



**Sustainable**  
Development Commission

*People • Planet • Prosperity*

## **REDEFINING PROSPERITY: DELIVERING WELL-BEING**

### **A SUMMARY OF THE WORKSHOP**

**Tuesday 5<sup>th</sup> October 2004**  
**09.30am – 13.00pm**

**Room G16, HM Treasury**  
**1 Horse Guards Road, London, SW1A 2HQ**

## Introduction

*Redefining Prosperity: Delivering Well-being* was a workshop jointly convened by the Sustainable Development Commission, the Cabinet Office Strategy Unit and the ESRC Environment and Human Behaviour (EHB) Programme. It was held at HM Treasury on 5<sup>th</sup> October 2004. The principal aim of the workshop was to present recent evidence on different aspects of well-being and to discuss the implications of these for sustainable development policy. In particular, the workshop aimed to:

- stimulate discussion on the relationship between well-being and sustainable economic growth;
- present recent research findings (from the ESRC Environment and Human Behaviour Programme and elsewhere) on well-being and sustainability;
- provide the basis for developing a well-being focus in the 2005 UK Sustainable Development Strategy
- inform the on-going work of the SDC's Economics Steering Group on redefining prosperity.

The meeting consisted of a number of presentations on key aspects of well-being, followed by a plenary discussion. The workshop was chaired by Michael Jacobs, HM Treasury.

## Presentations

### **Framing the Debate**

Prof Tim Jackson (Sustainable Development Commission) outlined the SDC's continuing work on 'Redefining Prosperity'. He summarised some conceptual understandings of the link between economic consumption, well-being and sustainable development. He also outlined the SDC's challenge to Government to think beyond conventional economic growth and focus on a wider and more complete definition of prosperity.

David Halpern (Cabinet Office Strategy Unit) summarised the main findings from the Strategy Unit's Life Satisfaction report published in December 2002. He outlined the key 'drivers' of happiness (freedom, leisure, health, wealth etc) and presented time-series data on 'reported life satisfaction' both within the UK and internationally. The presentation also outlined the implications for Government of prioritising happiness as a policy driver.

### **The Dimensions of Well-Being (Dr Felicia Huppert, University of Cambridge)**

The presentation outlined the psychological determinants of well-being. It drew attention in particular to a distinction between 'hedonic happiness' (life satisfaction) and the more complex concept of eudaimonic well-being which centres on the realisation of human potential. Policies need to focus on raising the baseline of individual happiness by improving early development. They also need to address the problem of 'hedonic adaptation' – the tendency of people to become accustomed to given levels of satisfaction, and require increasing pleasures in order to 'stand still' in terms of happiness.

## **Environment, Behaviour and Well-being: case studies from the ESRC EHB Programme**

Professor Paul Ekins introduced the EHB Programme and summarised its findings. The principal finding was that individual and collective behaviour towards the environment (and changes in that behaviour) occur within specific contexts, are influenced by environmental factors and differ depending on the relative influence of, and interaction between, a range of behavioural factors. The individual research projects highlighted that contextual and situational factors played a huge part in individual behaviour and should be the focus for policy makers. Three case studies were presented:

- **Environment, Behaviour and Well-Being; Listening to Children (Professor William Scott, University of Bath)**

William Scott's presentation highlighted that, despite the frequency with which children and early education are mentioned in policies on well-being, children remain purely passive actors in policy formation. The presentation outlined why it was important to listen to children, not only because policies will shape their future, but also because their attitudes, behaviour and values are influenced more strongly than adults by experiences of local environments and also by schools and the curriculum.

- **Comfort, Well-Being and Behaviour (Principle Investigator Dr Elizabeth Shove, University of Lancaster. Presentation by Paul Ekins)**

Comfort is a widely used word but is very much a subjective state. More recently industry and social convention are conspiring to harden our perceptions of comfort and diminish the flexibility of individuals to deal with fluctuations in things such as temperature (normalising air conditioning in cars). If we are to respond effectively to the threat of climate change, we need to reintroduce diversity and adapt our expectations of comfort and amend building standards and design to minimise our energy usage in the built environment.

- **Low Income Areas and the Environment (Professor Anne Power, LSE and SDC)**

Anne Power presented findings from a long-running study into well-being in 12 deprived areas through England and Wales. They found that poor neighbourhood environments significantly impacted the lives and behaviour of families, which in turn contributed to a downward spiral of environmental damage. The presentation called for more hands-on and external intervention to halt further degradation in deprived areas. Policy suggestions included improving environmental infrastructure and public transport as well as funding conspicuous and regular maintenance of public spaces and use of financial incentives and disincentives to encourage less damaging behaviour.

## **Happiness and Public Policy (Professor Richard Layard, LSE)**

Richard Layard presented the three main policy outcomes of the research from the Happiness Forum in support of a differential tax to achieve a level of income redistribution.

### 1. Taxation

Research concluded that low relative income often causes more unhappiness than low absolute income. It also shows that marginal utility of income falls as income rises and income has addictive properties. He concluded that the negative externalities of higher incomes should be taxed to support the principle 'polluter pays'. Similarly negative externalities of monetary incentives and performance ranking should also discourage their usage.

### 2. Mental Health

16% of the UK population suffer from mental illness at some point, even from a purely economic perspective this contributes to a significant reduction in GDP coupled with high public expenditure on incapacity benefits. The proportion of NHS expenditure on mental health currently does not reflect the significance of this problem and policies should look to address this disparity.

### 3. Education

A trust and attitude WHO survey of 11-15 year olds discovered UK students had significantly poorer relationships with each other than those in continental Europe. With a large part of happiness determined by social relationships, the curriculum should perhaps move away from zero sum policies pushing individualism and 'getting ahead' in schools.

