellbeing Economy and how it can inform the public policymaking process.⁹⁸

At a more specific level, the government has sponsored a research project with the aim of proposing a model that can steer ministries and public agents' political decisions towards wellbeing. The project work group will examine current progress mechanisms, metrics, and decision models used by countries engaged in the Wellbeing Economy and propose specific tools.⁹⁹

At a global level, Finland has been part of the Wellbeing Economy Governments partnership since 2020. The Ministry of Social Affairs and Health works on wellbeing policy issues together with its European partners and international organisations, maintaining a working relationship in this regard. It works closely with the 'OECD Center on Well-Being, Inclusion, Sustainability, and Equality Opportunity' (WISE), is an active participant in WeGO policy labs, and is also a member of the 'Pan-European Commission on Health and Sustainable Development' of the World Health Organization (WHO). All of these global organisations have helped Finland to substantiate its Wellbeing Economy strategies and given more 'outside' legitimacy to the approach.

Finland's future initiatives

Monitoring people's reality

The Ministry of Social Affairs and Health, in co-operation with other national stakeholders, is currently working on creating a monitoring framework for Finland which will include a set of indicators to measure national progress. Many indicators are already available in Finland, but

93. Finnish Institute for Health and Welfare. (2020).

94. Mattila-Wiro, P. & Tiainen, R. (2019).

95. Finansministeriet. (2021, February 12).

96. Ministry of Social Affairs and Health. (2021, March 9).

97. Ministry of Social Affairs and Health. (2021, April 22).

98. Ministry of Social Affairs and Health. (2021, March 9).

99. According to Jussi Ahokas and Päivi Mattila-Wiro.

these are scattered and have not been updated for the present day. The biggest challenge, however, is choosing which indicators are applicable for the Wellbeing Economy. Together with partners such as Statistics Finland and the Finnish Institute for Health and Welfare, the Ministry of Social Affairs and Health aims to select an appropriate number of objective and subjective indicators, which, according to one interview, will be limited in quantity. Here, international frameworks such as the UN Sustainable Development Goals serve as a reference for future monitoring frameworks.¹⁰⁰

The format of the monitoring framework remains an unknown at this stage. As dashboards and indexes both have their respective advantages and disadvantages, it is possible that the government will establish a dynamic dashboard as well as an index made up of certain indicators. The decision on which indicators will be made by the steering group and approved by experts, who will also review how indicators should be weighted (which is discussed further in Chapter 3). A proposal for a Finnish monitoring framework will be included in the 2023 National Action Plan.

Prioritising and policymaking

The government-funded research project aims to propose a steering model that will allow the active use of wellbeing in informing political wellbeing priorities and guiding policymaking processes.¹⁰¹ The Ministry of Social Affairs and Health believes that a steering model should be used both at national and municipal level. Another ambition of the government is to include business and financial-sector interests in the conversation and see to what extent they could make use of this type of steering model. A third discussion is to what extent wellbeing can be used in the budgetary process of the government. The ministry is just beginning to have these two discussions.¹⁰²

National and international co-operation

The Ministry of Social Affairs and Health emphasises the importance of co-ordinating the work on the Wellbeing Economy nationally and internationally. In Finland, the Ministry has included many third-party organisations, research institutions, and other government agencies in the conversation. At international level, Finland is a committed member of WeGo and intends to work closely together with like-minded governments. Finland is also aiming to involve European policymakers in wellbeing policy and to follow up on the 2019 European Council conclusions on the Wellbeing Economy with European Union Member States.

Practical challenges and needs

Government and civil society stakeholders are both satisfied with the current political process and outcomes that the Wellbeing Economy approach has achieved so far in Finland. The biggest challenge is political acceptance of the Wellbeing Economy among politicians and their parties. Especially now, with no legislation in place, the Finnish Wellbeing Economy approach is very exposed to the political climate. For this reason, the government has ambitions to integrate wellbeing in governmental and municipal budgeting processes, allowing ideas to be more resilient to political sentiment.

According to Päivi Mattila-Wiro, a Ministerial Adviser at the Ministry of Social Affairs and Health, the following steps are needed in order to continue the wellbeing approach: First, the steering group and experts need to agree on a Wellbeing Economy strategy that includes a governance model. Second, politicians need to agree on wellbeing priorities and objectives. Third, agreement on the right indicators is needed, followed by consistent monitoring tools. With these steps, the future of a Finnish Wellbeing Economy is pathed.

100. According to Päivi Mattila-Wiro (interview).

101. According to Päivi Mattila-Wiro (interview).

102. According to Päivi Mattila-Wiro (interview).

Iceland

This section draws on expert insights and knowledge from:
Benedikt Arnason, Director General of Department of Policy Coordination, Prime Minister's Office

The Icelandic Wellbeing Economy approach

The Wellbeing Economy approach seeks to take the traditional Icelandic welfare state one level up. Instead of only protecting and promoting the social and economic wellbeing of citizens, the wellbeing approach in Iceland seeks to build *“capacity to create a virtuous circle in which citizens’ well-being drives economic prosperity, stability and resilience, and vice-versa, that those good macroeconomic outcomes allow to sustain well-being investments over time”*.¹⁰³ In contrast to Finland, Iceland takes a more agnostic view of economic growth, seeing it as just one of several indicators that contribute to prosperity and quality of life in Iceland. The Prime Minister's Office points to factors such as health, housing, employment, education, and air and water quality as being equally important for people's daily lives.¹⁰⁴ In that sense, sustainability and climate neutrality also play a crucial role in the Icelandic Wellbeing Economy. Theoretically, the Icelandic Wellbeing Economy primarily subscribes to the objective wellbeing approach as described in Chapter 1.

What are the successes of the Icelandic Wellbeing Economy so far?

The Icelandic focus on the Wellbeing Economy is based on a government agreement between the Progressive Party, the Independence Party, and the Left Green Movement in 2017. In the agreement report, the coalition government establishes a policy group tasked with *“the development of indicators to measure economic prosperity and the quality of life”*.¹⁰⁵

Monitoring people's reality

In the years since, the Icelandic Wellbeing Economy has reached two significant milestones. First, in 2018, the government commissioned a report on Icelandic determinants of quality of life, which revealed the domains deemed most important by Icelanders (Figure 2.1).

