

Measuring what matters: assessing people's quality of life and well-being across Europe

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Summary

The European Union and its member states create a morass of aims and targets for their national, regional and local agencies to pursue, but behind most of them lies people's *quality of life*. Regeneration, competitiveness, employment, skills, knowledge economies and sustainable development are not ends in themselves, but are important precisely because of their impact on the well-being of the citizens.

In this paper we argue that all policy makers should explicitly make quality of life and well-being part of their organising principles, visions and strategies. An explicit focus on people's quality of life potentially offers rigorous methodologies for differentiating between 'good' and 'bad' economic growth. In addition enhancing people's well-being will support policy makers in successfully achieving their goals regarding enterprise, investment, skills, productivity and sustainable communities.

In order to operationalise the concept of quality of life in a systematic manner, policy makers will need to develop new measurement tools. There are two approaches to assessing people's quality of life:

- Objective measures of the economic, social and environmental conditions of life. Some agencies, such as Eurostat and ZUMA, are starting to create systems of social indicators. In addition to systemic approaches there is potential to create composite indicators of quality of life, such as nef's MDP (measure of domestic progress).
- Subjective measures of people's actual experience of their quality of life – their well-being. This approach uses psychometric surveys to create well-being indicators. nef are part of a team who are designing a well-being module for the 2006 European Social Survey, which will cover 25 countries across the continent.

The two approaches are complementary to each other. Objective quality of life measures are potentially better at assessing long-term policy issues such as sustainable development, whereas the subjective well-being measures are better at indicating variations between people's quality of life and in addition highlight what actually motivates people and enriches their lives.

Creating measurement tools and targets is only a first step; interventions that specifically relate to quality of life need to be designed. Investment decisions could go through the discipline of a quality of life screening to ensure that economic targets are not being met at the expense of environmental or social targets and a well-being filter to ensure that policies are being created that will truly benefit citizens.

Measuring what matters will enable European agencies to examine the impacts that all their activities have on people's quality of life and well-being. This discipline will support the integration of economic, social and environmental goals into 'joined-up' sustainable policy making procedures and ensure that all interventions achieve a truly positive impact on people's lives.

Why should European Agencies assess Quality of Life and Well-being?

Note: The author is not an expert in European Agencies but has worked closely with UK Regional Development Agencies, and makes the assumption that the challenges are similar.

It can be argued that behind the morass of targets and purposes, it is in fact *quality of life* that is at the heart of what most agencies are working towards. It is clear, after all, that regeneration, competitiveness, employment, skills, and sustainable development are not ends in themselves, but are important precisely because of their impact on the well-being of the citizens in a region. If, however, we fail to distinguish ends and means, there is a danger that we fail to actually achieve our true ends. An example of the danger of confusing means and ends is the assumption that "economic development" essentially means "economic growth". It is increasingly being

recognised (at least amongst UK Regional Development Agencies – RDAs) that growth at all costs is no longer a good strategy politically, socially or environmentally.

In our work with RDAs, in the UK, we have suggested that they should explicitly make quality of life and well-being the organising principles at the heart of their strategies and their visions. An explicit focus on people's quality of life potentially offers rigorous methodologies for differentiating between 'good' and 'bad' growth, where good growth enhances people's quality of life and bad growth undermines it. This is no more radical an idea than normal accounting procedures, where short-term turnover is important but without reference to profitability, the valuation of assets, and long-term investment it does not ensure survival let alone the development of the business.

In addition there is also evidence that enhancing people's well-being is actually a precursor to RDAs successfully achieving their goals regarding enterprise, investment, skills and sustainable communities. For example:

- Businesses with mature reporting procedures for their social and environmental impacts tend to realise significant financial benefits from the process.¹
- Community-based initiatives that explicitly seek to increase social networks and make their neighbourhood more sustainable, find that there are multiple benefits including a more entrepreneurial culture.²
- People with high levels of well-being are healthier - living up to seven years longer, are more creative, entrepreneurial and economically productive, have stronger social networks, and are more engaged in their communities. In addition the fact that they are happy has positive externalities – in other words it has positive effects for others around them.³

So not only does people's quality of life underpin most agencies' agendas but also an explicit focus on people's quality of life is likely to help them achieve their goals as set by the central government targets.

