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Measuring wellbeing

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by Talina Drabsch

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Measuring wellbeing

by

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SUMMARY

Interest in measuring the wellbeing of societies and the individuals which comprise them is not new and there has been research in this area for a number of decades. However, the interest in measuring wellbeing has been growing over the last decade or so and particularly seems to have gained some momentum in recent times as a result of the Global Financial Crisis (GFC). Some view the GFC as proof of the damage that can result by too great a focus on continual economic growth regardless of the cost and by ignoring the other factors that contribute to wellbeing.

Section two (pp 2 to 4) explores the various definitions used for 'wellbeing', noting the domains of life it covers and the subjective and objective aspects to it. Wellbeing embodies the idea of life satisfaction, and positive and negative emotions, in addition to the more objective components of capabilities and fair allocations.

A timeline of some of the milestones in the history of measuring wellbeing is included in **section three** (pp 5 to 6). The timeline reveals the acceleration of interest in this area in recent years, particularly at a global level.

Some historical context is provided in **section four** (pp 7 to 13) to help explain the current level of interest in the topic. Whilst GDP is widely acknowledged as a valuable indicator, its limitations are explored as is the context in which it was developed. Reference is also made to some of the research into the links or lack thereof between happiness and GDP per capita. The warnings by some commentators about the way in which wellbeing data may be misused are noted.

Section five (pp 14 to 18) explores the ways in which wellbeing may be measured. There are five main approaches including: correct GDP; measure subjective wellbeing; composite indices; user-weighted indices; and a dashboard approach. Some of the factors to consider to ensure a certain quality of data is maintained are noted.

The debate over whether public policy should in fact be concerned with maximising the happiness of individuals is discussed in **section six** (pp 19 to 21). The advantages thought to accrue from enhancing societal wellbeing are highlighted, and these include benefits to individuals as well as to society as a whole.

Section seven (pp 22 to 30) examines some of the developments in measuring wellbeing in Australia, at a national, state and local level. Australia has been a forerunner in the field and the work of a number of Australian organisations has been recognised internationally.

Numerous international bodies have developed wellbeing indicator systems and some of these are discussed in **section eight** (pp 30 to 37). Selected initiatives in Canada, France, New Zealand, the United Kingdom and the United States of America are considered.

1 INTRODUCTION

The concept of Gross Domestic Product (GDP) and how to calculate it was developed by Simon Kuznets in the 1930s in the context of the Great Depression and World War II. Nations were concerned with measuring the productive capacity of their economy in order to prevent such an economic depression occurring again, and following the war there was a pressing need for nations to rebuild. GDP has been measured ever since and has enjoyed much success and pre-eminence as an indicator. Its method of calculation is well-developed, enabling the expansion or contraction of individual economies to be measured over time. It also allows comparison of the economic size of different countries. However, there are limitations to what is measured by GDP and what it tells us about the wellbeing of a society. Accordingly, interest in other measures has been growing, both within the economic sphere, but also to take proper account of environmental and social factors. Many global organisations, such as the UN and OECD, and a number of nations have developed systems for measuring the wellbeing of a society. Australia has been at the forefront of such developments, with the Australian Bureau of Statistics being the first national statistical organisation to measure wellbeing.

Interest in measuring the wellbeing of societies and the individuals which comprise it is not new and there has been research in this area for a number of decades. However, the interest in measuring wellbeing seems to have gained some momentum in recent times as a result of the Global Financial Crisis (GFC). Some view the GFC as proof of the damage that can result by too great a focus on continual economic growth despite the cost. However, even this spike of interest in measuring wellbeing and the link between the timing of interest and global economic conditions appears cyclical, as the following submission by the ABS to the 1996 Senate Legal and Constitutional References Committee Inquiry into National Wellbeing shows:

Towards the end of the 1980s and into the 1990s (and perhaps in parallel with the downturn in economic conditions) interest intensified in social well-being issues and the need for appropriate indicators. Declining real wage levels and an awareness that sections of the community were experiencing hardship, also sharpened the need for indicators. At the same time, the community became more aware of the wider issues of quality of life and the concept of economically sustainable development.¹

The difficulties inherent in measuring wellbeing are acknowledged in this paper. These range from a philosophical objection to governments attempting to influence individual happiness and wellbeing, to methodological concerns over the precision or lack thereof with which wellbeing can be measured. There are strong views about whether or not it is appropriate and/or worthwhile to consider subjective measures such as how a person feels on a particular day. How is

¹ Australia, Senate Legal and Constitutional References Committee, *National Well-being: A System of National Citizenship Indicators and Benchmarks*, Report (Chair: Senator Chris Ellison), April 1996, p 59.

that emotion to be compared meaningfully to that of another person and indeed across time?

This paper explores the reasons behind the interest in measuring wellbeing as well as questions of what to measure and how. The various indicator systems that have been developed internationally and within Australia are used to illustrate both the widespread interest in the area of wellbeing and to provide examples of the ways the measurement of wellbeing may be approached.

2 WHAT IS MEANT BY WELLBEING?

The concept of wellbeing is multifaceted and attempts to define the term often prove controversial and value-laden, as what is included or excluded from the definition is frequently a matter of debate. Happiness, life satisfaction, quality of life, liveability and social capital are just some of the terms that often appear in discussions about wellbeing. Some of these terms are at times used interchangeably with 'wellbeing', especially 'happiness' and 'quality of life'. However, the Australian Unity Wellbeing Index distinguishes between 'wellbeing' and 'happiness', for example, as 'happiness can come and go in a moment, whereas wellbeing is a more stable state of being well, feeling satisfied and contented'.²

Diener and Seligman see wellbeing as including pleasure, engagement and meaning.³ This is teased out further by Forgeard, Jayawickreme, Kern and Seligman who note that wellbeing theory often refers to five domains:⁴

1. Positive emotion
2. Engagement
3. Relationships
4. Meaning
5. Accomplishment

One approach is to consider the various aspects of life that may be considered within a wellbeing framework. This may include such things as health, relationships, job satisfaction, economic security, the environment, and education. However, within the wellbeing literature, wellbeing indicator systems are often condensed into three broad domains: the economy, the environment and society – otherwise known as the triple bottom line. However, many argue that governance is an equally important aspect and should be included, thus forming a quadruple bottom line.

Rather than imposing a definition of wellbeing, some organisations choose to describe it in general terms by referring to aspects that relate to it. For example, the UK Office for National Statistics has determined that national wellbeing is influenced by economic performance, the state of the environment, sustainability, equality, quality of life and individual wellbeing.⁵

Despite the difficulties inherent in defining 'wellbeing', a number of

² Australian Unity, 'What is 'wellbeing' and how does the index measure it?', <http://www.australianunitycorporate.com.au/Community/auwi/Pages/whatsWellbeing.aspx>

³ Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 4.

⁴ Forgeard M, Jayawickreme E, Kern M and Seligman M, 'Doing the right thing: Measuring wellbeing for public policy', *International Journal of Wellbeing*, 1(1), 2011, pp 79-106.