Second, the policy group, made up in equal measure of experts and members of parliament, agreed on a monitoring framework consisting of 39 wellbeing indicators that can be classified in three broad categories: society, environment, and economy. The monitoring framework, which was published in 2019, enjoys widespread political support from both the coalition and opposition parties in Iceland.¹⁰⁶ The government, in co-operation with Statistics Iceland, agreed to use only objective indicators in the framework and to choose indicators that allow benchmarking with other countries. The monitoring framework is a dynamic dashboard that Statistics Iceland will review on a regular basis. An index approach to the monitoring framework is currently not an option for the government due to the challenge associated with weighting indicators by importance.

103. According to Benedikt Arnason (interview).

104. Government of Iceland Prime Minister's Office. (2019).

105. Government of Iceland Prime Minister's Office. (2017).

106. According to Benedikt Arnason (interview).

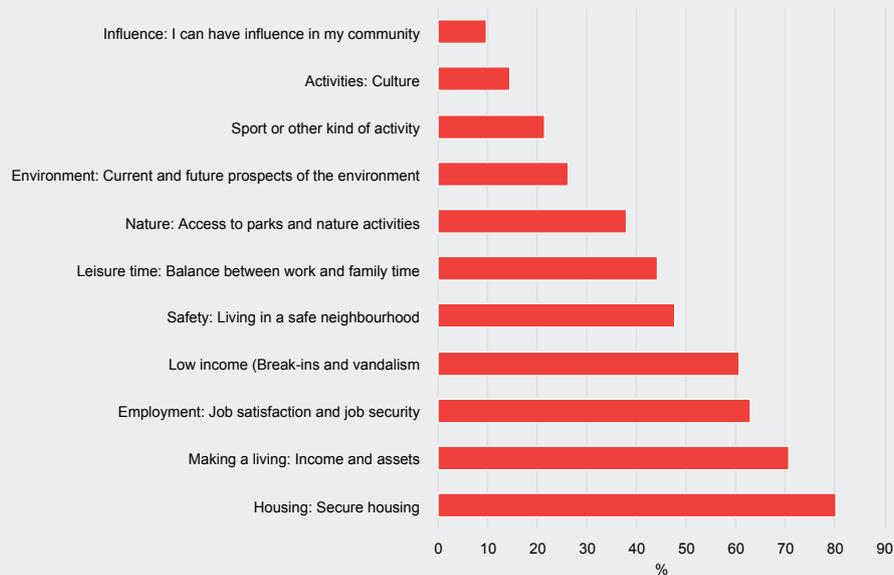


Figure 2.1 What is most important for Icelanders? Survey on Well-being in Iceland

Source: Prime Minister's Office, Iceland

Prioritisation

At the end of 2019, the Ministerial Council on Fiscal Affairs agreed on six wellbeing priorities, serving as the basis for drafting the government's five-year fiscal strategy and annual budget. The government's priorities were identified by ranking the 39 wellbeing indicators of the Icelandic monitoring framework. The results of the 2018 Quality of Life Survey were an important factor in determining the government's goals, but the ranking was also determined by the extent to which the government might be able to influence the status quo in the following five years. As an example, the government would prioritise greater trust in the political system, feeling safe after dark, or the work-life balance, over increasing life expectancy, as the latter might be more of a long-term endeavour. Another important consideration in determining the wellbeing priorities was how they would affect rural areas, gender issues, and other government goals. To summarise, the government decided on the goals while keeping all of these considerations in mind.

Consequently, the 2021–2025 Fiscal Strategy wellbeing priorities are: mental health, secure housing, better work-life balance, zero carbon emissions, innovation growth, and better communication with the public.¹⁰⁷ This has shifted national money allocation towards the achievement of these goals. Today, these priorities steer 30 of the government's 35 policy areas and serve as a basis for policymaking.

Policymaking

The Icelandic government has already proposed several initiatives aimed at accommodating the wellbeing priorities e.g. a prominent parliamentary bill aimed at increasing children's wellbeing in the country through three initiatives: 1) better monitoring of children's wellbeing, 2) delivering a rapid and effective response to children's ill-being in various areas, and 3) breaking the silos between health, social, and school services to more holistically guide children's wellbeing forwards.¹⁰⁸ Through these initiatives, the Icelandic government expects to better recognise and eventually reduce adverse childhood experiences such as drug/alcohol abuse or mental health problems in the family.

107. Not-public slide set: The Economy of Well-being, Annual meeting of the Nordic health and social ministers. Received by Benedikt Arnason (interview).

108. Not-public slide set: Integration of services in the cause of children's wellbeing. Received by Benedikt Arnason (interview).

The ways in which the competent authority – which in this case is the Ministry of Social Affairs – is predicting the impact of potential policies on wellbeing is, however, based on a conventional utility approach to wellbeing. Rather than quantifying and valuing proposed policies based on their empirical contribution to children’s reported wellbeing, it instead values the expected financial gains from reductions in *childhood deviations*¹⁰⁹ and weights them according to the costs of implementation. Preventing unhealthy risk factors such as alcohol abuse at an early age could, for example, lead to decreasing healthcare burdens in the future.

International co-operation

The Icelandic government works closely together with the Wellbeing Economy Governments (WeGo) to co-ordinate and share research on future wellbeing initiatives. Iceland participates in the five to six yearly meetings of the WeGo partnership and attaches great importance to the input, research, and perspectives of the other member countries.¹¹⁰ Iceland also co-operates on wellbeing issues with the OECD, but to a lesser degree than with the like-minded countries in WeGo.

Iceland’s future wellbeing initiatives

In the next few years, the government will place a greater emphasis on the evaluation of current wellbeing initiatives such as the bill aiming to increase children’s wellbeing. The objective is to quantify the impact of the initiatives on wellbeing before and after implementation. However, stakeholders are aware that this procedure will not be completed until several years after the adoption of the legislation. This aside, the government is very committed to proposing future wellbeing initiatives aimed at the national wellbeing priorities.¹¹¹

Iceland’s practical challenges

Related to the former paragraph, Iceland faces the challenge of quantifying the extent to which the proposed initiatives deliver on their actual wellbeing objectives. The government would like to make further use of wellbeing metrics at a governmental level but is aware that widespread political support for wellbeing will require tangible improvements in policy.

There are also concerns about the overall impact of the wellbeing targets on other much larger budget components. Given the limited amount of money allocated directly to wellbeing goals in relation to other budget domains such as healthcare and education, the question is to what degree wellbeing priorities may have an effect on potential national budget allocations.

109. ‘Childhood deviations’ refers to factors which prevent the individual achieving physical, mental, intellectual, moral, and social development and health.