¹ Merrick J & Croockshanks C (2001) *Report on a Survey of Environmental Reporting Costs and Benefits*, Environ commissioned by DEFRA, <http://www.defra.gov.uk/environment/envrp/envron/envron.pdf> and Doane, Deborah. "From Red Tape to Road Signs" Corporate Responsibility Coalition, October 2004. www.corporate-responsibility.org

² Woolcock, M (2001), *The Place of Social Capital in Understanding Social and Economic Outcomes*, in John Helliwell (ed.) *The Role of Human Capital and Social Capital in Economic Growth and Well-Being* Paris: OECD and Human Resources Development Canada (September 2001). nef and emda (East Midlands Development Agency) are doing joint projects that are seeking to operationalise this idea – Local Alchemy and BizFizz – see www.neweconomics.org for more information.

³ Lyubomirsky, S, King, L and Diener, E (2005) The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?; *Psychological Bulletin*. Interestingly the only 'cost of happiness' they identify is a lower performance with some cognitive tasks, especially if they are deemed non-important.

Assessing people's quality of life and their well-being

There are two inter-related approaches that are used to assess people's quality of life:

1. Objective measures. These are indicators that measure quantifiable changes in the quality of the circumstances and conditions of people's lives. We tend to call these quality of life indicators.
2. Subjective measures. These are indicators that use psychometric-type questionnaires with which people themselves grade the quality of their lives on the basis of their perceptions. We refer to these as 'well-being indicators'.

The two approaches are complementary to each other, with the ideal situation being that there are good conditions of life as well as high levels of well-being. Unfortunately this does not always follow.

Objective quality of life measures are potentially better at assessing long-term macro issues such as sustainable development, whereas the subjective well-being measures are better at indicating nuanced variations in people's quality of life and in highlighting what actually motivates people and enriches their lives.

Quality of Life (QoL) Measures

The QoL approach requires an intellectual framework to organise the structure and boundaries of any specific measurement tool.

In Europe there are agencies that are seeking to bring together social and environmental indicators. Eurostat have several projects based around different themes, such as the REGIO project to provide regional datasets across the whole Europe. A more academically approach led by Professor Heinz Herbert Noll from ZUMA – Centre for Survey Research and Methodology in Mannheim, Germany - has resulted in a formation of EUSI (the European System of Social Indicators).⁴

However there are always issues as to what should, or should not be, included within the framework and how they should be combined or balanced. For example, the UK Government's new sustainable development strategy "Securing the Future" is organised under the five principles: Living within environmental limits, ensuring a strong healthy and just society, achieving a sustainable economy, promoting good governance and using sound science responsibly.⁵ They also have four 'shared priorities': sustainable consumption & production, climate change & energy, natural resource protection and sustainable communities. The resulting framework for indicators is therefore long and complex; whilst a headline set of fifteen to twenty indicators is likely to be chosen, this will still be somewhat unwieldy as it can present confusing messages to policy-makers. What if half of the indicators go upwards and the other half go downwards? How do we judge whether this is progress? Does it depend which indicators do what?

Composite indicators of QoL seek to answer these questions by weighting the different factors that they include. One example of an indicator that seeks to assess the relationship between economic development and QoL is **nef's** recently published Measure of Domestic Progress (MDP).⁶ This is an ambitious attempt to financially model quality of life and builds on earlier work

⁴ Eurostat: <http://www.europa.eu.int/comm/eurostat/>
Social Indicators: http://www.gesis.org/en/social_monitoring/social_indicators/Data/EUSI/index.htm

⁵ HM Government (2005); *Securing the future: delivering UK sustainable development strategy*; TSO (The Stationary Office). Available to order at www.tso.co.uk or download from <http://www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm>

⁶ Jackson T (2004) *Chasing Progress: beyond measuring economic growth* **nef**. Available on line at http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=176

by **nef** on the UK Index of Sustainable Economic Welfare (ISEW). The MDP is a single performance index that takes consumer expenditure as its basis. It then adjusts this basis to account for a series of different factors that affect domestic progress towards sustainable development:

- A number of **economic adjustments** associated with ensuring prudent investment and trade balances are made. In addition, a value for unpaid work, such as household labour, is included.
- Spending to offset **social costs**; in other words expenditures that defend our quality of life rather than enhance it. These include factors such as costs of car accidents, crime, and family breakdown. Changes in the distribution of income are accounted for, reflecting the diminishing marginal utility of money.
- Estimates of **environmental costs** are made. These include water and air pollution as well as estimates of the costs of climate change and ozone depletion.
- Costs of non-renewable **resource depletion** and other reductions in stocks of natural assets, such as farmlands and natural habitats.