⁵ UK, Office for National Statistics, *Measuring national well-being: Measuring what matters, National Statistician's reflections on the national debate on measuring national well-being*, July 2011, p 4.

organisations have attempted to do so. For example, the Canadian Index of Wellbeing has defined wellbeing as:

The presence of the highest possible quality of life in its full breadth of expression focused on but not necessarily exclusive to: good living standards, robust health, a sustainable environment, vital communities, an educated populace, balanced time use, high levels of democratic participation, and access to and participation in leisure and culture.⁶

The French Commission on Economic Performance and Social Progress defined wellbeing as involving the simultaneous consideration of dimensions of:

- material living standards (income, consumption and wealth);
- health;
- education;
- personal activities including work;
- political voice and governance;
- social connections and relationships;
- environment (present and future conditions); and
- insecurity, of an economic as well as a physical nature.⁷

2.1 Subjective and objective wellbeing

There are generally two broad categories of wellbeing – subjective and objective wellbeing. Subjective wellbeing considers an individual's satisfaction with their own life whereas objective wellbeing is concerned with the material conditions that affect a person's life such as access to education, employment opportunities, etc. The intergenerational aspect of this does not feature greatly in the debate at present, apart from a general concern as to whether or not society is progressing. Whilst the term 'happiness' is sometimes used interchangeably with 'wellbeing', it is more often used to refer specifically to subjective wellbeing.

Subjective wellbeing can then be broken down further. Daniel Kahneman (the 2002 Nobel Prize winner for economics) and Angus Keaton distinguish between:

- i. Emotional wellbeing – the emotional quality of a person's everyday experience; and
- ii. Life evaluation – the thoughts people have about their life.⁸

The French Commission on the Measurement of Economic Performance and

⁶ Canadian Index of Wellbeing, *How are Canadians really doing? Highlights: Canadian Index of Wellbeing 1.0*, Canadian Index of Wellbeing and University of Waterloo, Waterloo, 2011.

⁷ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 14. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

⁸ Kahneman D and Deaton A, 'High income improves evaluation of life but not emotional well-being', 2010. Available from http://www.princeton.edu/news/Income_Happiness/Happiness_Money_Report.pdf

Social Progress (CMEPSP) adopt a similar approach to subjective wellbeing but separate emotional wellbeing into positive and negative emotions. They accordingly believe there are three aspects to subjective wellbeing that determine whether people are both happy in their life *and* satisfied with their lives:⁹

- i. Life satisfaction (cognitive evaluations of one's life)
- ii. Positive emotions eg happiness, joy, pride
- iii. Negative emotions eg pain, worry, anger, sadness, depression

Like subjective wellbeing, objective wellbeing consists of a number of sub-categories. The Commission on the Measurement of Economic Performance and Social Progress identified two categories of objective wellbeing – capabilities and fair allocations.

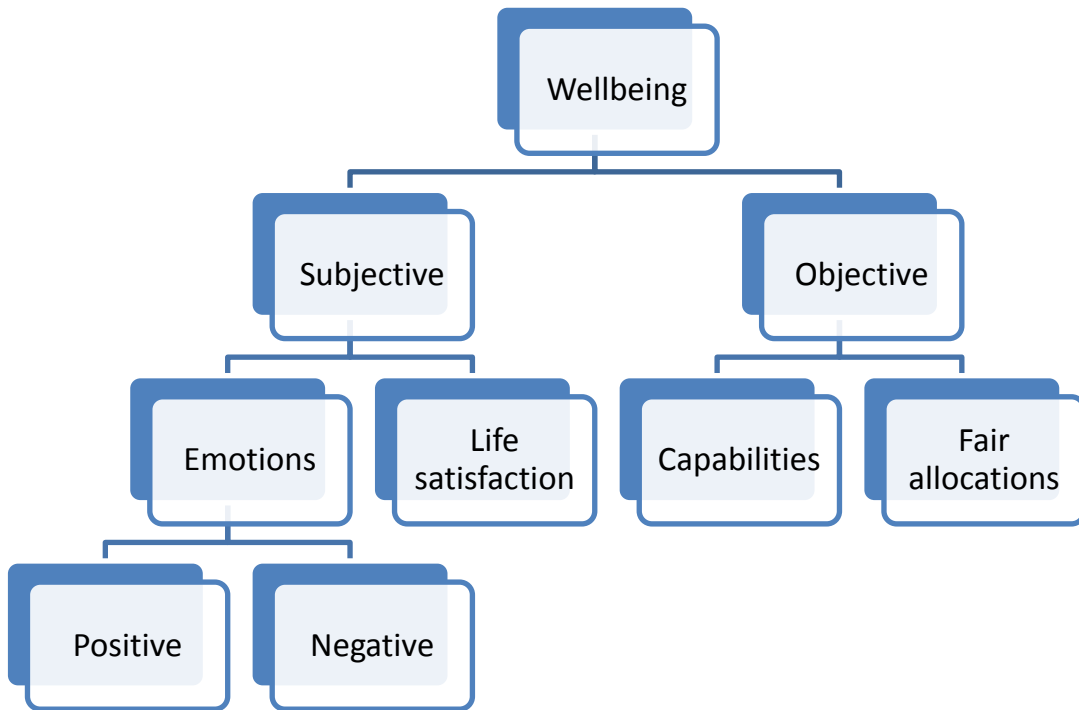
- i. **capabilities** – an individual's ability to pursue and realise the goals that he or she values. It involves questions of whether society is doing well and whether people are living well; or
- ii. **fair allocations** – this measures the various non-monetary dimensions of quality of life in a way that respects people's preferences, and thus determining whether people have the quality of life they want.

Approaches that consider capabilities and fair allocations give more weight to objective features of wellbeing, such as health, education, personal activities, political voice and governance, social connections, environmental conditions, personal insecurity, and economic insecurity.

⁹ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 146. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

2.2 In summary

Wellbeing could be depicted as follows:



3 TIMELINE

The following timeline notes some of the major milestones/developments leading from the 1930s to the current level of interest in measuring wellbeing.

1930s	Following the Depression, the construct of GDP is developed to measure the size of an economy by reference to its production and output.
1968	Senator Robert F Kennedy, in a speech to the University of Kansas on 18 March 1968, remarks: Our Gross National Product, now, is over \$800 billion dollars a year, but that Gross National Product... counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. 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 does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile.
1971	US economists Bill Nordhaus and James Tobin develop GDP estimates which account for environmental impact.
1972	The King of Bhutan coins the term 'Gross National Happiness'. As of 2012, it measures: time use; living standards; good governance; psychological wellbeing; community vitality; cultural diversity and resilience; health; education; and ecological diversity and resilience. 33 indicators within these nine domains are condensed into a single number index. ¹⁰ See www.grossnationalhappiness.com
1974	Richard Easterlin publishes the results of his study into whether economic growth makes people happier. He claims that average happiness in the US remained the same between 1946 and 1970 despite income per capita doubling in the same period. No link is found between GDP per capita and wellbeing, yet the wealthy in a country report greater wellbeing than those less fortunate. This study resulted in the phrase 'Easterlin paradox', to which the wellbeing literature frequently refers.
1990	The first Human Development Report, which includes the Human Development Index, is published by the UN Development Programme.
1996	The UK is the first country to establish a set of sustainable development indicators. ¹¹ The Australian Senate Legal and Constitutional References Committee releases its report <i>National Well-being: A System of National Citizenship Indicators and Benchmarks</i> . The Committee recommends that a system of national indicators and benchmarks be established to measure 'performance in the area of legal, economic, social and cultural significance'.