110. According to Benedikt Arnason (interview).

111. According to Benedikt Arnason (interview).

Sweden

This section draws on expert insights and knowledge from:
Andreas Vilhelmsson, Public Health Researcher at Lund University and the University of Gothenburg
Paul Fuehrer, Deputy Head of Department at the School of Social Sciences, Södertörn University.

What motivated Sweden to move towards a Wellbeing Economy?

Sweden has for a long time had a tradition of measuring wellbeing nationally. In 1999, the government launched 16 environmental quality objectives to monitor progress on improving the quality of the environment in the country. In 2011, the government appointed the Future Commission to help with strategy for the future of Sweden. In 2012, the Commission produced a report analysing alternative measures of welfare and quality of life, which highlighted the great potential for alternative subjective measures of quality of life to complement those the welfare system had previously considered.¹¹² During this time, the Future Commission referred extensively to the 'Stiglitz Report'¹¹³ and acknowledged that Sweden was falling behind in regard to reforming the economic system.

Several initiatives from 2012 onwards explored a sea of prospective strategic alternatives for national development in Sweden. All these initiatives considered how new measures of wellbeing could potentially complement the traditional welfare measures. One initiative from the spring of 2015 saw a report being presented to the government highlighting the significance of prosperity, happiness, meaningfulness, and freedom of action as core measures of quality of life and argued that they traditionally have been at the core of Nordic welfare measures. Freedom of action was noted as being the best measure of quality of life, according to the 2015 report, and recommended a set of ten indicators to measure this. These included health, political resources and civil rights, time available, employment, and more.¹¹⁴

Not long thereafter, Statistics Sweden was commissioned by the government, working closely with the Ministry of Finance, to propose indicators of quality of life and long-term sustainability of the economy. This initiative resulted in the New Measures of Wellbeing of 2017 being established.

What is the Swedish approach towards a Wellbeing Economy?

In 2017, Magdalena Andersson, the Minister of Finance, officially launched the 'New Measures of Wellbeing' for Sweden. This framework was designed to monitor and plan the macroeconomic developments of Sweden by placing emphasis on wellbeing like never before. Traditional indicators such as GDP and debt-to-GDP ratio remained in use, at least for the time being, but alongside new measures of wellbeing that went beyond economic traditions.

The task of introducing the new indicators to the Swedish government was assigned to Statistics Sweden. The new measures of wellbeing were established as one Swedish monitoring framework, with the new framework adding more dimensions to macroeconomic policymaking by considering more novel indicators including interpersonal trust, satisfaction with life, low economic standards, self-rated public health, protected nature, greenhouse gas emissions, chemical exposure, and more. These novel indicators were a result of several months of co-ordination between Statistics Sweden and the Swedish government. The latter then introduced

112. According to Andreas Vilhemsson (interview).

113. A highly influential report written by Nobel Prize-winning economists Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi in 2009, which addressed the deficiencies of GDP as an indicator of progress and identified the important role of multidimensional wellbeing metrics, including environmental indicators as new measures of progress.

114. According to Andreas Vilhemsson (interview).

a total of 15 indicators, of which 13 were proposed by the government and another two indicators were introduced based on academic studies from the University of Gothenburg and its SOM Institute.¹¹⁵

The indicators introduced in 2017 fall into two categories of indicator: social and environmental. They are now part of a trio of indicator categories, supplementing the economic indicators already well-established and well-used in Sweden.

Social indicators include education, health, low economic standards, self-perceived public health, level of education, interpersonal trust, happiness with life, and even subjective wellbeing. Environmental indicators include quality of air and water, chemical load, emissions of greenhouse gases, and the Rödlisteindex, which serves to assess Swedish nature and the status of the threat of extinction to species. Major significance is also attached to considering gender equality and equality across social groups and regions. The pre-existing economic indicators include progress on GDP, rates of employment, household indebtedness, consolidated general government gross debt, and more. Taken together, all three indicator types – economic, social, and environmental – are strongly interconnected and are directly aligned with the 2030 global sustainability agenda.

When it was first presented in the spring economic bill for 2017, the plan for the Swedish monitoring framework was for the indicators to be used for the purpose of tracking development, as a basis for economic policymaking, and to examine the impact of government reforms.¹¹⁶ The indicators had to be produced based on existing data collection. The opportunities provided by this framework allow for a much broader and holistic basis for policymaking by governmental institutions, as well as an opportunity to track trends over time, and potentially analyse indicators according to social group, region, gender, etc.

Is there a focus on monitoring, prioritising, or policymaking in Sweden's Wellbeing Economy?

If understanding the Wellbeing Economy as serving to monitor, prioritise, and make policy for wellbeing, one realises that the case of Sweden is peculiar, because Sweden's 2017 monitoring framework is established for the purpose of monitoring wellbeing over time to understand trends, but also to inform and shape economic policy.

Each year, the Swedish Ministry of Finance uses the framework established in 2017 to present findings in its budget. The section dedicated to the government's measures of wellbeing follows the three indicator types within the given year of the budget.

The first sub-section on the economic indicators presents the annual findings in relation to the progress of the indicators and the data available from monitoring. In 2020, the budget reflected heavily on the need to look beyond just the economic indicators in the face of the consequences of the COVID-19 pandemic.¹¹⁷ The second and third sections each present the progress and data available from monitoring their respective social and environmental indicators.

The annual presentation of the progress of the indicators is in line with 'monitoring' and 'prioritising' as we know it in a Wellbeing Economy context. With the inclusion of these findings in the annual budget, other departments, offices, and civil servants of Sweden have access to the findings and can use them in policymaking. Thus, in theory there is great potential for the findings to influence national decision-making.

2017's new indicators were, however, initially meant to establish an index to facilitate the process of monitoring wellbeing and make it more meaningful for policymaking purposes.¹¹⁸ The goal of the index was to limit the influence of subjectivity and to produce a comprehensive view of the overall monitoring of the indicators over time. This is yet to happen, however. In recent years, the index initiative has seemingly disappeared from the initial agenda.

As such, it is quite difficult to pinpoint when, where, and to what extent the indicators have actively informed Swedish policymaking or if there still is a future where this could be possible.