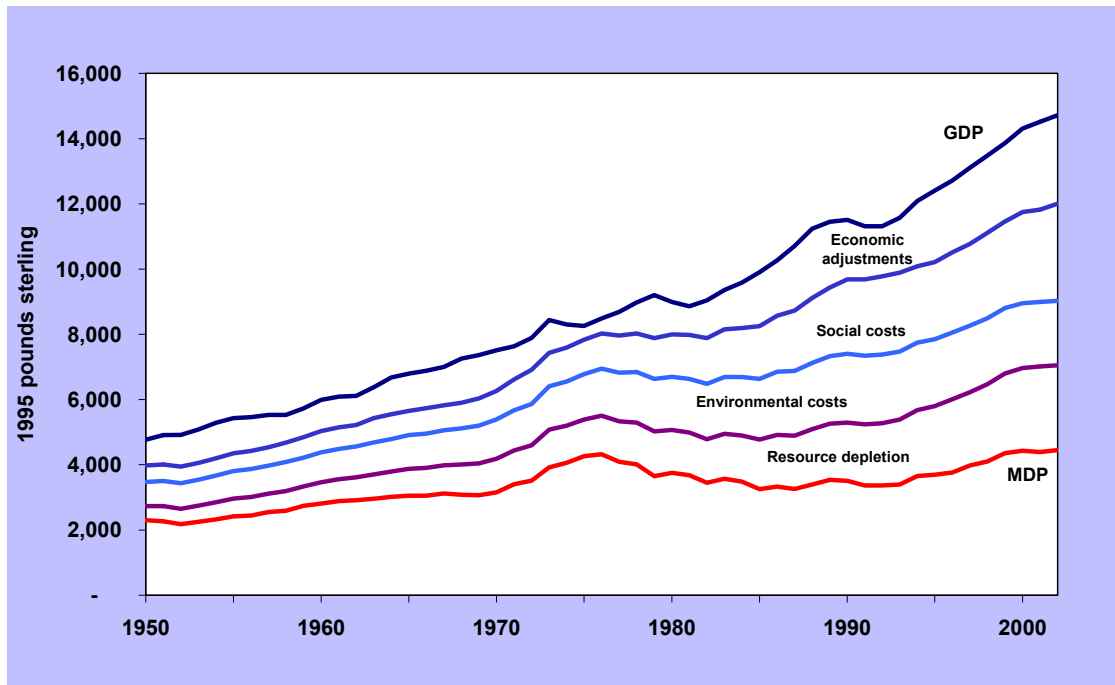


Figure 1: Trends and Components of UK GDP & MDP 1950 - 2002

In addition to the overall trend of MDP Figure 1 shows the series of adjustments subtracted in turn from GDP to arrive at the MDP index. This analysis reveals that social costs, environmental costs, and resource depletion have all played a significant part in depressing the index below the GDP measure.

Well-being measures

Whilst the growing work on objective QoL measures is to be welcomed, these measures do not assess the impact of conditions and policies on people's actual experience of their lives: this is what we call their sense of well-being.

There is now an emerging discipline of academic research into people's well-being that draws upon psychology, sociology, economics, philosophy, and other social sciences. **nef's well-being programme** was founded in 2001 with the explicit aim of understanding, using, and interpreting this body of work in a direct policy context. The evidence from well-being research presents a similar overall challenge to economic growth as the QoL measures do. Whilst GDP has almost doubled in the last 30 years, Figure 2 shows that life satisfaction has remained resolutely flat. In addition, there are also signs that rates of depression are increasing⁷ and people's trust in public organisations is plummeting.⁸