¹⁰ Bhutan's Gross National Happiness is not without its critics. Johns and Ormerod are wary of Bhutan being used as a pin-up example of the use of wellbeing indicators. They claim that Bhutan pursues ethnic cleansing in the name of happiness, as those who are ethnically Nepalese are expelled and/or confined to camps so that the Bhutanese culture is 'protected' and 'maintained': Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p 70.

¹¹ UK Office for National Statistics, *National Statistician's Reflections on the National Debate on Measuring National Well-being*, July 2011, p 11.

2001	The <u>Household, Income and Labour Dynamics in Australia</u> (HILDA) survey, a household-based panel study initiated by the Commonwealth Government, commences in Australia. It includes questions relating to life satisfaction.
2002	The ABS publishes its first edition of <i>Measuring Australia's Progress</i> (later known as <i>Measures of Australia's Progress</i>).
2004	The 1 st OECD World Forum on Statistics, Knowledge and Policy is held in Italy.
2007	The OECD 2 nd World Forum, focusing on 'Measuring and Fostering the Progress of Societies', is held 27 to 30 June in Turkey. It results in the 'Istanbul Declaration' made by the OECD, the European Commission, the Organisation of the Islamic Conference, the United Nations, the UN Development Programme and the World Bank, which affirms a 'commitment to measuring and fostering the progress of societies in all dimensions, with the ultimate goal of improving policy making, democracy and citizens' wellbeing'. ¹²
	The 'Beyond GDP' Conference, jointly organised by the European Commission, European Parliament, Club of Rome, the World Wildlife Fund and the Organisation for Economic Co-operation and Development, is held in November.
2008	French President, Nicholas Sarkozy, forms the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) to consider the limits of GDP as an indicator of economic performance and social progress. The Commission is tasked with considering what additional information may be required for more relevant indicators of social progress and to assess the feasibility of such measurement.
	The OECD Global Project on Measuring the Progress of Societies is established to foster the development of key economic, social and environmental indicators with a view of measuring wellbeing.
2009	The Australia 2020 Summit discusses the need for improved indicators of progress and proposes that an Australian National Development Index be developed. It advocates the development of a wellness footprint, that is, an assessment of the contribution made by various factors to the wellness of a community. This would apply to various environments such as schools, the workplace and urban planning. ¹³
	The French Commission on the Measurement of Economic Performance and Social Progress releases its report (also known by reference to its principal authors as the Stiglitz, Sen and Fitoussi Report). The Report argues in favour of a shift away from production-oriented measurement to one that focuses on the wellbeing of people, both now and in the future. The Commission suggests that a measurement of wellbeing should include such categories as: health, education, environment, employment, material wellbeing, interpersonal connectedness, and political engagement.
2009	The 3 rd OECD World Forum on Statistics, Knowledge and Policy is held in October in Korea. It focuses on: what does progress mean for our societies? what are the new paradigms to measure progress? and how can there be better policies within these new paradigms to foster the progress of our societies?
2010	Legislation is passed in the US to enable the establishment of a key national indicator system. A Key National Indicators Commission is formed.
	The UK Measuring National Well-being Programme is launched in November.
2011	The OECD Better Life Index commences in May.
	The OECD publishes its <i>How's life?</i> Report in October
2012	The Australian Centre for Excellence in Local Government (ACELG) publishes the report <i>Options for a Local Government Framework for Measuring Liveability</i> in January 2012 (http://www.acelg.org.au/upload/program1/1329456702_Final_Report_-_Liveability_Indicator_Frameworks_January_2012_v2.pdf). Amongst other things, the Report is designed to provide a starting point for local councils wishing to develop their own community indicators.

¹² See OECD, 'OECD 2nd World Forum – Istanbul 2007 Measuring and Fostering the Progress of Societies' http://www.oecd.org/site/0,3407,en_21571361_31938349_1_1_1_1_1,00.html

¹³ Australia 2020, *Australia 2020 Summit: Final Report*, p 127.

4 WHY THE INTEREST IN WELLBEING?

Gross Domestic Product (GDP) is a common indicator used to compare the economic size of various countries. It is calculated by reference to the total market value of goods and services produced less the cost of goods and services used in the process of production.¹⁴ The ABS summarises it as:

GDP = gross national expenditure + exports of goods and services – imports of goods and services.

It also provides a measure within a country of how its economy is faring over time, that is, is it growing or contracting? It is well developed as an indicator, with clear guidelines on how it is to be calculated, which, in addition to the fact that it has been calculated for some decades now, easily allows for comparisons between countries. However, the fact that it is widely available as an economic measure has resulted in a situation where it is sometimes used in a context broader than its original intent, as an indicator of economic and social wellbeing generally. The misuse of GDP and/or a focus on GDP as a sole measure of wellbeing has resulted in frustration in numerous quarters.

4.1 Historical context

An awareness of the historical context in which the calculation of GDP was developed is of much value in understanding its intended use as well as its limitations. The concept of GDP developed in the 1930s in the wake of the Great Depression and in the context of World War II. There was great interest in the productive capacity of a nation's economy coupled with a desire to prevent such an economic depression from reoccurring. As the New Economics Foundation explained:

The demands of wartime prioritised maximising the productive capacity of the economy over other considerations, at just the time when the accounting frameworks themselves were being refined and improved. The size of the economy – as defined by Gross Domestic Product – was quickly seized on as a convenient measure of national achievement. In the aftermath of the Second World War, overall productivity became firmly entrenched as the key hallmark of a country's overall success and widely interpreted as a proxy for societal progress, with damaging consequences for people and the planet.¹⁵

An interest in societal wellbeing is not new. However, what is currently noteworthy is the recent escalation of interest in measuring wellbeing, in addition to an increase in the types of bodies and organisations which are now interested in broader measures of wellbeing. Many global and national bodies have developed frameworks for measuring wellbeing on a regular basis. This growing interest was already occurring throughout the last decade but the repercussions of the Global Financial Crisis seem to have accelerated that

¹⁴ As defined by the Australian Bureau of Statistics.

