

BRIEFING

Wellbeing Economy



What is a Wellbeing Economy?

Key to the concept of a Wellbeing Economy is recognising the limits of Gross Domestic Product (GDP) as a tool for defining success for the economy. Instead, a Wellbeing Economy measures success in terms of the broader collection of outcomes that the economy can deliver for its people, recognising that the purpose of economic growth should be to benefit the people who are part of that economy.

Put simply, a Wellbeing Economy can be defined as an attempt to measure the economy by looking at the quality of people's lives.

Crucially, this allows us to incorporate a much more holistic picture of whether economic activity generates beneficial results. This includes, for example, the health of the natural world, a vital component of wellbeing, but one which often suffers as a result of economic growth and is completely absent in traditional GDP-based measures.

Creating a Wellbeing Economy is more than simply measuring wellbeing, as some of the examples in this briefing do, but ensuring that economies and economic policy are structured in such a way as to deliver these wider benefits.

The concept of a "Wellbeing Economy" has a long history and its roots be traced back to the original formulation of GDP and examples of similar thinking are seen throughout the Twentieth Century.

One of the most famous examples is a speech given by Robert F. Kennedy at the University of Kansas during his presidential campaign in 1968.

In the speech he highlights that gross national product includes, and indeed attaches value to, negative and harmful aspects of the economy and ignores many positives:

"It [GNP] counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads... Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play...it measures everything in short, except that which makes life worthwhile."



Current thinking on the Wellbeing Economy

There is a growing recognition that a move towards actively developing Wellbeing Economies is essential to help tackle climate change, to protect the mental and physical health of citizens, and to tackle a range of challenges, such as growing wealth inequalities.

While all of the organisations and countries active in this area agree that GDP is an inadequate, and even harmful, indicator for measuring economic progress there are some differences in how they conceptualise, define, describe, and measure the Wellbeing Economy. Some examples of how organisations and countries describe it are:



WEAll: the Wellbeing Economy Alliance are at the forefront of promoting the Wellbeing Economy and describe it as “an economy that delivers social justice on a healthy planet... A Wellbeing Economy satisfies five universal human needs for a good life.” These needs are: nature, fairness including reduction of inequalities, participation, connection, and dignity.

Scottish Government: “Building a Wellbeing Economy is a top priority for the Scottish Government. This means building an economy that is inclusive and that promotes sustainability, prosperity and resilience, where businesses can thrive and innovate, and that supports all of our communities across Scotland to access opportunities that deliver local growth and wellbeing.”

The **OECD Secretary-General** in 2019 described the Wellbeing Economy as the “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... It specifically highlights the need for putting people at the centre of policy and moving away from an attitude of ‘grow first, redistribute and clean up later’, towards a growth model that is equitable and sustainable from the outset.”

World Wildlife Fund: In its “Towards and EU Wellbeing Economy” report the WWF highlights that moves to deliver a “green” or “sustainable” economy that claim to combine economic growth with environmental sustainability are nowhere near sufficient to meet the challenges posed by

the climate crisis. As an alternative, they propose a Wellbeing Economy that “starts from the idea that public interests should determine economics, and not the other way around.” “Central to this approach is the idea that economic success is not only measured in terms of productivity and gains but also in terms of wellbeing and health of citizens, while protecting the planet’s resources for future generation and other species.”

Happiness Research Institute: In their report titled “Towards a Nordic Wellbeing Economy” the Danish Happiness Research Institute describe the building blocks for a Wellbeing Economy with a call to establish a “common language” on the definition and application of a Wellbeing Economy. Put simply “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 a country or region must establish a flexible set of wellbeing metrics, and put these into practice to monitor progress, prioritise government action, and develop policies based on a rigorous evaluation of their impact.

