

National Accounts of Well-Being

Centre for Well-Being, *nef* (the new economics foundation), UK

In January 2009, **nef** (the new economics foundation) launched the **National Accounts of Well-Being** (NAWB). It sets out a proposal to measure people's experienced well-being in a thorough and multi-dimensional manner, and use this data to guide public policy. The proposal builds on the growing impetus to measure subjective well-being (through survey data), but argues that simple single item measures are insufficient, and that measuring different aspects of people's well-being would be more useful as a guide to policy-making.

The need for subjective well-being measures

The critique of GDP as a measure of progress is multi-faceted, as the 'Beyond GDP' initiative amply demonstrates. The particular challenge that the National Accounts of Well-Being and other similar initiatives sets out to meet is to measure what people genuinely value. If economic activity is the means, what is the end?

Many academics and, more recently, politicians, have highlighted 'happiness' or 'life satisfaction' as a measure of the overall success of a society. If people are happy and satisfied, a country is doing well. As a result, academics such as Ed Diener, Martin Seligman & Noble prize winner Daniel Kahneman have made clear calls for national accounts that incorporate subjective well-being.^{1 2} Policies can then be made that specifically seek to increase well-being, and those that will reduce well-being can be avoided. But well-being is clearly more than just feeling happy.

National Accounts Framework

Well-being is most usefully thought of as the dynamic process that gives people a sense of how their lives are going through the interaction between their circumstances, activities and psychological resources or 'mental capital'.³ In particular it:

- **Is more than life satisfaction.** Understanding subjective well-being as a multifaceted, dynamic combination of different factors has important implications for the way in which it is measured. This requires indicators which look beyond single item questions and capture more than simply life satisfaction.
- **Has personal and social dimensions.** Research shows that a crucial factor in affecting the quality of people's experience of life is the strength of their relationships with others. The *National Accounts of Well-Being* proposal, therefore, advocates the measurement of the social dimension of well-being (in terms of individuals' subjective reports about how they feel they relate to others) as well as the personal dimension.
- **Incorporates feelings, functioning and psychological resources.** The traditional focus on happiness and life satisfaction measures in well-being research has often

led to an identification of well-being with experiencing good feelings and making positive judgements about how life is going. *National Accounts of Well-being* moves beyond that to also measure how well people are doing, in terms of their functioning and the realisation of their potential. Psychological resources, such as resilience, should also be included in any national accounts framework and reflect growing recognition of 'mental capital' as a key component of well-being.

Based on this understanding, and the data available (see below), **nef** developed the following hierarchical framework to measure well-being:

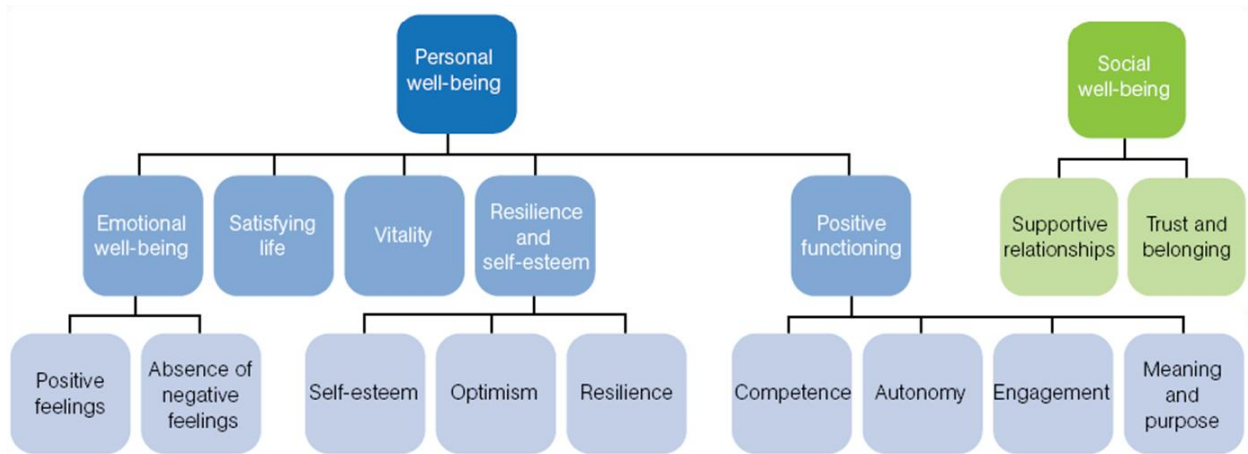


Figure 1: Indicator structure within the example national accounts framework

The lower boxes indicate components and sub-components which are aggregated to produce higher level indicators, culminating in two headline indicators: personal well-being and social well-being.