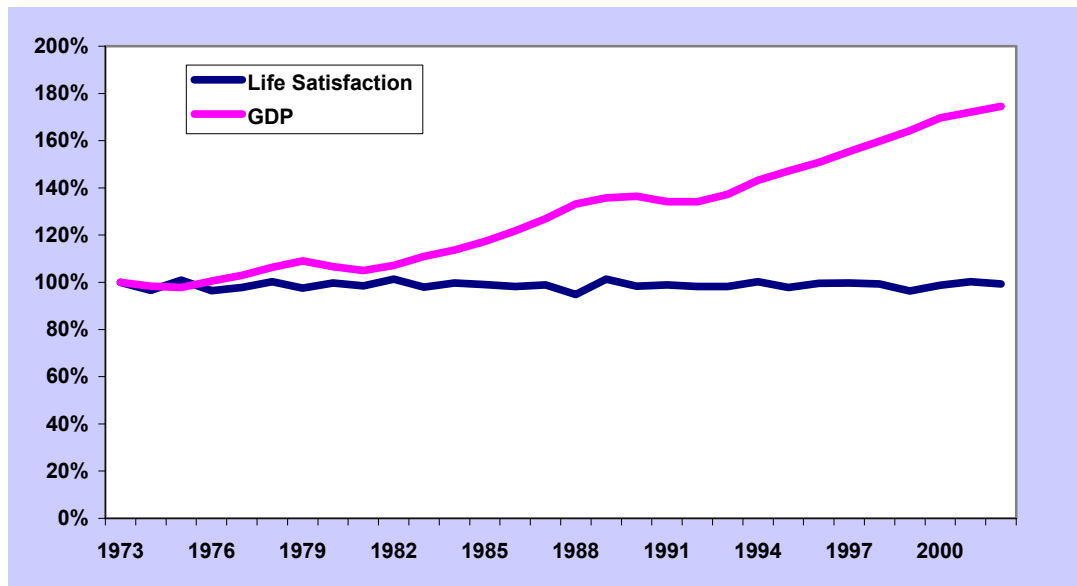


Figure 2: Life Satisfaction and GDP: UK 1972-2002

A well-being manifesto⁹

In light of all the well-being research in 2004 **nef** published a ***well-being manifesto*** which effectively seeks to answer the question: “what would politics look like if promoting people's well-being was one of government's main aims?” The manifesto draws on the well-being research literature and seeks to start a debate as to how policy could be changed to have positive effects on people's well-being. The eight broad areas of policy we proposed should be addressed were:

1. **Measure what matters:** A detailed set of national well-being accounts would allow policy makers to better understand well-being and track changes over time. Local and regional agencies could also carry out well-being audits of their target communities to deliver better services and allocate their funds more effectively.

⁷ Depressions rates are difficult to track over long periods of time due to changes in diagnosis and in how people perceive depression. However Diener and Seligman cite strong evidence that young people are experiencing more depression, and that “people born earlier in this century have experienced much less depression in their lifetime than people born later”; Diener, E and Seligman, M (2004) *Beyond Money: Toward an economy of well-being*. Psychological Science in the Public Interest ; Vol 5 issue 1; July 2004

⁸ Aldridge, Halpern and Fitzpatrick (2002) ‘*Social Capital: A discussion paper*’ UK Government's Performance and Innovation Unit. Available on-line at <http://www.edemocracy.gov.uk/library/papers/socialcapital.pdf>

⁹ This section is based on Shah, H and Marks, N (2004) *A well-being manifesto for a flourishing society*, **nef**, http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=193. It also forms the final chapter of a new edited book: *The Science of Well-being* (2005); edited by Felicia Huppert, Nick Baylis & Barry Keverne, Oxford University Press.