In terms of measuring wellbeing metrics there are two common approaches:

- A dashboard of indicators that give a comprehensive overview of different measures of wellbeing

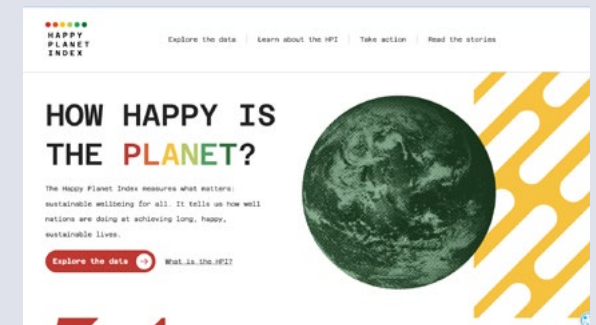
- A composite index, which provides a single figure to measure progress.

Dashboard approaches are more common, for example the Scottish Government’s Wellbeing Economy Monitor or New Zealand’s **Living Standards Framework Dashboard**, and can be organised around different themes depending on the priorities of the government making use of them.

Composite indexes, such as the **Canada Index of Wellbeing**, allow a single snapshot of wellbeing, which is simpler to track over time. This takes more work to develop, and means it is more difficult to assess the aspects of wellbeing that are driving overall trends.

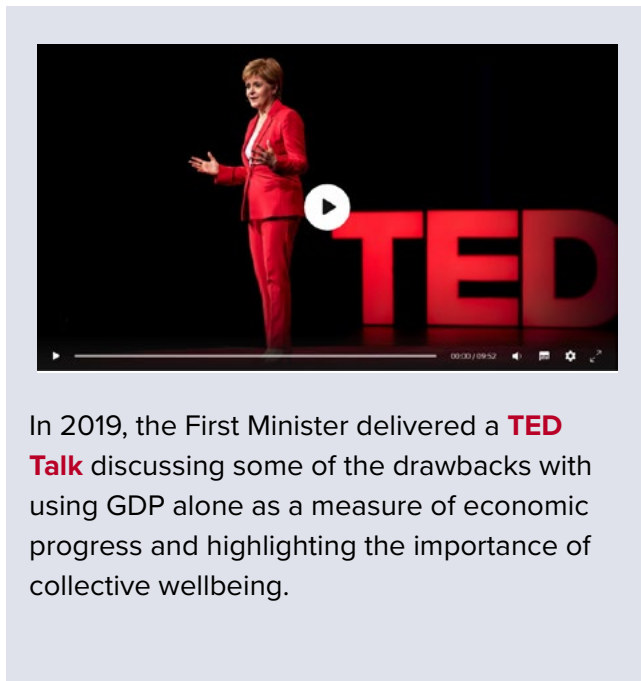
There are also several other projects, which could be defined as falling within the definition of work towards a Wellbeing Economy or have provided a foundation for challenging traditional GDP-focused approaches:

- **The Beyond GDP Initiative**
- **Bhutan’s Gross National Happiness Index**
- **The Human Development Index**
- **Doughnut Economics**
- **Happy Planet Index**
- **United Nations Sustainable Development Goals**



What is currently happening at a national level?

The Scottish Government have indicated their support for the concept of a Wellbeing Economy, making this a central part of their economic strategy.



In 2019, the First Minister delivered a **TED Talk** discussing some of the drawbacks with using GDP alone as a measure of economic progress and highlighting the importance of collective wellbeing.

The Scottish Government has since moved to include these principles within economic policy. **Scotland's National Strategy for Economic Transformation**, published in March 2022, commits to building:

“an economy that celebrates success in terms of economic growth, environmental sustainability, quality of life and equality of opportunity and reward.”

The strategy sets out an ambition of delivering a Wellbeing Economy by 2032.

Accompanying this, the Scottish Government have published the **Wellbeing Economy Monitor** to assess progress towards a Wellbeing Economy. This resource helpfully includes a range of measures that give a clearer idea of how the Scottish Government defines a Wellbeing Economy.