Well-Being in Europe, 2006

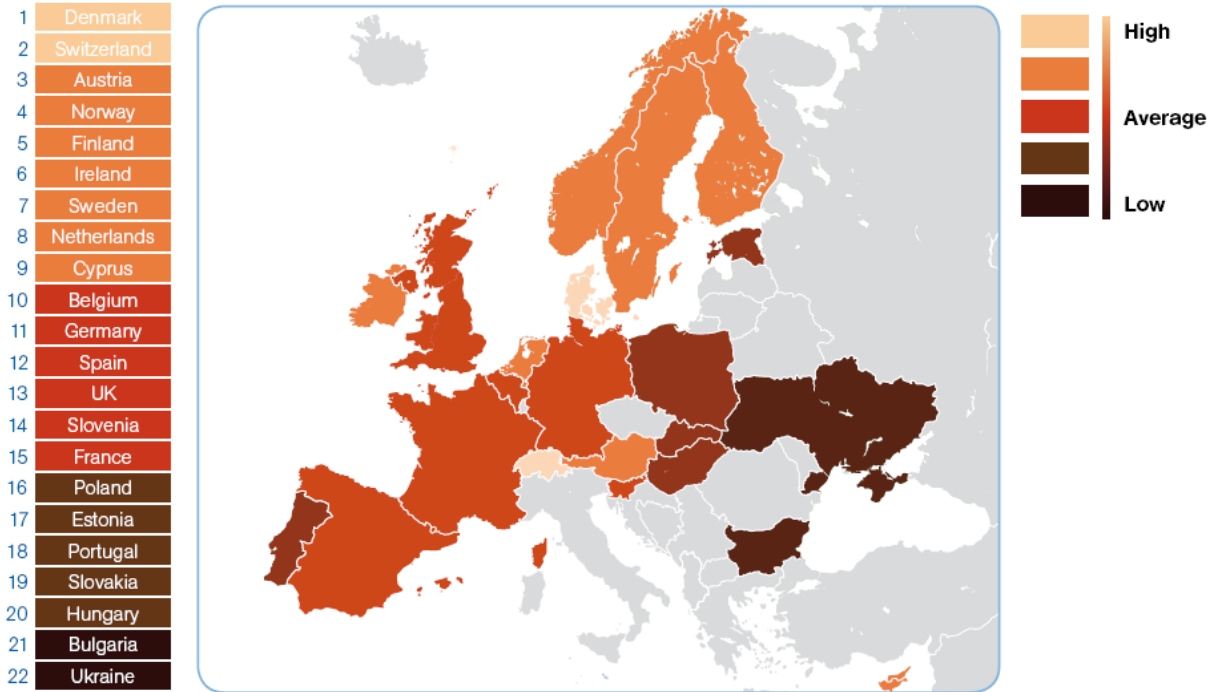
To operationalise a multi-dimensional understanding of well-being, **nef**, alongside Felicia Huppert of the University of Cambridge and several other academics, put together a 50+ question module for Round3 of the European Social Survey. The survey was administered to over 40,000 respondents across over 20 countries in Europe.

The results overleaf show the pattern for both personal and social well-being across Europe. In the case of personal well-being, the highest levels of well-being were seen in Denmark, followed by Switzerland and Austria and then other Scandinavian nations. The lowest were seen in Central and Eastern European countries such as Ukraine and Bulgaria.

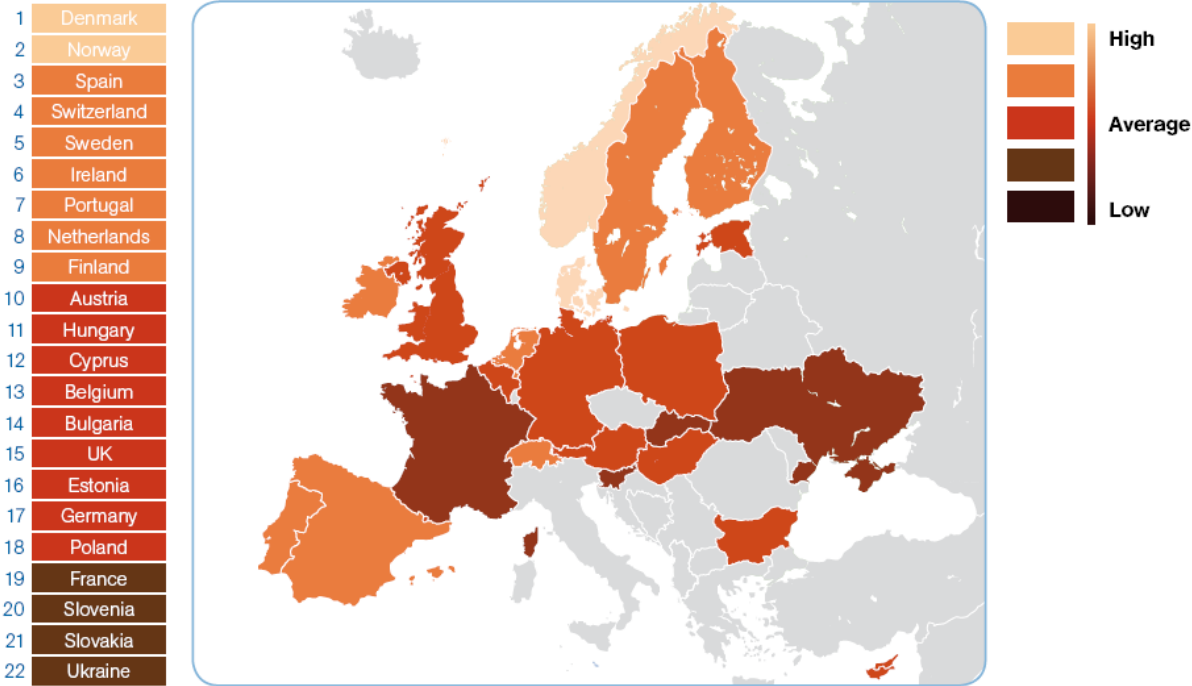
In the case of social well-being, the highest levels were again seen in Denmark, but Spain now was in third place. Again, Central and Eastern European nations fared poorly, but so did major nations such as France, Germany and the UK.