¹⁵ New Economics Foundation, *National Accounts of Well-being: Bringing real wealth onto the balance sheet*, p 2. www.nationalaccountsofwellbeing.org

process, as concerns about the reliance on the measure of GDP has grown. The OECD has noted that:

In recent years, concerns have emerged regarding the fact that macro-economic statistics such as GDP, did not portray the right image of what ordinary people perceived about the state of their own socioeconomic conditions. While these concerns were already evident during the years of strong growth and 'good' economic performance that characterised the early part of the decade, the financial and economic crisis of the past few years has further amplified them. Addressing such perceptions of the citizens is of crucial importance for the credibility and accountability of public policies but also for the very functioning of democracy.¹⁶

The New Economics Foundation argues that a focus on wellbeing actually returns to the original intent of those who developed GDP:

For countries to operate a set of National Accounts of Well-being would be a significant departure from conventional practice. But the idea in fact represents a return to the original intent for modern national accounting systems as they were first conceived almost 75 years ago. The welfare focus of the fledgling national accounting systems in the US and Europe was lost in the need to respond to wartime requirements and boost productivity. This change of emphasis then became fixed in the immediate aftermath of the Second World War and has been with us ever since.¹⁷

4.2 What are the limitations of GDP?

Whilst GDP is extremely useful as an indicator, it does not capture all aspects of life in a particular country. GDP focuses on production within the economy but does not reveal other aspects of wellbeing, nor is it designed to do so. For example, GDP does not consider goods and services produced by a family member within the home. Whilst cleaning provided by a member of the household is not counted as part of GDP, the work of a hired household cleaner would be.

GDP is also not designed to take into account factors such as environmental sustainability and environmental damage caused by production. Central to the growing dissatisfaction with GDP as the major means of comparing the state of countries is the need to more accurately assess the state of the environment and its relationship to production. A nation could boost its economy in the short-term through the consumption of an enormous amount of natural resources, but is this a good basis on which to compare its performance to other countries if the rate of production is simply not sustainable? The French Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) has argued that 'Market prices are distorted by the fact that there is no charge imposed on carbon emissions, and no account is made of the cost of these emissions in standard national income accounts'.¹⁸

¹⁶ OECD, 'Measuring well-being and progress: Understanding the issue', http://www.oecd.org/document/33/0,3746,en_2649_33715_47835039_1_1_1_1,00.html

¹⁷ New Economics Foundation, *National Accounts of Wellbeing: Bringing real wealth into the balance sheet*, p 11.

¹⁸ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic*

Another perceived shortcoming of GDP is its inclusion of 'negative' factors in its calculation. For example, spending on tobacco and accidents, and in response to rising crime rates and natural disasters may increase GDP. Numerous commentators have highlighted that this can result in a misleading picture of how a society is faring.

The Commission of the European Communities has argued:

Gross Domestic Product (GDP) is a powerful and widely accepted indicator for monitoring short to medium term fluctuations in economic activity, notably in the current recession. For all of its shortcomings, it is still the best single measure of how the market economy is performing. But GDP is not meant to be an accurate gauge of longer term economic and social progress and notably the ability of a society to tackle issues such as climate change, resource efficiency or social inclusion. There is a clear case for complementing GDP with statistics covering the other economic, social and environmental issues, on which people's well-being critically depend.¹⁹

The French CMEPSP warned of the dangers in placing 'too much emphasis on GDP as the unique benchmark'²⁰ and highlighted the need to consider income if the wellbeing of citizens is to be better understood. In summary, the CMEPSP noted:

GDP is the most widely-used measure of economic activity. There are international standards for its calculation, and much thought has gone into its statistical and conceptual bases. But GDP mainly measures market production, though it has often been treated as if it were a measure of economic well-being. Conflating the two can lead to misleading indications about how well-off people are and entail the wrong policy decisions. Material living standards are more closely associated with measures of real income and consumption – production can expand while income decreases or vice versa when account is taken of depreciation, income flows into and out of a country, and differences between the prices of output and the prices of consumer products.²¹

4.3 Disjuncture between rising GDP per capita and reported levels of happiness

Some academics have drawn attention to the fact that whilst GDP per capita has risen over the years, levels of personal happiness have not. According to Seligman, 'Life satisfaction in the United States has been flat for fifty years even though GDP has tripled'. Depression and anxiety rates have also increased.²² This has raised questions for some about the value of what they see as a

Performance and Social Progress, 2009, p 9. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

¹⁹ Commission of the European Communities, *GDP and beyond: Measuring progress in a changing world*, Communication from the Commission to the Council and the European Parliament, 2009, p 10.

²⁰ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 85. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

²¹ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 137. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

²² Seligman M, *Flourish*, Random House Australia, North Sydney, 2011, p 223.

relentless pursuit of endless economic growth – is it worth it if individuals in a society are not becoming happier as a result? An approach grounded in utilitarianism, that is, maximising overall happiness by ensuring the greatest happiness of the greatest number, does appeal to some. See section six for further consideration of some of the philosophical underpinnings and associated concerns with the wellbeing debate.

4.3.1 Income and happiness

In the 1970s, Easterlin published his research that found the lack of a strong link between GDP per capita and wellbeing when countries are compared, yet when restricted to a particular country, the wealthy reported greater wellbeing than those less fortunate. This finding is known as the 'Easterlin paradox' and has been considered by numerous researchers since then.

Layard has graphed the intersection of income and happiness of numerous countries, both Western and non-Western.²³ The results showed that in countries with incomes over US\$20,000 per capita, additional income was not linked to greater happiness, that is, the richer countries were no happier than the poorer. Layard found that wellbeing rises with income to a point, after which any increase in wellbeing is minimal. Seligman would agree, noting that 'making more money rapidly reaches a point of diminishing returns on life satisfaction'.²⁴ However, in those countries that were generally poorer (incomes under US\$20,000 per capita), Layard found the relatively richer persons to be happier than the poor, most likely because of the immense value provided by extra income as it moves people further from extreme poverty.

Layard believes that the greater income enjoyed since World War II has increased happiness. However, it has been counteracted by 'greater misery coming from less harmonious relationships'. Layard describes the phenomenon as follows, 'When people become richer compared with other people, they become happier. But when whole societies have become richer, they have not become happier – at least in the West'.²⁵ Layard sees happiness as bearing a relationship to one's relative standard of living. Whilst the standard home today may have more luxuries compared to a home in the 1950s, if those around us have more than we do, research has shown that we are inclined to be dissatisfied. Therefore, if the living standard in the 1950s was more equally spread throughout society, people may have been happier as it was more difficult to compare oneself negatively to others. There have always been the wealthy in society but if the average person is in a similar situation to the majority around them, their own situation is not viewed as unfavourably by comparison.

²³ Layard R, *Happiness: Lessons from a new science*, The Penguin Press, New York, 2005, p 32ff.

²⁴ Seligman M, *Flourish*, Random House Australia, North Sydney, 2011, p 224.

²⁵ Layard R, *Happiness: Lessons from a new science*, The Penguin Press, New York, 2005, p 31.