2. **Create a well-being economy:** Work is important to our well-being because it is not only socially useful but also sociable and can be creatively challenging. Unemployment is much more devastating than can be accounted for by simply loss of income. A well-being economy would target unemployment more than is economically efficient and seek to create more balance between the economic, social and environmental realms.
3. **Reclaim our time:** Spending more time with our families, friends, communities and activities that we are personally interested in, would bring us more happiness. We systematically over-estimate the amount of well-being more income will bring us and work too many hours to get it. We fail to account for the fact that our expectations also rise with our incomes.
4. **Flourishing schools:** A narrow focus on test results is turning our schools into exam factories. School days are no longer the best days of our lives. **nef's** research shows that school satisfaction plummets when children they switch from primary to secondary schools at age 11.¹⁰ Schools should have a strategy to promote physical, emotional and social well-being as well as academic targets, this will help support young people to be healthier, happier and more curious – the sort of characteristics that will create more entrepreneurial and socially engaged citizens.
5. **Complete health for the nation:** Health services should re-focus on their true purpose – the promotion of “complete physical, mental and social well-being”. To achieve this they need to evolve into integrated health systems involving patients in looking after their own well-being rather than a ‘service’ delivering ‘health’ to passive consumers.
6. **Invest in the very early years:** Children need a lot of responsive individual attention in their early years, preferably from their parents. Shared parental leave should be widely extended to cover the first two year’s of a child’s life. Cost benefit analyses have shown that this investment would pay for itself many times over due to reduced health, education and social costs.
7. **Discourage materialism and promote authentic advertising:** Increased materialism is not only bad for the environment but also undermines our well-being. Much advertising is cynically misleading; the reality is we don’t become sexier and more attractive by switching brands of shampoo or buying a new car. Advertising should be banned at children, and a much stronger code of conduct about authentic advertising should be drawn up.
8. **Community well-being:** Being actively engaged with our communities gives us a personal sense of well-being and has positive knock-on effects for others. We need to remove barriers, as well as create more opportunities for people of all ages to usefully participate in their communities. A **flourishing society** needs vibrant, resilient and sustainable communities.

UK Sustainable Development Strategy and Well-being

There has been considerable recent interest in well-being by UK policy-makers, initiated by the Cabinet’s Strategy Unit producing a paper on the policy implications of life satisfaction.¹¹ The Strategy Unit together with the Sustainable Development Commission co-hosted a seminar at the UK Treasury at which **nef's** manifesto and other parallel work by Professor Richard Layard of the London School of Economics¹² were presented. The seminar was designed to feed into the drafting process of the UK sustainable development strategy. The final strategy, *Securing the*

¹⁰ Nic Marks (2004) *The power and potential of well-being indicators: measuring young people’s well-being in Nottingham*: **nef**: http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=181

¹¹ Donovan, N and Halpern, D (2002) *Life Satisfaction: the state of knowledge and the implications for government* (Prime Minister’s Strategy Unit) available online at <http://www.number-10.gov.uk/su/ls/paper.pdf>

¹² Richard Layard (2005) *Happiness: lessons from a new science*; Penguin books; London

Future, was published in April 2005 and strongly supported the notion of well-being as being an appropriate aim of policy and sets out a timetable to begin to operationalise its adoption as a policy aid. It states:

*The issue of wellbeing lies at the heart of sustainable development, and it remains important to develop appropriate well-being indicators... What is missing is a means of making sure that wellbeing issues are being tackled consistently, in the right way, and that we are genuinely making a difference to people's lives... In order to get a better understanding and focus on wellbeing, by the end of 2006 the [UK] Government will sponsor cross-disciplinary work to bring together existing research and international experience and to explore how policies might change with an explicit wellbeing focus.*¹³

European Scepticism

Whilst the UK government is taking the subjective well-being data seriously, there is still much scepticism around. A clear-cut example is from a recent special Eurobarometer report on citizen's views about the Lisbon agreement, for which a survey was conducted in which people were asked to rate their 'quality of life'. The report states:

Quality of life is the indicator for which the verdict of European Union citizens is the most positive. The countries where the quality of life seems to be the highest are generally the northern European countries (Denmark, Finland, Sweden), but also certain Mediterranean areas (Cyprus, Malta in particular). Overall, therefore, respondents are more positive regarding the areas which concern the more personal aspects of their life as opposed to those concerning their country. In other words, it seems that **the vast majority of European Union citizens do not make a connection between their quality of life and the economic situation in their country. It is therefore necessary to eliminate this discrepancy, otherwise it may eventually create a problem when it comes to explaining certain public policies.** [All bold text from original report].¹⁴

This interpretation of the subjective data as a 'discrepancy' to be eliminated is both unreflective and very biased towards an economic worldview. People in Malta and Cyprus clearly report they have a good quality of life, yet this does not appear to fit with the report writers' (seemingly economic) worldview and so effectively the subjective survey data is dismissed. Perhaps though it is not altogether surprising, as even objective social indicators are not as mainstream as economic ones, let alone the emerging subjective indicators around people's personal and social well-being.