Figure 2: Personal and Social Well-Being scores across Europe, 2006

Personal well-being

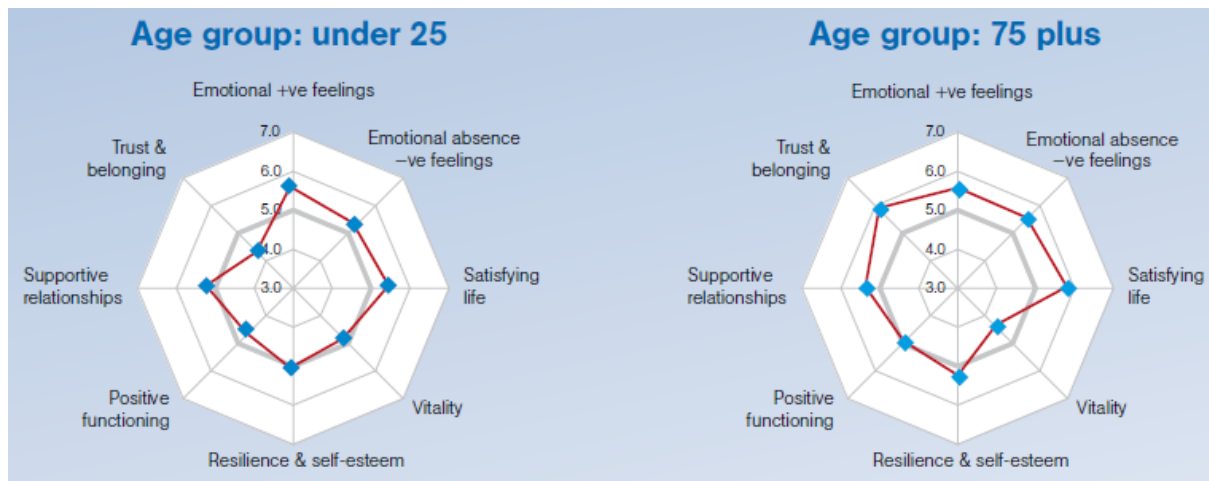


Social well-being



The methodology also allows the production of spider diagrams for nations or indeed population groups highlighting how well they do on different aspects of well-being, as shown with the example in Figure 3 contrasting under 25s and over 75s in the UK. The thick grey line indicates the European mean; where the red line goes outside it, the group has better than average well-being, where it goes inside it, it has lower than average well-being.

Figure 3: Well-Being profiles for young and old in UK



How the National Accounts of Well-Being are compiled

Data from the National Accounts can be presented at three different levels:

1. Individual items
2. Components (such as trust & belonging or vitality)
3. Headline indicators (personal and social well-being)

For all except the presentation of individual items, three operations must be carried out to allow the calculation of composite indicators.

First, data for each question must be standardised, i.e. converted to a scale whereby 0 is the European mean for that question and ± 1 represent distances of 1 standard deviation from this mean, with positive figures meaning high well-being and negative figures meaning low well-being.

Second, these standardised values are averaged for the set of questions that represent that particular aspect of well-being.

Third, values are transformed onto a 0-10 scale, whereby 0 is the lowest possible value, 10 is the highest possible value, and 5 is the mean for Europe, so as to give non-statisticians viewing the numbers a better sense of how well a country or population group is performing.

Future of the National Accounts of Well-Being

The particular questions and framework used to construct the National Accounts of Well-Being are not intended to represent the single best way to measure well-being, but rather a prototype. A second set of National Accounts will be produced based on Round 6 of the European Social Survey (2012), which will also include a module on well-being.

Furthermore, countries such as the UK have now begun to collect well-being data which can allow, admittedly simpler, accounts of well-being to be created, albeit with much larger datasets.

For more information, see:

www.nationalaccountsofwellbeing.org

www.europeansocialsurvey.org

www.neweconomics.org

References

-
- ¹ Diener, E., & Seligman, M. E. P. (2006). Measure for measure: The case for a national well-being index. *Science and Spirit*, 17, 36-37.
 - ² Kahneman, D., Krueger, A.B., Schkade, D., Schwarz, N., & Stone, A. (2004). Toward National Well-Being Accounts. *The American Economic Review*, 94, 429-434.
 - ³ Foresight Mental Capital and Wellbeing Project (2008) *Final Project report* (London: The Government Office for Science).