The Monitor is described as a starting point for more work on measurement of the Wellbeing Economy and is organised around “four pillars.” These pillars are themselves based on the “four capitals” approach developed by Paul Ekins that is used by other countries, such as New Zealand, to organise thinking around Wellbeing Economy indicators.¹

1. Ekins P. 1992. “A four-capital model of wealth creation.” in Real-Life Economics: Understanding Wealth Creation, Ekins P, Max-Neef M (eds). Routledge: London; 147–155.



Within these four pillars the Monitor includes fourteen indicators with long term trends. International comparisons with Wellbeing Economy Government countries (Scotland, New Zealand, Iceland, Wales and Finland) are made where possible.

Few of these indicators are available at a local level, but provide a useful overview of where Scotland currently is and the direction of travel towards achieving the ambition of building a Wellbeing Economy.

In addition to the monitor, the Scottish Government have committed to delivering a Wellbeing Economy Framework, “a toolkit to support local councils and regions across Scotland.”

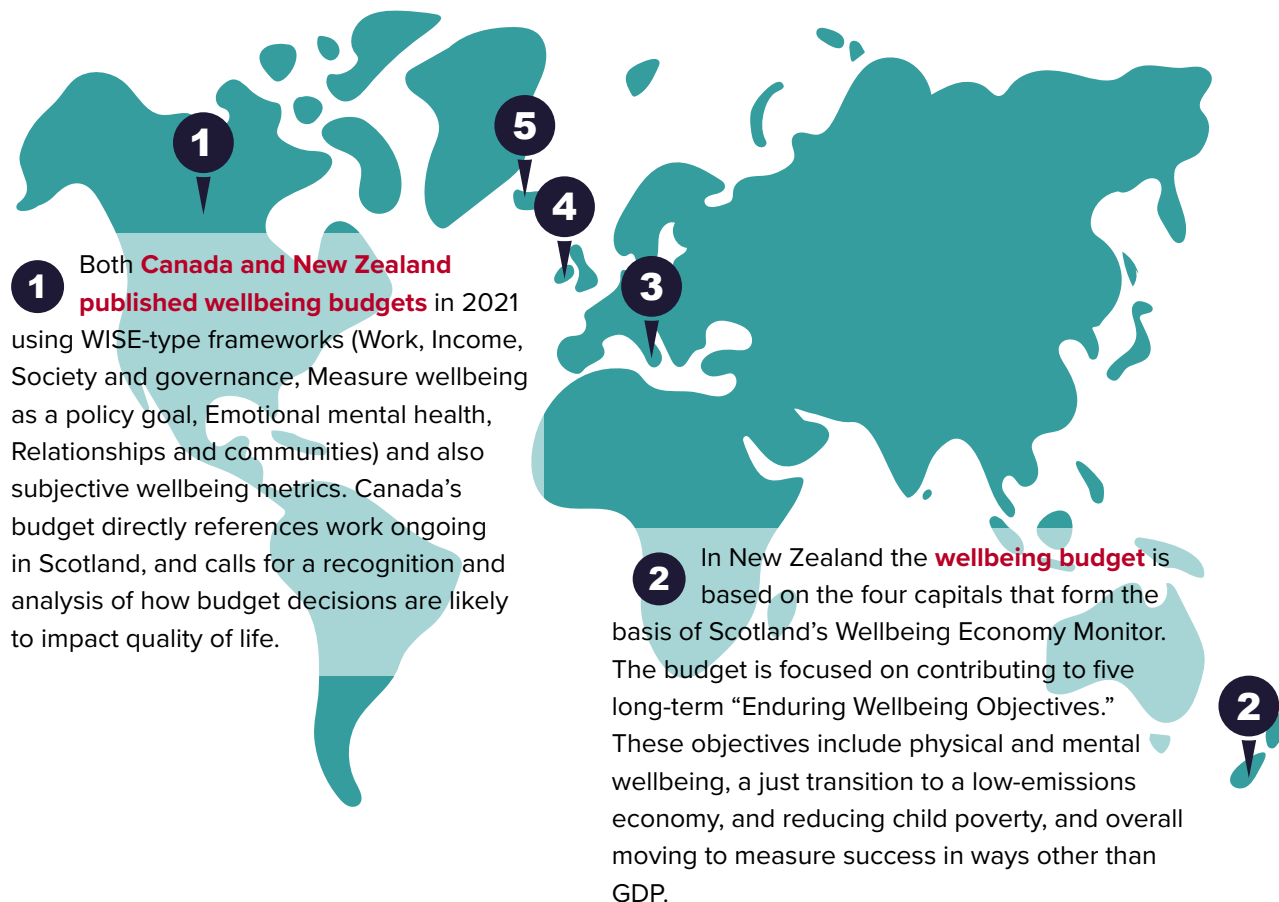
At a UK level, while not explicitly measuring progress towards a Wellbeing Economy, the **National Wellbeing Project**, which measures wellbeing across the UK, was launched by the Prime Minister in 2010 and led to the publication of the **National Measures of Wellbeing Dashboard** by the ONS. This provides a comprehensive picture of wellbeing and gives a long- and short-term overview of how wellbeing is changing.