115. According to Andreas Vilhemsson (interview).

116. Finansdepartementet. (2017, June 20).

117. Löfven, S. & Andersson, M. (2021, April 5).

118. According to Andreas Vilhemsson (interview).

A multi-agenda approach to Swedish wellbeing and welfare

The line between wellbeing and welfare economics can be thin and at times blurred in the Nordic countries, and Sweden's case is evidence of this. As a Nordic country, Sweden has excelled at raising wellbeing standards and putting citizens' quality of life at the centre of a great deal of policymaking. Rather than centralising environmental, economic, and societal wellbeing under one wellbeing framework, Sweden has taken a multi-agenda approach. The Wellbeing Economy initiative implemented as part of 2017's new measures of wellbeing set out to influence macroeconomic policymaking only, for example.

When it comes to societal wellbeing related to societal concerns such as gender equality, race discrimination, migrants, and refugees, Sweden sets individual agendas rather than overarching agendas for general wellbeing. Take the case of gender and gender equality, for example.

The current Swedish government has formally declared itself a feminist government nationally and committed to a feminist foreign policy as well.¹¹⁹ Gender equality and gender discrimination are the biggest perceived threats to wellbeing in Sweden. In order to foster higher levels of wellbeing in the Swedish population, the government established the Swedish Gender Equality Agenda in 2018 to further the gender equality agenda for societal wellbeing. Adopting a multi-agenda approach to Swedish wellbeing is intrinsically linked to the welfare state and welfare politics in Sweden.¹²⁰ Whilst this creates a plethora of agendas all working towards greater national wellbeing, it is arguably an effective approach.

Evidently, decades of policymaking to further gender equality is paying off in Sweden – according to the EU Gender Equality Index, Sweden ranked number one on gender equality in 2020, scoring 83.8% in comparison to the EU average of 67.9%.¹²¹ Similar to a Wellbeing Economy approach to monitoring, the Swedish pursuit for gender equality also involves the use of several indicators. There is considerable emphasis on outcome indicators, such as the percentage of students who receive sexuality education in school (the Ministry of Education), the availability of contraceptive methods in rural/urban clinics (National Statistics of Sweden), and the percentage of electable women in political parties (national election boards).¹²² Again, these indicators are not centralised, and they differ from governmental body to governmental body and from ministry to ministry.

Therefore, the Swedish approach is more difficult to classify in a Wellbeing Economy framework, as many initiatives and indicators do not explicitly contain the term 'wellbeing'. The Swedish case study manages to decentralise wellbeing in a multi-agenda approach with deep roots in and dependency on the welfare state. For a reference point here, the Swedish government could look to Iceland or Finland, which have successfully communicated their wellbeing strategies, breaking the silos between various departments and initiatives. Despite the potential for Sweden to detach progress from GDP via the development of the Wellbeing Economy initiatives, this is yet to happen.

119. Government Offices of Sweden. (n.d.).

120. According to Paul Fuehrer (interview).

121. European Institute for Gender Equality. (2020, October 29).

122. SIDA. (2010).



Photo: Mads Schmidt Rasmussen/norden.org

Chapter 3: Choices and challenges when developing a Wellbeing Economy

In contrast to conventional economic thinking, a Wellbeing Economy does not rely on one distinct theoretical approach to define and measure wellbeing, nor does it require a specific set of policies to be implemented. In many ways, it is a hybrid. A Wellbeing Economy strategy starts with the realisation that the current economic system and its measures and policies cannot adequately deal with the most pressing societal and environmental problems we face. This shift away from current economic thinking is a process that involves many stakeholders, experiments, and challenges along the way.

Drawing on the insights from the whole report, in this part we will highlight the most important choices and challenges a government faces when developing a Wellbeing Economy. These are categorised below according to the three purposes of wellbeing metrics: monitoring, prioritisation, and policymaking.

Monitoring:

When a government measures, or commissions a national statistical office (or third party) to collect and measure wellbeing indicators, three core questions must be addressed: What kind of wellbeing metrics should be collected? How comparable should these measures be with international data? And should the monitoring framework be set up as a dashboard or index?

Which wellbeing measures to monitor?

The first challenge policymakers face when designing a wellbeing monitoring framework relates to the theoretical approach. Should indicators be selected using the objective wellbeing or subjective wellbeing approach? While the OECD, which has given inspiration to New Zealand's monitoring framework,¹²³ recommends a multi-dimensional approach that combines objective data with subjective quality of life factors,¹²⁴ countries such as Germany or Iceland have insisted on mostly using objective indicators to measure wellbeing.¹²⁵

International comparability

A prime example of the harmonisation of global practices is the System of National Accounts (SNA), which is the accounting framework that governs GDP.¹²⁶ The SNA is a co-production of national statistics institutes and international organisations that standardise data measurement, analysis, and terminology used by economists around the globe. Such standards do not yet exist for wellbeing monitoring frameworks, causing international comparability problems. Harmonisation is lacking both in regard to the indicators themselves and to the metrics which they are measured by. This challenge is best exemplified by the Sustainable Development Goals (SDGs), which encompass 169 sub-goals for UN countries to achieve by 2030.¹²⁷ To achieve these goals, the UN has proposed that countries monitor 244 indicators. For various reasons, however, countries select only a subset of these indicators, or even choose totally different indicators, which makes it difficult to benchmark their SDG achievements. The same goes for national monitoring frameworks, whose indicators are chosen according to the availability of data, the selection process, and the international commitments made by a country.

Dashboard or index?

Another debate is around whether to use a dashboard or index approach to design the monitoring framework. An index approach, as for example used in Canada, factors in all eight dimensions and 64 indicators of wellbeing in one number. This is a benefit from a communication perspective, allowing the Canadian Index of Wellbeing to be compared with GDP directly.¹²⁸ While this index weights all indicators the same, the Gross National Happiness Index of Bhutan assigns different weights depending on their impact on subjective wellbeing.¹²⁹ Governments, e.g. Iceland's, stress that an index undermines the complex character of wellbeing and that a monitoring framework should not be captured in one single number, partly because it remains uncertain how the indicators should be weighted.¹³⁰

Prioritisation:

While a monitoring framework is often set up to cover a great number of wellbeing measures, in reality, political wellbeing priorities, wellbeing budgets, and wellbeing-guided policymaking often require a more concrete focus on certain dimensions. However, there is no clearly defined way for how governments should tackle such a prioritisation process. Broadly speaking, we can identify four distinct approaches: a democratic approach, a political approach, an empirical approach, and a financial approach.