However, not all would agree with this argument. Snowdon found that:

there is no empirical evidence that people in more egalitarian countries enjoy happier lives, nor is there any credible reason to think they should. Scholars of happiness have identified many factors which improve life satisfaction scores but income equality is not one of them.²⁶

As to whether there is a relation between GDP per capita and life satisfaction, Deaton disagrees with Layard's findings. Using data from the Gallup World Poll (which surveyed people aged 15 years and over in 132 countries on matters including aspects of wellbeing and life satisfaction), Deaton concluded that life satisfaction is higher in countries with higher GDP per head and that 'it is *not true* that there is some critical level of GDP per capita above which income has no further effect on life satisfaction'.²⁷ Sacks, Stevenson and Wolfers would agree. They considered 140 countries and found that richer individuals are more satisfied with their lives.²⁸ In contrast to Easterlin, they found a relationship between average levels of satisfaction in a country and GDP per capita, with no satiation point. They concluded that economic growth is associated with increases in life satisfaction, thus casting doubt on the Easterlin paradox.²⁹

However, life satisfaction and happiness are often treated as two different aspects of subjective wellbeing. Whether research focuses on happiness per se or on life satisfaction can influence the findings. Kahneman and Deaton use the term happiness to specifically refer to emotional wellbeing. They concluded that income and education are more closely linked to life evaluation, whilst health, care giving, loneliness and smoking are relatively stronger predictors of daily emotions.³⁰ They found that life evaluation rises steadily with income. In contrast, emotional wellbeing rises with income but only to a point, namely US\$75,000, after which there is no further progress. They thus infer that 'high income buys life satisfaction but not happiness, and that low income is associated both with low life evaluation and low emotional well-being'. It is accordingly important to their findings that the two aspects of subjective wellbeing are separated as they 'find that emotional well-being and life evaluation have different correlates in the circumstances of people's lives. In

²⁶ Snowdon C, 'Are more equal countries happier?', in Booth P, *...and the Pursuit of Happiness: Wellbeing and the Role of Government*, The Institute of Economic Affairs, London, 2012, p 121.

²⁷ Deaton A, 'Income, Health and Well-being Around the World: Evidence from the Gallup World Poll', *Journal of Economic Perspectives*, 22(2) 2008, p 57.

²⁸ Sacks D, Stevenson B and Wolfers J, 'Subjective wellbeing, income, economic development and growth', in Booth P, *...and the Pursuit of Happiness: Wellbeing and the Role of Government*, The Institute of Economic Affairs, London, 2012, p 61.

²⁹ Sacks D, Stevenson B and Wolfers J, 'Subjective wellbeing, income, economic development and growth', in Booth P, *...and the Pursuit of Happiness: Wellbeing and the Role of Government*, The Institute of Economic Affairs, London, 2012, p 88.

³⁰ Kahneman D and Deaton A, 'High income improves evaluation of life but not emotional well-being', 2010. Available from http://www.princeton.edu/news/Income_Happiness/Happiness_Money_Report.pdf

particular, we observe striking differences in the relationship of these aspects of well-being to income'. The well-off thus enjoy life satisfaction, but not necessarily happiness, whilst the poor lack both.

4.3.2 Wellbeing and income distribution

GDP does not reveal anything about the way in which income is distributed within society. GDP per capita may paint a misleading picture if the increase in wealth is limited to one section of society. The French CMEPSP Report noted that GDP per capita may not accurately assess a situation involving large changes in income distribution, so that 'If inequality increases enough relative to the increase in average per capital GDP, most people can be worse off even though average income is increasing'.³¹

A number of commentators have highlighted the need to examine median income rather than being pre-occupied with the average income per capita, as the use of average figures can hide the way wealth is distributed within a country. Ross Gittins in *The Happy Economist* identified GDP's inability to take account of changes in the distribution of income within a nation as one of the reasons GDP is not satisfactory as a measure of wellbeing.³²

4.4 Warnings about the potential for misuse of wellbeing data

Some of the concerns about wellbeing indicator systems and the use made of them centre on the measurement of subjective wellbeing or 'happiness'. Johns and Ormerod warn of the potential of serious problems in establishing a correlation between such a thing as happiness, which has strictly defined boundaries (ie are you not happy, happy or very happy?), and GDP.³³ They also point out that whilst there does not appear to be a correlation between growth in GDP per capita and happiness, the same could be said to be true of happiness and any of the following (all of which could be reasonably assumed to impact happiness):

- Increased leisure time
- Crime
- Declining infant mortality
- Increased longevity
- Unemployment
- Declining gender inequality
- Public spending.

³¹ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 8. Available from <http://www.stiglitz-sen-fitoussi.fr/en/documents.htm>

³² Ross Gittins, *The Happy Economist: Happiness for the hard-headed*, Allen and Unwin, Crows Nest, 2010, p 189.

³³ Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p 33.

Johns and Ormerod note:

One of the noted names in the happiness literature, Nobel laureate Daniel Kahneman, recently argued that national accounts based on self-reported happiness would not be a useful aid to government decision-making, and that any difference policymakers could make on influencing happiness would be 'marginal'. It is sobering to hear someone so closely associated with the research reach such a conclusion, and those who believe that wellbeing accounts are necessary might do well to question why.³⁴

There are also concerns over the use of more general wellbeing data. Johns and Ormerod are critical of some wellbeing researchers, including the New Economics Foundation, who they claim present a misleading picture of the current situation in order to further the argument that wellbeing needs to be measured. They also question whether taking wellbeing data into account (using the example of the environment as an element of objective wellbeing) will change the outcome in any event:

As with all methods and metrics, use of wellbeing data has the potential to throw up anomalous and questionable results. Some of those who have popularised wellbeing research (eg NEF, 2004) continue to give the misleading impression that environmental benefits are not already taken into account in policymaking, thus exaggerating the moral case for the wellbeing agenda. In fact there do not appear to be any publicly available studies that demonstrate that a specific environmental policy decision would have been better made if approaches proposed in the happiness literature had been used instead of current approaches.³⁵

³⁴ Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p 58.

³⁵ Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p76.

5 HOW SHOULD WELLBEING BE MEASURED?

Whilst most people are willing to admit that GDP is a valuable measure, some nonetheless believe that it is time that other measures were developed to provide a more complete picture of the wellbeing of one nation compared to another. Social indicators are measured by numerous organisations within a variety of countries, but additional indicators may be required in order to adequately consider wellbeing in a holistic manner.

Diener and Seligman argue that economic indicators were a good measure of how a nation was doing at a time when many basic needs were unmet, such as in the Depression era.³⁶ However, they believe that economic indicators have become less relevant to wellbeing as nations have become wealthier and basic needs are now generally met. They do not propose to abandon economic indicators; rather, they suggest that wellbeing indicators be introduced as a complement to the economic ones:

What the divergence of the economics and well-being measures demonstrates is that well-being indicators add important information that is missed by economic indicators. Economic development will remain an important priority, but policies fostering economic development must be supplemented by policies that will have a stronger impact on well-being.³⁷

They firmly believe that social indicators measuring things such as crime, marriage and divorce, pollution, and infant mortality are not sufficient in themselves for this purpose:

..social indicators can capture aspects of quality of life that add to the portrait drawn by economic indicators. Nevertheless, these social indicators fail to fully capture the well-being of nations because they do not reflect people's actual experiences – the quality of their relationships, the regulation of their emotions, whether they experience work as engaging, and whether feelings of isolation and depression permeate their daily living. In other words, the social indicators are important, but they do not fully capture well-being.³⁸

There are a number of possible ways forward. In a Commonwealth Treasury Working Paper, Gorecki, Gruen and Johnson highlighted the strengths of GDP as a measure and its continued importance. However, the authors acknowledge that GDP has sometimes been viewed as a broader measure of progress and identify a number of alternatives to its current use:

- i. adjust GDP to include environmental and social factors;
- ii. replace GDP so that progress is assessed more directly; or

³⁶ Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 20.