A petition to the UK Government to “**Shift to a Wellbeing Economy**: put the health of people and planet first” in 2021 gathered almost 70,000 signatures. In response the Government, while emphasising the usefulness of traditional measures of economic performance, did note the limits inherent in GDP and that they had tasked ONS with preparing a wider range of measures of welfare and activity. The response also emphasised the Government’s efforts to protect the natural world.

Wellbeing forms an important part of HM Treasury’s **Green Book**, which provides guidance on appraisal and evaluation of policies, programmes, and projects both before and after implementation. This work was recognised in the Happiness Research Institute’s report linked above as meeting their definition of a Wellbeing Economy.

What is currently happening internationally?

Many countries are making positive movements to think about economic growth and policy in terms of the impact that these have on wellbeing. The **Wellbeing Economy Governments partnership (WEGo)** “is a collaboration of national and regional governments promoting sharing of expertise and transferrable policy practices. The aims are to deepen their understanding and advance their shared ambition of building wellbeing economies.” WEGo currently includes Scotland, New Zealand, Iceland, Wales and Finland. There are, however, many more examples beyond the WEGo countries of measuring wellbeing and incorporating this within policymaking. Some examples are described below.



- 3** Italy has linked equitable and sustainable well-being (**Bes**) **indicators** to its budget process since October 2017. This highlights how economic policy is contributing to quality of life outcomes. Annual reports are presented to Parliament and provide analysis of how trends in these outcomes have been impacted by policy as well as models of how policy decisions are likely to affect them in future.
- 4** In Ireland steps have been taken to proactively measure wellbeing with the **2021 Budget** including an analysis of options for “Moving from GDP to Wellbeing”. The Irish Central Statistics Office have published the **Well-being Information Hub**, which pulls together several indicators. The **2022 Irish Budget Expenditure Report** further references the importance of wellbeing and points to the intent to “develop a knowledge base around well-being as a policy objective and integrate wellbeing metrics into the various stages of the policy making process.”
- 5** In 2019 Iceland published **39 wellbeing indicators** linked to the UN Sustainable Development Goals that would be considered measures of the country’s success, including, but not limited to economic and GDP growth.

What is currently happening at a local level in Scotland and the UK?

Community Wealth Building

At a local level, much of the work towards developing a Wellbeing Economy has taken place through Community Wealth Building, which seeks to redirect wealth back into the local economy. In a **motion to the Scottish Parliament** Community Wealth Building has been described as a “practical, place-based economic development model that can help transform local and regional economies to deliver a Wellbeing Economy for Scotland.” This approach has been successful in the USA, across the UK, and is now being adopted by several local authorities in Scotland.