123. Gleisner, B., et al. (2011).

124. Durand, M. (2018).

125. German Bundestag. (2013).

126. Wellbeing Economy Alliance. (2020).

127. OECD. (2019).

128. Canadian Index of Wellbeing. (2016).

129. Centre for Bhutan Studies & GNH Research. (2016).

130. A detailed presentation of this issue is provided in the part on the Icelandic Wellbeing Economy in Chapter 2.

The democratic approach:

A very conventional approach to determining government priorities is the utility approach, which asks the general population which matters they consider to be of greatest importance (the stated-preference method). This approach surely has democratic appeal (because priorities will be rooted in the public's preferences), but at the same time has proven to be an inaccurate measure of what truly matters to people's experiences of reality (because cognitive biases lead people to persistently irrational decision-making). This issue of using biased public beliefs to inform decision-making is already a concern for healthcare resource allocation for countries that have adopted the QALY model (Quality-Adjusted Life Years).¹³¹

The political approach:

A political approach is simply an approach whereby politicians decide on which wellbeing dimensions to prioritise based on political considerations and expert input. In reality, however, informing wellbeing priorities purely based on political prioritisation is unlikely. The Icelandic case gives us reason to believe that prioritisation can be a product of *both* political and democratic input. Icelandic policymakers arrived at their wellbeing priorities by ranking their 39-indicator monitoring framework based on a survey of the population, stated preference methods, and political consideration of the extent to which the government can influence the status quo in the following five years.

The empirical approach:

The empirical approach to prioritising wellbeing indicators can take different forms. One approach to determining national wellbeing priorities or the size of a national wellbeing budget is to consult life satisfaction data drawn from nationally representative surveys. Here, so-called wellbeing burdens (life circumstances associated with the greatest loss of wellbeing) can be revealed by analysing which domains significantly explain differences in subjective wellbeing among the population. This kind of approach has the advantage of informing policymakers precisely about those areas that currently reflect the general wellbeing situation of the country's population. This would inform the government about the most pressing issues. As priorities are determined on the basis of historical wellbeing accounts of the population, one drawback of this approach is that future wellbeing burdens cannot be elicited. Also, as life satisfaction struggles to capture the importance of environmental circumstances, events such as a looming environmental crisis could potentially be underestimated.

The financial approach

As touched upon throughout this report, different Wellbeing Economy initiatives tend to vary in their emphasis on conventional economic metrics relative to wellbeing metrics. However, regardless of the government's position on this continuum, one must also decide whether the prioritised wellbeing domains should be adopted based on their inherent wellbeing value or on their potential financial impact on the general economy. The latter suggests a financial approach to prioritisation, where wellbeing priorities would not be chosen based on their empirical benefit to people, but according to their ability to generate income or GDP and to save costs. Hence, the financial approach is strongly linked with the utility approach to wellbeing, which is the approach a Wellbeing Economy attempts to depart from.

131. Dolan, P. (2011).

Policy-making:

While some governments adopt a Wellbeing Economy approach only to the extent to which certain wellbeing domains are financially prioritised based on a monitoring framework, other governments go even further and integrate wellbeing measures into cost-benefit and cost-effectiveness analyses at ministries and public authorities. By adopting wellbeing measures in these policy-making processes, policymakers must be mindful of at least three core challenges: the consequences of using different elicitation methods (methodology shopping), how the subjective wellbeing approach cannot measure everything important, and how policies based on wellbeing measures may raise unique ethical issues.

The consequences of 'methodology shopping'

To be able to perform cost-benefit or cost-effectiveness analysis, a single unit of benefit is required. The New Zealand case in Chapter 1 highlighted that when subjective wellbeing measures are used for policy-making, it often boils down to a choice between using *monetised* wellbeing values or subjective wellbeing coefficients (e.g. in WALYs).

Using monetised values has an immediate appeal compared to the latter, as this approach makes subjective wellbeing impacts comparable to other impact values elicited from actual fiscal costs and/or willingness-to-pay analysis. This enables the calculation of cost-benefit analysis on currently uncharted impact territories. However, it is very important to emphasise that using a variety of different elicitation methods simultaneously ultimately means that benefit comparisons are rooted in distinct, potentially opposing definitions of wellbeing. Wellbeing values inferred from willingness-to-pay analysis and other stated preference methods are rooted in the utility approach to wellbeing. For some welfare areas such as healthcare, this approach has demonstrated to prioritise different types of impacts and investments compared to the subjective wellbeing approach.¹³² In practice, this means that the choice of method for eliciting wellbeing values indirectly influences the output of a cost-benefit analysis. Or put differently: it does not only matter which values we use. It also matters how we got to them.

Having said that, a scenario in which only subjective wellbeing coefficients were used to value impact may not be optimal, as this method – like any other – has difficulty valuing certain impact domains. For instance, weighing CO₂ levels in terms of reported life satisfaction proves very difficult, as CO₂ emissions don't have direct and immediate impacts on wellbeing. The impacts are more indirect and 'delayed'. As a result, decision-makers can be compelled to solicit values from other sources for critical impact domains such as CO₂ reduction, as these domains cannot be overlooked or left out of a cost-benefit study.

Ethical issues of wellbeing policies

If one pictures a fully functional and flourishing Wellbeing Economy, one may imagine some kind of utopia. However, using wellbeing measures to shape society does not come without ethical issues.

Looking at the current economic system, the utility approach has taught economic policymakers to reduce market failures through policies aimed at increasing income and economic growth.¹³³ Higher income would allow people to consume more of the services and products they desire, increasing their personal wellbeing. Following this line of reasoning, public policy would for the most part support individuals in following their intentions, regardless of whether the envisioned activity is good or bad for their wellbeing. Research in subjective wellbeing, however, gives us reason to believe that there are some areas where societal beliefs of what is good for one's wellbeing differ significantly from how wellbeing works in reality: upgrading one's car to a more luxurious one does not seem to have a long-term positive impact on life

132. Dolan, P. (2011).

133. Wellbeing Economy Alliance. (2021).

satisfaction.¹³⁴ Similarly, researchers suggest that there is no positive long-term effect on life satisfaction when relocating poor-housing dwellers to improved housing conditions.¹³⁵

A wellbeing approach to economic decision-making can surely correct some of these issues – but such correction is not free of ethical concerns. In practice, policy guidance imposed by a Wellbeing Economy could occasionally point towards policies that do not align with the expectations or desires of people. Thus, adopting a Wellbeing Economy and rooting decisions in measures of wellbeing data potentially pave the way for paternalistic intervention.¹³⁶ Such interventions raise issues of personal freedom and agency that are not easily dealt with, and any decision-maker who is looking into adopting a wellbeing approach in policymaking must be mindful of such potential implications.