³⁷ Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 10.

³⁸ Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 20.

- iii. supplement GDP with additional environmental and social information.³⁹

Jessica Irvine has summarised the five main approaches to measuring wellbeing along with the advantages and disadvantages of each approach, and these appear in the table below:⁴⁰

Approach	Method	Examples	Advantages	Disadvantages
Correct GDP	Start with national income then add or subtract as appropriate those factors that affect national wellbeing such as health, education and inequality.	HALE Index	Provides a single summary measure that can easily be tracked over time.	Makes a subjective judgment about the relative importance of different factors that affect wellbeing.
Measure subjective wellbeing	Survey people about their own assessment of their personal wellbeing and then aggregate results	Australian Unity Wellbeing Index, HILDA Survey	Only individuals know if they personally feel better or worse off	When aggregated, measures tend to produce consistent average readings for wellbeing in Australia
Composite indices	Combine separate measures of economic wellbeing into a single composite index	Canadian Index of Wellbeing, Bhutan's Gross National Happiness, UN's Human Development Index	Can present a rich array of data	Makes a subjective decision about the relative importance of different factors
User-weighted indices	Individuals determine their own individual weightings of the drivers of wellbeing according to their own preferences	OECD's Better Life Index	A highly personalised tool for individuals to assess wellbeing	Entirely subjective and not easily tracked over time
Dashboard	Drivers of wellbeing are presented in a dashboard style with no attempt to determine their relative importance	ABS' Measures of Australia's Progress Victoria – Community Indicators Project	The most intellectually safe approach, avoiding the making of subjective decisions about the relative importance of different measures	No way to measure progress over time, leaving the field to GDP as the only single indicator of progress available.

The challenges involved in determining the best approach to adopt are well-

³⁹ Gorecki S, Gruen D and Johnson S, 'Measuring wellbeing in theory and practice', Treasury Working Paper 2011 – 02, September 2011.

⁴⁰ Irvine J, 'How to measure the national wellbeing', *Sydney Morning Herald*, 8/12/11.

recognised. The French Commission on the Measurement of Economic Performance and Social Progress identified some of the challenges involved in the decision whether to adopt a single indicator or dashboard approach (where multiple indicators are presented alongside each other) to wellbeing, noting:

the challenge of providing a more parsimonious description of QoL [quality of life] than the one provided by scores of non-monetary indicators is real. According to one view, only sub-domain indicators should be produced, leaving it to users to form their opinion about QoL. Others argue that a synthetic indicator has unique political clout, and cite the influence of GDP as proof that such indices are essential. Each stance has its strong and weak points. On the one hand, leaving it to users to make the synthesis supposes that users (the media, politicians, the general public) are equipped to do this consistently, which is sometimes dubious: the most likely consequences of producing only sub-domain indicators could well be that GDP will remain the dominant indicator, and that statistics produced with no concern for a synthesis will fail to supply appropriate data. On the other hand, the search for a synthetic indicator risks embroiling statistical institutions in political debates that put their neutrality at risk.⁴¹

Regardless of which of the above approaches is adopted, decisions must be made as to the exact parameters of a wellbeing indicator system. This is where debates about the role of subjective as opposed to objective wellbeing tend to emerge. The OECD examines material living conditions, quality of life and sustainability in order to measure wellbeing. Diener and Seligman believe that a national wellbeing indicator should consider: life satisfaction generally, as well as positive and negative emotions in the areas of work life, health, social relationships and mental health.⁴² Wellbeing needs to consider, in their view, positive emotions and moods, engagement and having meaning in life, or, as they describe it, 'the pleasant life', 'the good life' and 'the meaningful life'.

The UK-based New Economics Foundation uses two headline measures for its national accounts of wellbeing. It believes that personal wellbeing (emotional wellbeing, satisfying life, vitality, resilience, self-esteem, positive functioning) and social wellbeing (supportive relationships, trust and belonging) must both be examined in order to have a true picture of a society's wellbeing. It argues that consideration of these factors will enable a more informed approach to policy formation as well as facilitating better engagement between governments and the general public.

A report by the Australian Centre of Excellence for Local Government (ACELG) on the options for a local government framework for measuring liveability identified indicators commonly included in at least five of the six frameworks it studied.⁴³ They included:

⁴¹ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 207.

⁴² Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 21.

⁴³ Olsson E, Albert E, Coroneos R, Leeson R and Wyatt R, *Options for a Local Government Framework for Measuring Liveability*, Australian Centre of Excellence for Local Government, University of Technology, Sydney, 2012, p 55.

- Greenhouse gas emissions
- Household waste and recycling
- Participation in sporting and recreational activities
- Adequate physical exercise at least five times per week
- Percentage of current smokers
- Life expectancy at birth, male and female
- Quality of life, happiness, psychological or subjective wellbeing
- Feeling part of the community
- Levels of formal education
- Apprenticeship and vocational training
- Ratio of childcare places
- Early primary school development
- Participation in arts and cultural activities
- Assorted additional indicators such as facilities for children, teenagers, seniors, Aboriginal culture
- Rates of crime
- Domestic violence
- Road safety
- Percentage of volunteering
- Transport mode share
- Use of public transport
- Typical % of households with housing costs of 30% or more of gross income
- Employment rate
- Local employment

To be taken seriously, there must be a sense of quality about the data used in calculating wellbeing. The ABS believes that the following are true of a good progress indicator:⁴⁴

- relevant to the particular area of life in question;
- summary in nature;
- supported by timely data of good quality;
- capable of disaggregation;
- intelligible and easily interpreted by the general reader;
- available as a time series of data over an appropriate time period;
- focus on outcomes for the dimension of progress;
- show direction of movement; and
- sensitive to changes in the underlying phenomena.

Community Indicators Victoria considers both subjective and objective wellbeing and adopted the following guidelines which had to be met for an indicator to be included in their measure:⁴⁵

⁴⁴ ABS, *Measures of Australia's Progress: Summary Indicators, 2010*, 1370.0

⁴⁵ Community Indicators Victoria http://www.communityindicators.net.au/indicators_in_civ

- Are relevant and valuable to the community
- Are grounded in theory and endorsed by experts on the topic
- Measure progress towards sustainability and/or community vision
- Are likely to give information about the future and/or early warning signs of problems
- Are measurable at the Local Government Area level
- Can be measured over time to show trends in results
- Have regular and reliable data sources (eg the ABS Census)
- Can be disaggregated by population groups
- Can be benchmarked against relevant jurisdictions
- Are methodologically defensible
- Are unambiguous and resonate with the general population
- Applicable to all Victorian Local Government Areas
- Has been supported by consultation feedback
- Are consistent with other key government indicators.

Community Indicators Online <http://www.adelaide.edu.au/wiser/cio/> provides a guide for developing an indicator framework.

