



Bulletin

- Water
- Energy
- Environment
- Retailing
- Transport
- Financial services
- Healthcare
- Telecoms
- Media
- Post
- Competition policy
- Policy analysis and design
- Regulation
- Strategy
- Contract design and evaluation
- Dispute support services
- Market design and auctions

APRIL 2015

Looking on the bright side

MEASURING PROGRESS WITH WELL-BEING

*Official data suggest that people in the UK have become less anxious over the past three years, and are more satisfied with their lives than the inhabitants of most, though not all, major economies. Frontier's Chairman Gus O'Donnell, who chaired the Legatum Institute's 2014 commission of inquiry into well-being measures, looks into the evidence and asks what impact it will have on the general election.**

“It’s time we admitted that there is more to life than money, and it’s time we focused not just on GDP but on GWB - general well-being ... It’s about the beauty of our surroundings, the quality of our culture, and above all on the strengths of our relationships.”

So which of our political leaders said that? Hard to guess, perhaps, because it sounds suspiciously like the sort of thing politicians of all hues say when (in



office) they are failing to deliver economic growth, or (out of office) wanting to play down their opponents' success in doing so.

But listen on. “Improving our society’s sense of well-being”, continued David Cameron (in 2006), “is, I believe, the central political challenge of our times.” So in this pre-election bulletin we take him at his word, and ask: how, as Prime Minister, has he met that challenge? Has he put “well-being” at the top of the agenda? Has he made it the yardstick against which he asks to be measured by voters this May? And if so, why aren’t we hearing more about it from Mr Cameron in this campaign?

It’s the last question that is the most puzzling. Because actually, despite all the talk of gloom and austerity, the well-being indicators tell a modestly but consistently positive story.

ASSEMBLING THE EVIDENCE

It was, to be fair, the Prime Minister who ensured that there is a story to tell in the first place. Early in his premiership, he took the crucial first step that allows voters to mark the well-being scorecard. The Office for National Statistics (ONS) was tasked to measure, systematically, the well-being of the United Kingdom. Since 2011-12 the ONS has tracked four different measures: first, of overall life satisfaction; second, of whether you feel your life is “worthwhile”; third, of your level of happiness; and fourth, of your level of anxiety.

It’s not hard to see why, to begin with, Mr Cameron didn’t try to make too much of a song and dance about this. Not only were the data new, and lacking in points of comparison, but with GDP declining, no one would have been listening to the offer of alternative measures of success. And since economic factors clearly influence well-being, even if they aren’t the whole story, the well-being data might not have been much to sing about either.

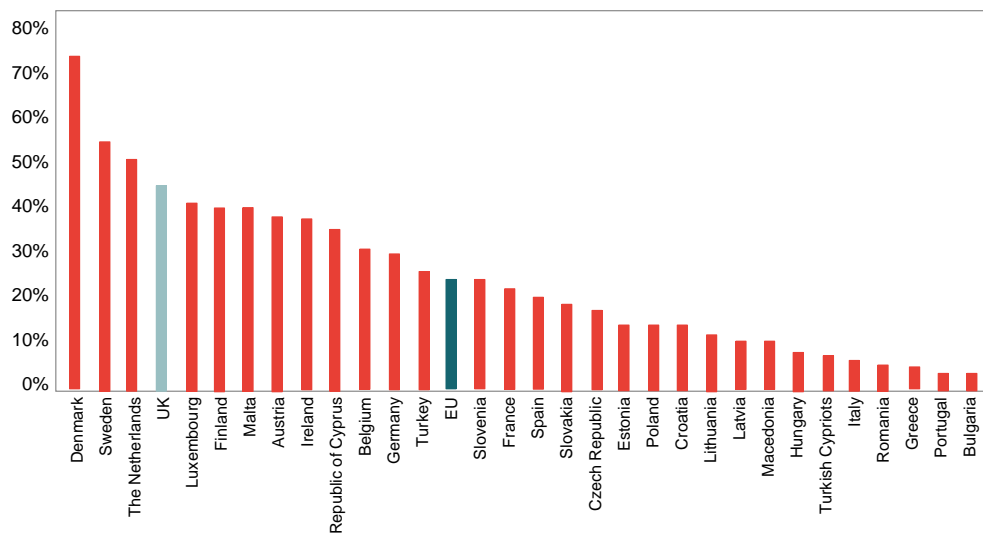
But now the recovery is well established, and we have three years of well-being data, it’s surely worth raising the question. What do they tell us? And others, indeed, are raising it. International interest in using well-being as a measure of policy success has been spreading rapidly. The majority of OECD countries are now collecting well-being data regularly, and soon we should have high-quality annual data for all EU countries, and many more OECD members.