¹³ p23 *Securing the Future*; *op id.*

¹⁴ p 9 Special Eurobarometer report - Public Opinion regarding the Lisbon Agenda: No 215: February 2005. http://europa.eu.int/comm/public_opinion/archives/ebs/ebs_215_en.pdf

Creating new national well-being indicators across Europe

Whilst national governments and the EU spend hundreds of millions of euros on gathering economic and social indicators, very little is systematically known about how citizens are actually faring across Europe. One of the big surprises of well-being research, however, is the disjunction between people's standard of living and their happiness. As we have seen, indicators of economic growth such as GDP are poor measures of well-being.

American psychologists, such as Ed Diener and Martin Seligman, have started to call for national well-being accounts to complement economic accounts.¹⁵ This is a call that **nef** have echoed and our first policy recommendation in our aforementioned *well-being manifesto* was to 'measure what matters', putting forward the argument that people's well-being matters and therefore should be measured.

This call appears to have some resonance as in April 2005 the European Social Survey (ESS) announced that they were supporting the bid by a group of academics (including **nef**) to have a module in the next round of the ESS on measuring personal and social well-being across Europe.¹⁶ This is an exciting opportunity to develop pilot national well-being accounts in a European policy context.

In the context of the ESS module on well-being we have started to develop a framework that looks beyond people's feeling about their lives to their ability to function healthily in both personal and social contexts. Our idea is to create a broader and deeper analysis of people's well-being than can be offered by simply analysing people's responses to single item constructs such as life-satisfaction. Table 1 gives an indication of how we expect to structure the module, which will be piloted in January 2006, with the full survey following in the autumn. Results from the 2006 ESS will become available for analysis in September 2007.

Table 1: Draft ESS module on well-being

ESS R3 Draft well-being module	Personal		Inter-Personal	
	Feelings	Functioning	Feelings	Functioning
Psychological constructs to be assessed:	Life satisfaction	Autonomy	Belonging	Altruism
	Happiness	Self-efficacy	Support	Pro-social
	Self-reported health	Competence	Respect	behaviour
	Optimism	Interest	Fairness	Caring
	Self-esteem	Personal	Social reciprocity	
	Depression	development	Fear of crime	Work-life balance
	Income satisfaction	Future orientation	Feelings about	spill-over effects
	Job satisfaction	Purpose in life	societal progress	
	Work-life satisfaction	Goal achievement	Trust	
		Autonomy & control at work	Safety Intimacy Discrimination	

Note: this is a draft structure as of October 2005 – please do not cite without reference to the author or Professor Huppert of Cambridge University, as the structure will evolve.

¹⁵ Diener, E and Seligman, M (2004) 'Beyond Money: Toward an economy of well-being', *Psychological Science in the Public Interest*, Vol 5 issue 1 (American Psychological Society, Washington DC)

¹⁶ The team is led by Professor Felicia Huppert of Cambridge University and as well as the author it further includes Dr Andrew Clark from DELTA in Paris, Professor Bruno Frey from Zurich University, Professor Johannes Siegrist from Dusseldorf University and Professor Joar Vittersø from Tromsø University in Norway. See the rotating modules section at <http://www.europeansocialsurvey.org/> for details

Conclusions

Creating measurement tools and targets is of course only the first step, interventions and policies would need to be designed that specifically relate to people's quality of life and well-being, which of course much of current best practice already does. Procurement procedures or investment decisions could go through an MDP-type screening to ensure that economic targets are not being met at the expense of environmental or social targets – or indeed that low quality jobs are being created that do not support employees' well-being.

Answers to such questions as “which population groups are suffering low well-being” would help agencies target the most vulnerable groups. Well-being indicators may provide insights into why they have low quality of life, and could support the choice of appropriate interventions. Intervening at the community level has potential multiplier effects and clearly this is the aim of most regeneration projects. By measuring the specific quality of life and well-being impacts of projects agencies would further support current good projects and by providing an evidence base would start to enable best practices to be identified and communicated.

Measuring what matters will enable European agencies to examine the impacts that all their activities have on people's quality of life and well-being. This discipline will support the integration of economic, social and environmental goals into 'joined-up' sustainable policy making procedures and ensure that all interventions achieve a truly positive impact on people's lives.

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