However, the list of ethical issues from using wellbeing metrics to inform policymaking is not confined to the problem of paternalism. The use of wellbeing metrics raises a lot of questions that the metrics cannot answer on their own: Is the wellbeing of unborn people worth less (or more) than people living today? Is the wellbeing of a child worth more than the wellbeing of an 85-year-old? How do we value the subjective wellbeing of people, relative personal freedom, planetary boundaries, and migration when we are presented with a trade-off relationship between these issues?

As with any other economic approach, there are various political and ethical questions and considerations that wellbeing metrics cannot bring any meaningful answer to without additional perspectives and political guidance. In this way, wellbeing measures should be considered as additional tools in the decision-makers' existing toolbox.

134. Okulicz-Kozaryn, A. et al. (2015).

135. Galiani, S. et al. (2018).

136. For others to make decisions for people in their own interests (though that interest is not verbally expressed).



Photo: Patrik Svedberg/imagebank.sweden.se

Discussion: Wellbeing Economy at a regional level

In this final section, we present an independent discussion (by the authors of this report) of the Nordic Council of Ministers' Vision 2030 and its Action Plan for 2021–2024. This discussion is concerned with the question of how a regional body such as the Nordic Council of Ministers can facilitate Wellbeing Economy thinking in the Nordic Region.

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The concept of the Wellbeing Economy is directly linked to the Nordic Council of Ministers' Vision 2030 of a green, competitive, and socially sustainable Nordic Region, as well as to the UN Agenda 2030 and its welfare policy objectives.

– *Nordic Council of Ministers, 2021*

Nordic Vision 2030

The Vision 2030 of the Nordic Council of Ministers was adopted in late August 2019 by the Nordic prime ministers and relevant Nordic ministers. Expressed as a joint framework for achieving the 2030 UN Agenda and all 17 of the sustainable development goals, the vision is solid scaffolding equipped with novel Nordic development indicators and policy leads.

The vision is divided into three strategic areas that the Nordic governments and the Nordic Council of Ministers will work on for the next four years – namely to make the Nordic Region green, competitive, and socially sustainable. To implement these three strategic areas, the Nordic governments in collaboration with the Nordic Council of Ministers have set up 12 objectives to be achieved by 2024.¹³⁷ These objectives directly support the achievement of the priorities and lay out concrete actions that both the national governments and the Nordic Council are committed to working on.

In addition, the Nordic Council of Ministers has set up a monitoring framework called 'Nordic Development Indicators' to monitor and evaluate overall progress towards the vision. Progress on the objectives is monitored through 45 objective and subjective indicators (15 for each priority area), which are evaluated every second year through status reports.¹³⁸ These status reports are shared with all participating entities and serve as the main basis for a Nordic discussion on how to realise Vision 2030 and how to prioritise and initiate relevant policymaking.¹³⁹

In summary, by monitoring 45 performance indicators and informing three strategic priorities through 12 concrete objectives, the Nordic Council of Ministers does in fact meet the criteria for being a Wellbeing Economy. However, as a regional government body owned by the Nordic governments, they should perhaps more be seen as a *facilitator* of Wellbeing Economy thinking and policy initiatives at a national level – a role and position that poses certain opportunities and challenges.

A lack of a common language

A clear advantage of the conventional economy over wellbeing economies, is that its performance indicators (GDP, inflation, unemployment etc.) and policy evaluation methods (utility-based cost-benefit analyses) are relatively more harmonised and comparable throughout the world. Although this conventional approach also has its fair share of "black boxes", this harmonisation still enables greater transparency and transfer of knowledge as the stakeholders speak the same "language".

Such a common language is yet to be established for the Wellbeing Economy.

As documented in this report, significant discrepancies and irreconcilabilities currently exist among governments around the world in regard to the theoretical foundation and practical application of wellbeing economies. These discrepancies may inhibit comparisons between performance indicators, the creation of shared standardised frameworks, and general collaboration. This is a challenge that we find present at an international level as well as in the Nordics.

Particularly for regional initiatives like Vision 2030 and the Action Plan for 2021–2024, we identify two primary challenges:

137. The 2024 Action Plan.

138. The first one is planned for 2022 and a final one to be produced in 2024.

139. It is important to note that the Nordic Region's progress towards the vision is affected by the work of the Nordic Council of Ministers, the Nordic governments, and other Nordic actors, which contributes to the vision and the three strategic priorities. The baseline report is thus not an evaluation of the Nordic Council of Ministers' work on the vision, but a joint status evaluation for the entire Nordic Region.

What is (not) monitored and prioritised?

Subjective and objective wellbeing indicators are both limited in terms of which societal issues they can address. Therefore, any government body – national or regional – must be aware of what they are missing out on if they do not monitor progress and set priorities using both dimensions.

For the Nordic Council of Ministers, the 12 policy objectives to be implemented for the 2024 Action Plan are monitored using primarily objective indicators – such as carbon emissions levels, proportion of women in parliaments, and longevity – but also a smaller set of subjective indicators including self-perceived health status. In that way, the Nordic Council of Ministers primarily subscribes to an objective wellbeing approach.

This reliance on objective indicators of wellbeing puts them at risk of missing out on indicators that could be crucial for capturing the dimensions needed to realise Vision 2030. For instance, research on subjective wellbeing has shown that loneliness and mental disorders constitute some of the greatest threats to human wellbeing – yet such measures are currently absent from the monitoring framework.¹⁴⁰

Conflicting approaches to policymaking

As touched upon in Chapter 3, policy evaluation methods are often not harmonised across governments or even across ministries, and it is often not clear which wellbeing approach the evaluation tools subscribes to. Furthermore, the use of different methodologies for assessing and evaluating policies can ultimately lead to different outcomes in terms of what policy option the respective agent will pick, and also how the respective agent will evaluate the impact of already executed policies. Or put differently: our perception of success is heavily reliant on the valuation techniques applied.

This problem already poses a great challenge for governments at national level, but it will only add further complexity when applied at regional level where a multitude of stakeholders are engaged in the topic and may be guided by conflicting approaches. However, this challenge may also be an opportunity in disguise for a unique contribution by a regional stakeholder like the Nordic Council of Ministers.

Cross-border collaboration is key to establish a common language on the Wellbeing Economy

Establishing a common language on the Wellbeing Economy is a cross-border exercise, and therefore, cross-border organisations will have to play a vital part.