The report of the Legatum Institute’s commission attracted interest across the political spectrum. There is now an All-Party Parliamentary Group on Well-being. The Coalition Government set up an independent body, the new What Works Centre on Wellbeing, to assess the evidence and gather new information to ascertain which policies have most impact on well-being. The centre, which will be chaired by Paul Litchfield from BT, will focus particularly on the question of how to raise well-being at work, and its impact on productivity.

An understanding of the weaknesses of GDP in explaining our degree of satisfaction with life (let alone our voting intention) is growing. The recent changes to the definition of GDP to include prostitution and drug dealing, while continuing to ignore volunteering, all too clearly demonstrate that GDP is not a great success measure for society.

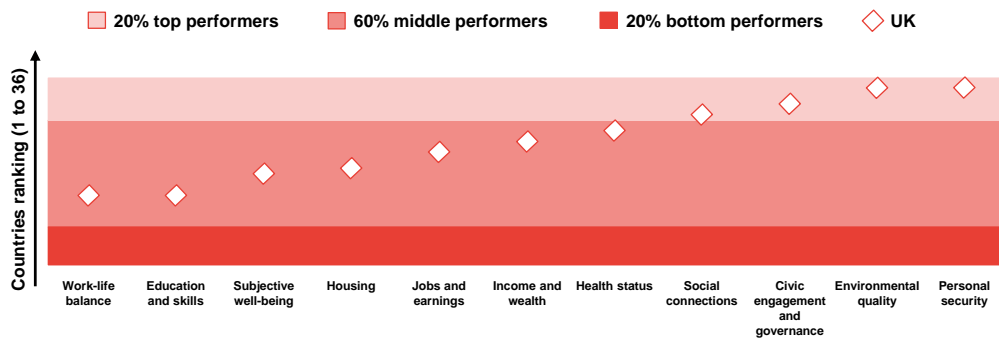
But if the mood has changed, what about the reality? How are we doing, not just in measuring but in achieving well-being? The chart below, which compares the UK with other OECD countries on the generally-preferred measure of well-being – life satisfaction - suggests we're doing pretty well – with only three other countries (interestingly, also North European) recording higher scores.

Figure 1. Percentage of people expressing high life satisfaction in selected countries, June 2014



Source: Eurobarometer 2014

However, Figure 2 gives more light and shade to the picture. While most of our scores on indicators of well-being were above average, and we do particularly well on personal security and environmental quality, we do comparatively badly on education and work-life balance.