6 SHOULD PUBLIC POLICY BE CONCERNED WITH MAXIMISING THE WELLBEING OF INDIVIDUALS?

There is some debate over whether it is appropriate for governments to attempt to influence the subjective wellbeing of its citizens. Some view the growing interest of politicians in measuring the wellbeing of their citizens as an excuse for greater governmental interference in the private lives of citizens.⁴⁶ Some are wary of a revived interest in utilitarianism, an ethical and political philosophy associated with Jeremy Bentham and John Stuart Mill that seeks the greatest happiness of the greatest number of people. In its simplest form, utilitarianism measures laws and policies according to how they promote or detract from the greatest overall happiness. However, happiness is not the only goal worth considering and can result in unjust outcomes if it also omits from consideration issues of morality or what is 'good' for society.

There are also concerns that wellbeing data could be used for social engineering. Johns and Ormerod are highly critical of government interest in measuring wellbeing and warn that happiness indicators may be selectively used to justify pre-determined policy alternatives.⁴⁷

In favour generally of this area of research, Gittins has nonetheless highlighted some of the other concerns about its preoccupations and policy implications, noting some typical complaints:

Is happiness a suitably worthy topic for someone who takes a pride in being hard-headed? Isn't the pursuit of personal happiness a rather shallow, self-centred business, preoccupied with seeking a good time, maximising pleasure and minimising pain? Doesn't it encourage smugness and a lack of concern about an unjust world? Doesn't the 'practice of contentment' act as an antidote to ambition and striving for progress?⁴⁸

Most organisations with an interest in this area take a firm view that measuring progress is at least partly about informing policy makers so better decisions are able to be made. Some groups, such as the Canadian Index of Wellbeing, explicitly acknowledge their intention that their measures of wellbeing should be used to influence policy decisions and thus improve their quality.

The need for government to consider wellbeing indicators is seen as justified because of the potential for enormous benefits to accrue to society, such as encouraging better engagement by citizens in the political process and providing a means of accountability between governments and their citizens. The Joint Istanbul Declaration in 2007 by the OECD, European Commission, the Organisation of the Islamic Conference, the UN, the UN Development Programme and the World Bank affirmed that:

⁴⁶ Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p 8.

⁴⁷ Johns H and Ormerod P, *Happiness, Economics and Public Policy*, The Institute of Economic Affairs, London, 2007, p 9.

⁴⁸ Gittins R, *The Happy Economist*, Allen and Unwin, Crows Nest, 2010, p 4.

A culture of evidence-based decision making has to be promoted at all levels, to increase the welfare of societies. And in the 'information age', welfare depends in part on transparent and accountable public policy making. The availability of statistical indicators of economic, social, and environmental outcomes and their dissemination to citizens can contribute to promoting good governance and the improvement of democratic processes. It can strengthen citizens' capacity to influence the goals of the societies they live in through debate and consensus building, and increase the accountability of public policies.⁴⁹

It was the opinion of the Commonwealth Senate Legal and Constitutional References Committee in its 1996 Report on national wellbeing that:

Good government is directly related to the quality of information that is available to decision makers. Access to information also empowers the individual and non government organisations, in that it allows them to participate rationally and constructively in the workings of society. The production of information that is transparent and related to the identification of areas of social concern is one of the main ways that the desire to increase participation can be addressed.⁵⁰

Further, the US Government Accountability Office noted that:

Indicator systems and their reports have been used to highlight instances when progress is not being made and to encourage interested parties and stakeholders to take action. In addition, by ensuring that relevant, reliable information is made more accessible and usable by many different members of our society, indicator systems help establish accountability and increase the probability that pressing problems are understood and that decisions are well informed.⁵¹

There are numerous incentives for a government to ensure that its citizens enjoy a high level of wellbeing. Derek Bok, former President of Harvard University, in *The Politics of Happiness*, considers the current research on happiness and how it might be applied by governments to improve the wellbeing of its citizens. Bok notes that:

..the successful pursuit of happiness promises not merely to be self-serving but contribute to a better, stronger, more caring society. At the same time, happy people tend to live longer, enjoy better health, work more effectively at their jobs, and contribute more to strong, effective democratic government and flourishing communities. All in all, therefore, happiness seems to represent a most appropriate goal for government to pursue, just as Bentham maintained more than two centuries ago.⁵²

Diener and Seligman argue that wellbeing should be a primary focus of policy makers. They have identified a number of advantages they believe are likely to accrue to individuals with high wellbeing, with a flow-on effect to be enjoyed by

⁴⁹ See <http://www.oecd.org/dataoecd/45/33/49130123.pdf>

⁵⁰ Australia, Senate Legal and Constitutional References Committee, *National Well-being: A System of National Citizenship Indicators and Benchmarks*, Report (Chair: Senator Chris Ellison), April 1996, p 76.

⁵¹ United States Government Accountability Office, *Key Indicator Systems: Experiences of Other National and Subnational Systems Offer Insights for the United States*, Report to Congressional Addressees, GAO-11-396, March 2011, p 22.

⁵² Bok D, *The Politics of Happiness: What government can learn from the new research on well-being*, Princeton University Press, Princeton and Oxford, 2010, p 205.

society in general.⁵³

Domain	Advantages
Society	Wellbeing of the populace might facilitate democratic governance.
Income	Happy people later earn higher incomes than unhappy people.
Work	Satisfied and happy workers are better organisational citizens than unhappy workers. Work units with high satisfaction have more satisfied customers than units with low satisfaction. Satisfaction of work units may correlate with productivity and profitability.
Physical health	High wellbeing may correlate with longevity. Individuals low in wellbeing have compromised immune systems and are more likely to have certain diseases compared with individuals high in wellbeing.
Mental disorders	The happiest individuals score low in psychopathology.
Social relationships	High wellbeing is associated with increased probability of marrying and staying happily married. It is also associated with increased numbers of friends and social support.

De Vos argues for a moderate approach and concludes:

The pursuit of happiness is a natural and crucial part of the human existence, as philosophers have recognised for many centuries. A state of personal happiness clearly can benefit society as well. Happy people on average have more productive and successful careers, are more willing to engage in the risk-taking of the successful entrepreneur, live longer and healthier lives, and even drive more safely. There is thus a strong case for integrating a happiness perspective into policy reflection. Valuing happiness also brings us closer to the essentials of life, and may thus help to supersede some of the materialistic biases of existing policies.

Unfortunately, however, happiness is not only promoted as an additional factor for consideration in the process of political decision-making. A hard core of very visible happiness enthusiasts is advocating a return to a utilitarian past, defending the greatest happiness of mankind as the ultimate common good and its promotion as the overarching goal of public policy.... I have argued that this happiness agenda comes with weak credentials and unclear motives.⁵⁴

⁵³ Diener E and Seligman M, 'Beyond money: Toward an economy of well-being', *Psychological Science in the Public Interest*, 5(1), 2004, p 24.

⁵⁴ De Vos M, 'The unbearable lightness of happiness policy', in Booth P, *...and the Pursuit of Happiness: Wellbeing and the Role of Government*, The Institute of Economic Affairs, London, 2012, p 200.

7 DEVELOPMENTS WITHIN AUSTRALIA

Various wellbeing indicator frameworks have been established in Australia, at a national, state or territory, and local level. In a number of ways, Australia has been one of the global leaders in measuring the wellbeing of its citizens. This section surveys only a selection of the frameworks that exist or are currently in development.