For Nordic co-operation, it should be recognised that, in order to make the process of realising Vision 2030 and other societal goals more approachable, it is critical to disentangle, harmonise, and ensure transparency in how wellbeing measures are adopted and used by different Nordic stakeholders.

In our view, steering conversations among relevant Nordic stakeholders towards topics of methodological integration (or at least awareness) poses a golden opportunity for Nordic co-operation, both in terms of realising Vision 2030 and in terms of supporting Nordic governments in their transition to thriving Wellbeing Economies.

140. This particularly applies to 'Life Satisfaction', which is one of the most widely used wellbeing indicators in monitoring frameworks around the world, e.g. in New Zealand's Living Standards, the OECD Better Life Index, the Office of National Statistics in the UK, and the UN World Happiness Report. An inclusion of this indicator would also allow for wellbeing burden analysis and for the use of subjective wellbeing valuation techniques.

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Building an economy that meets the needs of people and the planet as its primary objective is one of the greatest tasks of our time. It will only be possible with cross-sector and cross-border collaboration, sharing, and co-operation. It is therefore a cause for hope that the Nordic Council of Ministers is giving this the attention it deserves and working towards the actions that put visions and goals into practice.

– *Katherine Trebeck, Senior Strategic Advisor, Wellbeing Economy Alliance.*¹⁴¹

141. This comment was provided by Katherine Trebeck, who was speaking about the role of the Nordic Council of Ministers as a regional stakeholder driving Wellbeing Economy thinking.

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Annex 1.1: A world of wellbeing

In this section we present some examples of wellbeing economies outside of the Nordic Region that, to varying degrees, have adopted this new approach.

Australia

Wellbeing measurement has a long tradition in Australia with reports on Measuring Australia's Progress published regularly since 2002. These reports are published by the Australian Bureau of Statistics which is also in charge of monitoring various objective and subjective indicators on four domains: society, economy, environment and governance.¹⁴² In 2004, the Australian Treasury created a more formalised wellbeing framework measuring five dimensions that directly or indirectly have implications for wellbeing.¹⁴³ In 2016 the treasury's wellbeing framework was updated, with an emphasis on informing policy priorities on budget, productivity, and globalisation.¹⁴⁴ However, the framework cannot be considered to have an analytical nature but, rather, is intended only as a descriptive tool to inform decisions in the context of public policy advice.

Bhutan

In the 1970s, the King of Bhutan recognised that GDP alone could not deliver happiness and wellbeing to society, which was why he proposed an alternative measure of progress for his country: The Gross National Happiness (GNH). Starting in 2008, GNH evolved into a more quantifiable tool monitoring the country's progress in the domains of health, education, governance, ecological diversity, and community vitality.¹⁴⁵ The domains were chosen based on wellbeing research and are regularly measured through 33 indicators.¹⁴⁶ Thus, GNH can be seen as a monitoring framework. However, Bhutan also actively uses wellbeing metrics for prioritisation and decision-making. In Bhutan the GNH index is monitored over time to assess initiatives while a 'GNH Policy Lens' is applied to review the possible effects of proposed policies on GNH.¹⁴⁷

Canada

In the early 2000s, after in-depth public consultations with Canadians about the things they value, Canada adopted the Index of Wellbeing (CIW) which operates independently from the government and is based at the University of Waterloo.¹⁴⁸ The CIW consists of 8 domains – healthy populations, democratic engagement, living standards, education, time use, leisure and culture, environment, and community vitality – which each has eight sub-indicators. In total, the CIW consists of 64 indicators that form a single composite index.¹⁴⁹ The CIW regularly reports on quality of life in Canada through the national index reports, which serve as basis for policymaking.¹⁵⁰ However, as the government does not systematically use the reports in budgets or decision-making processes, Canada cannot be considered a Wellbeing Economy yet.

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143. Gorecki, S., & Kelly, J. (2012).

144. Stiglitz, J. E., Fitoussi, J.-P., & Durand, M. (2018).

145. GNH Centre. (n.d.).

146. Wellbeing Economy Alliance. (2021, March 15).

147. OPHI. (n.d.).

148. University of Waterloo. (2021, April 27).

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150. University of Waterloo. (2019, October 9).

Ecuador

Ecuador has integrated the concept of Buen Vivir – or well living – into its constitution in 2008 and formed the “Buen Vivir Secretariat” in 2013, a new ministry whose purpose is to build “a new way of civic coexistence in diversity and harmony with nature”.¹⁵¹ The new institution has the responsibility of informing the national strategy of Buen Vivir every four years which acts as the glue between all levels of government to ensure proper co-ordination and coherency. For Ecuador, wellbeing and the Wellbeing Economy initiatives of the secretariat cover aspects related to rights to education, health, food and social insurance, planning for national development, the elimination of poverty, equal distribution of resources and wealth, the right to the culture of peace, and the right to live in a democratic and corruption-free society.

France

France is a special case, as wellbeing metrics are not used for monitoring, but solely used actively to inform and evaluate decisions. In 2015 the French Senate passed law 411, better known as the Sas Act, which calls on the government to submit an annual report to the parliament on the progress the country has made on ten indicators that reflect the country’s economic, social, and environmental situation.¹⁵² Also, the ambition of the report is to include an impact assessment of the main reforms that are anticipated in light of the ten indicators.¹⁵³ The indicators include employment rate, research effort, debt, healthy life expectancy, life satisfaction, income inequality, poverty in living conditions, early exits and dropouts from the school system, carbon footprint, and soil artificialisation.¹⁵⁴

Italy

As of 2013, the Italian National Institute of Statistics monitors Italy’s equitable and sustainable wellbeing through various indicators and publishes a detailed report on its performance annually. The institute highlights that “well-being should be considered as a starting point for public policies and individual choices”.¹⁵⁵ In 2017, these wellbeing indicators have become part of Italy’s economic planning procedure. More specifically, the government reformed the budget law so that it is required to annually present a report to the parliament, where it reports on the anticipated and actual effects of the budget on 12 wellbeing domains. The 12 primary domains include indicators for overweight and obesity (measure of health risk), early leavers from education and training, disposable income inequality, healthy life expectancy at birth, efficiency of civil justice index, illegal building rate, the emissions of greenhouse gases (measure of environmental risk), and more.¹⁵⁶