Figure 2. The UK's comparative position on quality of life indicators, 2014

Source: Eurobarometer 2014

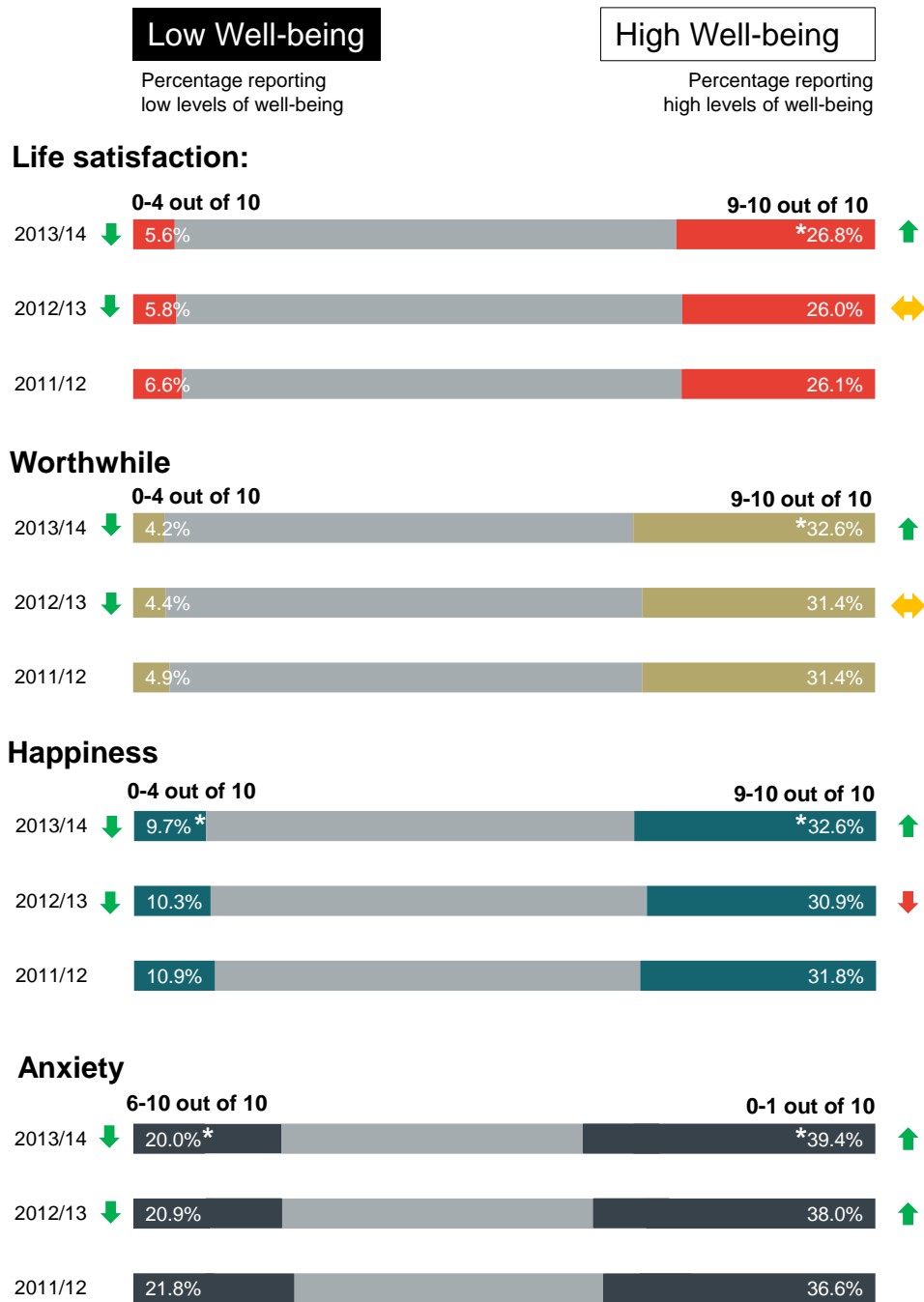
WARNING: TAKE YOUR TIME

International league tables of what are, in essence, subjective indicators have to be viewed with caution. So it may be more telling to look at the trends over time within the UK than try to make big and possibly misleading cross-cultural comparisons. Is well-being increasing in the UK, or in decline? The survey responses collected by the ONS since 2011 are remarkably consistent, and will be, to some, quite surprising.

The ONS data suggest that, over this three-year period, there have been small but significant improvements in average personal well-being ratings in each of the four parts of the UK, and that improvement shows up in all four measures of well-being. On each of the four measures, too, there has been an increase in the proportion of people reporting the highest levels of personal wellbeing.