## **A Well-Being Manifesto (Nic Marks, New Economics Foundation)**

Nic Marks presented the recently published NEF well-being manifesto. The presentation distinguished between the two dimensions of well-being, Satisfaction (Hedonic) and Development (Eudaimonic) and highlighted the positive economic impacts of healthier and more enterprising individuals. Nic Marks cautioned that happy and curious does not necessarily mean pro-social and that there needs to be a greater focus by policy makers on encouraging and incentivising good citizenship. A copy of the well-being manifesto can be found online at the web address:

[http://www.neweconomics.org/gen/news\\_wellbeingmanifesto.aspx](http://www.neweconomics.org/gen/news_wellbeingmanifesto.aspx)

## **Discussion**

The discussion centred around three key questions:

- **What are the policy implications of a well-being approach?**
- **Is it feasible to introduce robust measures of well-being?**
- **Is it possible to deliver measurable increases in national well-being?**

It was noted that happiness is good economics. However, it was argued that with hedonic adaption, and people feeling loss more strongly than they feel gain, the Government must also keep an upward momentum in GDP simply to keep well-being indicators static.

The UK is committed to alleviating poverty and increasing well-being in developing countries. With the marginal utility of income highest in less developed countries, this

suggests that the most efficient way to improve well-being is through trade and GDP growth. However, in reality trade is not necessarily mutually advantageous and can result in increasing inequality. There needs to be further research and investigation into encouraging GDP growth in developing countries that promotes well-being and does not deplete valuable social, environmental and human capital.

There is a political paradox between what actually makes people happy and what people believe make them happy. There is a clear need to analyse where and how people make systematic errors in assessing their own well-being. There also needs to be consideration of whether it is the position of a democratic political party to simply satisfy the needs and wants of their electorate, or whether they should aspire to change behaviour.

Despite problems of scale, there are many existing initiatives in the voluntary/charity sectors that can usefully inform policy makers. Economists need to develop a better understanding of the diverse but interrelated disciplines informing welfare economics. Policy-makers also need to develop a better understanding of how choice impacts on happiness and well-being. The Government needs better structures for incentivising departments to prioritise well-being. PSA targets, for example, could both push and pull departments by changing peoples aspirations and demands.

Some progress on well-being is already being made by Government departments. The Treasury shares a joint PSA to reduce child poverty and are keen to follow through the success of SureStart and early years education. Healthcare should aim to support well-ness as well as treating illness. Better treatment for mental health problems is key to this objective.

It was suggested by some that we should 'measure what matters' in other words find robust measures to complement the conventional economic measures of consumption and GDP. Others argued that no robust methodology to adjust GDP measures to exclude negative externalities currently exists. However, lack of a robust measure does not prohibit action by policy makers. UK already has examples of tax on negative externalities such as road fuel, tobacco and alcohol. Other positive actions include family friendly policies such as the SureStart programme.

As an alternative to adjusted GDP, there is a case to be made for developing an indicator or set of indicators of well-being. Progress also needs to be made on developing a cross departmental methodology for whole impact policy costing.

In conclusion, it was highlighted that the discussion on well-being and the outputs from the workshop would continue to feed into the UK Sustainable Development Strategy review process and inform the new Strategy.

## Delegate List

Tim	Ash-Vie	SDU Defra	Rebecca	Lawrence	HM Treasury
Andrew	Blaza	Imperial University	Richard	Layard	LSE
Georgina	Burney	RCEP	Henry	Leveson-Gower	Environment Agency
Danielle	Byrne	Surrey CC	Roger	Levett	Levett Therivel
Roger	Crisp	Oxford University	Poppy	Maltby	SDC Secretariat
Sarah	Dearing	Cabinet Office	Nic	Marks	NEF
Andrew	Dobson	Open University	Michael	Massey	DTI
Emma	Downing	SDC Secretariat	Mark	Mason	ODPM
Jo	Eady	SDC Secretariat	Laurie	Michaelis	ECI
Malcolm	Eames	PSI	Peter	Molyneux	Common Cause
Paul	Ekins	PSI	Geoff	Mulgan	
Sara	Eppel	SDC Secretariat	Gus	O'Donnell	HM Treasury
Julie	Foley	IPPR	Avner	Offer	NUF
Stefan	Gabrynowicz	English Nature	Ken	Peattie	Cardiff University
Scott	Ghagan	SDC Secretariat	Helen	Phillips	SDC Secretariat
Martin	Gibbs	Department of Health	Paul	Plant	Public Health London
Ian	Gough	University of Bath	Anne	Power	SDC Commissioner
Stephen	Gough	University of Bath	Jill	Rutter	SDU Defra
Denny	Gray	SDC Secretariat	Bob	Ryder	EBC Defra
Stephen	Hall	EBC Defra	William	Scott	University of Bath
David	Halpern	Cabinet Office	Mandy	Seligman	
Nicholas	Humphrey	LSE	Susannah	Senior	SDC Secretariat
Felicia	Huppert	Cambridge University	Hetan	Shah	NEF
Tim	Jackson	SDC Commissioner	John	Skoyles	LSE
Michael	Jacobs	HM Treasury	Colin	Smith	Dfes
Oliver	James	Happiness Forum	Robin	Stott	
Paul	Jefferiss	RSPB	Ed	Straw	PWC
Paul	Johnson	HM Treasury	Stewart	Wallis	NEF
Bronwen	Jones	SDU Defra	Andrea	Westall	NEF
Alan	Knight	SDC Commissioner	Paul	Whittlesea	ODPM
Catriona	Laing	Cabinet Office	Rebecca	Willis	SDC Commissioner
			Neil	Witney	SDU Defra