1 The first UK Council to develop the Community Wealth Building approach was **Preston City Council** in 2011. Working alongside “anchor institutions” including Preston County Council and the University of Central Lancashire, the “Preston Model” “places a focus on building a local economy on the foundations of social and economic justice.” The approach is based on **five strategies** that look to reorganise the local economy in such a way that wealth created in the local area generates benefit for the people who live there. Since its inception, the approach has helped to generate improved outcomes for the people of Preston including a 10% increase in 16-24 year olds receiving at least one NVQ level 3 (equivalent to two A-levels) by 2017, a

reduction in the unemployment rate by more than half, and 4000 more employees earning the real living wage by 2018. Preston City Council also moved out of the 20% most deprived local authority areas in the UK.

2 In May 2020 North Ayrshire became the first Community Wealth Building Council in Scotland. Their **Community Wealth Building Strategy 2020-25** calls for “a new approach to our economy, centred on wellbeing and inclusion.” North Ayrshire’s strategy follows a similar model to that adopted by Preston, utilising the economic power available to the Council and its partner anchor institutions, such as procurement, employment, and local assets, to deliver an economy that delivers for local people. North Ayrshire have a range



of information on their website including an **overview of Community Wealth Building** and their **progress index**.

Other Councils throughout Scotland are now adopting a similar approach:

- 3 Clackmannanshire Council** is working with the Scottish Government on a project to identify opportunities on how to drive Wellbeing Economy outcomes, starting with Community Wealth Building.
- 4 South Lanarkshire Council** has now also committed to a Community Wealth Building Approach and has established a Community Wealth Building commission to oversee the delivery of their **Community Wealth Building strategy**.



Measuring Progress Locally

Similar to some of the national examples, local authorities have been developing local indices and indicator suites to measure economic wellbeing in their local area and in their communities.

The London Borough of Barking and Dagenham have developed a **Social Progress Index**, based on similar work at an international scale by the Social Progress Imperative. The index provides a comprehensive picture of wellbeing at a ward level, with changes over time tracked. The index can be accessed at: <https://www.lbbd.gov.uk/social-progress-index>

Work is ongoing to develop a Wellbeing Index for Camden Council. A set of metrics have been developed based in work in Euston, with a household survey planned in 2022. More information is available at: <https://whatworkswellbeing.org/practice-examples/understanding-wellbeing-in-a-local-area/>

Useful resources



Wellbeing Economy

Gross Domestic Wellbeing Indicators | Carnegie
Wellbeing Economy Roadmap for Towns | Centre for Thriving Places
Community Wellbeing Index | Co-Operative
The Scottish Wellbeing Index Report | Diffley Partnership
Scotland's Wellbeing Economy Monitor | Scottish Government
Wellbeing Economy Resources - Scotland Specific | Wellbeing Economy Alliance

Videos

“Why the Future Economy has to be a Wellbeing Economy” | Katherine Trebeck
“The Wellbeing Economy: creating thriving communities in a changing climate” | Keep Scotland Beautiful
“Designing Policies to Build a Wellbeing Economy” | New Economy Network Australia
“Why governments should prioritize well-being” | Nicola Sturgeon

Community Wealth Building

Community land ownership in Scotland - Case Studies | Community Land Scotland
Community Wealth Building Resources | Economic Development Association Scotland
Elected Member Briefing Note on Community Wealth Building | Improvement Service
Community Wealth Building Case Studies | Scotland's Centre for Regional Inclusive Growth
Recorded Workshop Sessions on “A ‘How to’ Guide to Community Wealth Building” | Scotland's Centre for Regional Inclusive Growth
Community Wealth Building Policy Information | Scottish Government

Communities of Practice and Training

Networks and Learning | Carnegie
Sessions on Community Wealth Building | Centre for Thriving Places
Community Wellbeing Index | The Centre for Local Economic Strategies
“Introduction and Social Economics of Wellbeing and Poverty” | Coursera
Tools, Events & Community | Doughnut Economics Action Lab
“Social Wellbeing” Course | Future Learn
Wellbeing Economy Cross-party group | Scottish Parliament
“Policy Tools: wellbeing impacts and cost effectiveness” | Udemy
Connect | Wellbeing Economy Alliance