Interestingly, the greatest gain has been on the anxiety score. The proportion of people in the UK reporting very low levels of anxiety grew between 2011-12 and 2013-14. And again across all four measures, the proportion of people in the UK rating their well-being at the lowest level fell over this period. Figure 3 below provides some of the detail.

Figure 3. ONS well-being responses: 2011-12 to 2013-14



Arrows highlight statistically significant changes from 2011/12, along with the direction of movement.

↓↑ Improvement
 ↔ No significant change
 ↓↑ Deterioration

*Indicates statistically significant changes from 2012/13 at the 0.05 level

Source: ONS

So why has well-being increased? Causal analysis of the data is still pretty primitive. But first it's probably the economy, stupid. The older, and cruder measure known as the "misery index" – the sum of our unemployment and inflation rates – is at a 40-year low. Consumer confidence is above its pre-recession levels. In addition, satisfaction with public services has remained remarkably high despite the reductions in spending. But the high scores on personal security suggest some other factors are at play – for example, the dramatic recent falls in crime reported, with the National Crime Survey for England and Wales reporting an 11% decline in incidents to the lowest level since the survey began in 1981.

THE JURY'S OUT

Well-being has already played a modest part in the election debate. To judge by the hustings convened, on March 24th, by the All-Party Parliamentary Group on Well-being, all parties are converts to the cause. For the Liberal Democrats, Paul Burstow stressed the link between mental health – a spending priority for his party – and measures of well-being. Nick Hurd for the Conservatives and Helen Goodman for Labour both spoke strongly in favour of the concept.

Rupert Reed, the Cambridge Green Party candidate, wanted to promote well-being as a target to the extent of abandoning the collection of GDP numbers altogether, but none of the major parties go that far – nor would public opinion let them. But there seems to be some broad agreement that well-being would provide a better, more coherent framework for policy-making that must embrace far more than economics, and so it would be good to see this feature more strongly in the campaign.

In May, however, the debate will matter less to the politicians than the results. For then the key question will be: does well-being drive votes? There are some vital clues to the answer in a piece of research recently published by George Ward, [*Is happiness a Predictor of Election Results?*](#) Using Eurobarometer data for many countries across a number of years he finds that, controlling for other factors, the electorate's Subjective Well-being is able to explain more of the variance in the vote share enjoyed by governing parties than any of the three main macroeconomic indicators (unemployment, GDP per capita and inflation).

Politicians have long been aware that output and inflation are not very good vote predictors (in fact, real personal disposable income has been a better economic guide). But Mr Ward's work suggests that a wider measure of well-being, including but not limited to economic factors, will give more powerful results. But as with GDP, there is an asymmetry in the linkages. Governments get the blame for declines in GDP, which therefore harm incumbents' voting shares, while the electorate is less inclined to give them the credit for increases in GDP.

This now well-established feature of economic cycles provides a political, as well as an economic, rationale for avoiding booms and busts, even at the cost of having to accept a lower average growth rate. Now Mr Ward argues that the same asymmetry in blame and credit applies to well-being, so that positive changes have a weaker effect on voting than negative ones do.

CONCLUSION

The rise in well-being should give David Cameron some grounds for satisfaction that he started collecting the data, and encourage him to be bolder in pursuing this “challenge” and raising its profile in the election campaign. It should also give him some grounds for electoral cheer. But only some. However consistent the rise in well-being since 2011, it is still only modest. And the dilutive effect identified by Mr Ward suggests that once voters have taken personal credit, there’s only a bit of happiness left for the ballot box.

Gus O’Donnell is the Chairman of Frontier Economics and was Cabinet Secretary and Head of the Civil Service from 2005-2011.

* This article was first published in Prospect Magazine (www.prospectmagazine.co.uk)

CONTACT	Gus O’Donnell gus.odonnell@frontier-economics.com
	Frontier Economics Ltd
	FRONTIER ECONOMICS EUROPE BRUSSELS COLOGNE DUBLIN LONDON MADRID
	www.frontier-economics.com