The Netherlands

Since 1974, the Netherlands has used a composite index to describe and monitor developments of the quality of life of Dutch citizens according to eight life domains.¹⁵⁷ Rather recently, the Netherlands introduced the Monitor of Well-being in 2017 which reports annually on wellbeing and national progress on the Sustainable Development Goals from an economic, ecological, and social perspective.¹⁵⁸ The monitor is commissioned by Statistics Netherlands (CBS)¹⁵⁹ and contains both subjective and objective metrics. It also considers current and future wellbeing, as well as ‘wellbeing elsewhere’ which concerns the effects the Netherlands has on the wellbeing of other countries.¹⁶⁰ In this way, the Netherlands takes an ‘objective wellbeing’ approach. The

151. Buen Vivir. (2017).

152. OECD. (2016, April).

153. Exton, C., & Shinwell, M. (2018).

154. Gouvernement.fr. (2015, October 28).

155. Istat. (n.a).

156. UNStats. (2019).

157. Boelhouwer, J. (2010).

158. Statistics Netherlands. (2020, July 29).

159. Statistics Netherlands. (2020, July 3).

160. CBS. (2020, July 3).

Monitor of Wellbeing is expected to “form the basis of the Cabinet’s decisions on the state of wellbeing in the Netherlands”,¹⁶¹ however, it has not been substantially used by the government for policy making. In response to the adverse wellbeing impacts of the COVID-19 pandemic, Dutch officials have decided to adopt the model of Doughnut Economics, originally coined by economist Kate Raworth visualising a framework for sustainable economic development, for the city and municipality of Amsterdam.¹⁶² This means that wellbeing, as understood by Kate Raworth’s model, will be the centre and starting point for policy formulations and decision-making on a municipal level.

United Kingdom

The UK was among the first countries to consider the use of wellbeing indicators in policy making. In 2010, Prime Minister David Cameron launched the National Wellbeing Programme (NNW) with the aim of measuring progress beyond economic wellbeing.¹⁶³ The UK Office of National Statistics (ONS) was subsequently tasked with measuring and reporting on the country’s wellbeing, with the first report presented to the government in 2012. Ever since, ONS collects and reports on wellbeing on a semi-annual basis. It does so through a dashboard approach, consisting of 43 subjective and objective indicators across ten domains. These domains cover areas such as health, where we live, our relationships, and what we do.¹⁶⁴

The launch of the ONS programme was also accompanied with integrating wellbeing metrics in policy appraisal. In 2011, the treasury updated its Green Book policy guidance, to use subjective wellbeing analysis alongside revealed and stated preference methods for the valuation of non-market goods.¹⁶⁵ Alongside this, the government also introduced new ‘foundations’ for embedding a wellbeing approach through e.g. departmental surveys and narratives relating to wellbeing and wellbeing-fed policy evaluations.¹⁶⁶ While the UK intends to take a multidimensional, “objective wellbeing” approach, subjective wellbeing seems to be rather strongly embedded in the country, with some saying that subjective wellbeing has become a “hegemonic discourse within UK policy circles”.¹⁶⁷ In July 2021, the treasury published its first ‘Valuation of Wellbeing Supplementary Guidance to the Green Book’.¹⁶⁸ This Guidance builds on extensive work done over the last 20 years to ensure that wellbeing science can be used robustly and consistently in policy appraisals. A significant addition from this publication is that measure of life satisfaction now has a social value of £ 13,000 per 1 point (on a 0-10 scale).¹⁶⁹

Another key effort to integrate wellbeing into the heart of policymaking was the establishment of the What Works Centre for Wellbeing (WWCW) in 2014. WWCW aims to improve the use of wellbeing evidence in policy making across the UK. Other wellbeing policy examples that the UK has established in recent years include a Minister for Loneliness and the adoption of a wellbeing curriculum in public schools.¹⁷⁰

Scotland

Since 2007, Scotland has tracked national wellbeing through the National Performance Framework (NPF). After its revision in 2018, the current version of the monitoring framework consists of 11 strategic wellbeing priorities which are measured by 81 indicators.¹⁷¹ The NPF is not just used to monitor national wellbeing, but also for policy making in Scottish ministries and public bodies, which are, by law, required to reference NPF outcomes in the delivery of their work.¹⁷² In 2019, the Scottish Government issued a report that used the NPF to evaluate the

161. Alexander, T. et al. (2018).

162. Boffey, D. (2020, April 8).

163. Bache, I. (2020).

164. Office for National Statistics. (2019, October 22).

165. Bache, I. (2020).

166. Bache, I. (2020).

167. Bache, I. (2020).

168. HM Treasury. (2021).

169. HM Treasury. (2021a).

170. Hey, N. & Brunetti, S. (2020).

171. Scottish Government (2019).

172. Trebeck, K. & Baker, A. (2021)

country's progress towards its strategic wellbeing priorities and provided evidence to inform policy decisions on service and spending.¹⁷³ Ministers have a duty to review the outcomes at least every five years. Although the Scottish Government is considered a frontrunner in the global Wellbeing Economy movement, being the founding country of the Wellbeing Economy Governments (WEGo) initiative, wellbeing metrics do not yet directly inform the national budget.¹⁷⁴ However, many wellbeing initiatives are proposed or are already established in the country. The Scottish Federation of Housing Associations in collaboration with the government has produced a toolkit to enable social housing providers to measure and increase their impact based on wellbeing measures.¹⁷⁵ The Scottish Land Commission has proposed an ambitious national land reform where the NPF is used to value vacant and derelict land.¹⁷⁶ Lastly, several national organisations have called on the government to introduce a public budget for children's wellbeing.¹⁷⁷

Wales

Since 2015, the Future Generations Act impels 44 public bodies in Wales to improve the social, cultural, environmental, and economic wellbeing of the country by working towards seven wellbeing goals.¹⁷⁸ This legal obligation requires local and national authorities to think about the long-term impact of their decisions and mandates a report where the entities provide updates on their progress towards their achievement of the goals. Through a consultative process, 46 objective indicators were selected to monitor wellbeing.¹⁷⁹ This qualifies as an objective wellbeing approach taken by the government.

173. Scottish Government (2019).

174. Trebeck, K. & Baker, A. (2021)

175. Thomson, L. (2020, October 27)

176. Thomson, L. (2020, July 22)

177. Trebeck, K. & Baker, A. (2021)

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This report examines the concept of the Wellbeing Economy and how the Nordic countries can use the model of the Wellbeing Economy to support the vision for 2030 and thereby improve the lives of people in the Nordic Region.