7.1 National

7.1.1 Australian Bureau of Statistics

The Australian Bureau of Statistics was the first national statistical organisation in the world to measure wellbeing. Its series, *Measures of Australia's Progress*, commenced in 2002 and was developed in response to the growing interest in this field in communities and governments, both within Australia and internationally. The ABS does not attempt to reduce wellbeing into a single index but adopts a dashboard approach to measuring wellbeing. Accordingly, various indicators are presented side by side. The ABS did this to avoid 'the complexity and contestability of a comprehensive accounting system, which is complicated to both compile and interpret, and the potential oversimplification involved in presenting a single progress indicator'.⁵⁵ *Measures of Australia's Progress* is designed to help Australians determine whether life in Australia is getting better; the assessment is based on what the individual considers important.

Progress is measured under the headings of society, the economy and the environment. Users are encouraged to draw their own conclusions based on their own value systems. The ABS measures 17 indicators that fall within the broad fields of society, the economy and society, as shown in the table below.

Society	Economy	Environment
Health	National income	Biodiversity
Education and training	National wealth	Land
Work	Household economic wellbeing	Inland waters
Crime	Housing	Oceans and estuaries
Family, community and social cohesion	Productivity	Atmosphere
Democracy, governance and citizenship		Waste

Other indicators may at times be considered, including culture and leisure, communication, transport, inflation, and competitiveness and openness.

⁵⁵ Australian Bureau of Statistics, 'What approach did the ABS take in presenting progress data?' [http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~What%20approach%20did%20the%20ABS%20take%20in%20presenting%20progress%20data%3f%20\(2.10\)](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~What%20approach%20did%20the%20ABS%20take%20in%20presenting%20progress%20data%3f%20(2.10))

7.1.2 Australian National Development Index

The Australian National Development Index involves 40 community organisations, church groups, businesses and universities who are formulating a holistic measure of progress to provide a picture of how Australians are doing as individuals, communities and as a nation. In contrast to the ABS, the ANDI is developing a composite index of progress that goes further than common economic measures such as GDP or the Consumer Price Index. It is adopting the single number approach to allow easy comparison across time, and because it is believed that it will garner greater attention from the public, politicians and the media. It is intended that the first index of Australia's progress will be released by the end of 2013. See <http://www.andi.org.au/>

7.1.3 Australian Unity Wellbeing Index

The Australian Unity Wellbeing Index was established in 2001 and is a joint project between Australian Unity and the Australian Centre on Quality of Life at Deakin University. It examines personal and national wellbeing by biannually surveying 2000 adults across Australia and formulating a Personal Wellbeing Index and National Wellbeing Index. The Personal Wellbeing Index is concerned with a person's satisfaction with:

- Standard of living
- Health
- Achievements in life
- Personal relationships
- How safe you feel
- Community connectedness
- Future security
- Spirituality/religion

The National Wellbeing Index looks at:

- Economic situation
- State of the environment
- Social conditions
- How Australia is governed
- Business
- National security

Each survey also includes some additional questions relevant to wellbeing, but these questions change from survey to survey.

7.1.4 Herald/Age – Lateral Economics (HALE) Index of Wellbeing

The HALE Index of Wellbeing was developed in order to provide a better measure of economic progress and wellbeing than currently provided by GDP. It considers nine dimensions:

Economic wellbeing

1. Economic (recurrent plus physical capital)
2. Education (human capital)
3. Environment (natural capital)
4. Adjustment for the distribution of economic wellbeing

Non-Economic wellbeing

5. Environmental amenity
6. Health
7. Employment-related satisfaction (non-economic harm of unemployment, underemployment and overwork)
8. Political capital
9. Social capital

Wellbeing was estimated at \$330.0 billion in the March 2012 quarter whereas GDP for the same quarter was \$342.4 billion. The Wellbeing Index calculated according to the quarterly figures until the end of March 2012 is set out in the table below:

Category	What is it?	Value
Income	Australia's net disposable income	\$285.2 bn
Environment	The depletion of natural resources and the costs of climate change	-\$0.2 bn
Human capital	Early childhood development, education, innovation minus the decline in skills of long-term unemployed	\$102.1 bn
Inequality	An assessment of the income disparity between rich and poor	-\$8.7 bn
Health	Life expectancy, preventable hospitalisation, mental health costs and obesity	-\$38.3 bn
Job satisfaction	The degree of unemployment, under employment and overwork	-\$10.1 bn
Total wellbeing		\$330.0 bn

Source: Irvine J, 'The nation's best investment is still education', *Sydney Morning Herald*, 9/6/12. See also <http://www.smh.com.au/national/wellbeing>

7.2 NSW

7.2.1 NSW State Plan: NSW 2021

The current NSW State Plan – NSW 2021 – has 32 goals and 180 targets as part of a strategic plan to:

1. Rebuild the economy
2. Return quality services (transport, health, family and community services, education, police and justice)
3. Renovate infrastructure
4. Strengthen our local environment and communities
5. Restore accountability to government

Local governments and communities are to develop local and regional action plans in keeping with the overall State Plan. A Cabinet Committee regularly reviews progress towards the 32 goals, with Ministers and Directors General asked to identify performance improvement initiatives. The NSW Budget 2012-13 has been aligned with achieving the specified goals and targets and accountability is to be ensured through an annual report tabled in NSW Parliament. Regular updates are also to be provided online. Performance data is to be subject to an annual independent audit progress to ensure its accuracy. The *2012 Performance Report* was released with the *2012-13 Budget* and details progress made thus far toward each of the relevant goals.⁵⁶

The 32 goals and some of the major targets are listed in the table below.⁵⁷

Goal	Target
1. Improve the performance of the NSW economy	Grow business investment by an average of 4% per year to 2020. Grow GSP per capita by an average 1.5% per year to 2020 with specific industry growth targets. Grow employment by an average of 1.25% per year to 2020.
2. Rebuild State finances	Effective balance sheet management. Improve financial management and controls. Improve efficiency and effectiveness of expenditure. Reform revenue. Improve public trading enterprises performance.
3. Drive economic growth in regional NSW	Increase the share of jobs in regional NSW. Increase the population in regional NSW by 470,000 by 2036. Protect strategic agricultural land and improve agricultural productivity.
4. Increase the competitiveness of doing business in NSW	Increase business confidence. Reduce red tape. Increase business innovation.
5. Place downward pressure on the cost of living	Improve housing affordability and availability. Contain electricity costs through efficient energy use.
6. Strengthen the NSW skill base	More people gain higher level tertiary qualifications. More young people participate in post school education and training.
7. Reduce travel times	Improve the efficiency of the road network during peak times on Sydney's road corridors. Minimise public transport waiting times for customers.
8. Grow patronage on public transport by making it a more attractive choice	Consistently meet public transport reliability targets. Increase the share of commuter trips made by public transport. Increase the proportion of total journeys to work by public transport in the Sydney metropolitan region to 28% by 2016. Increase walking and cycling.
9. Improve customer experience with transport services	Improve customer satisfaction with transport services. Increase real-time travel information to customers.
10. Improve road safety	Reduce fatalities to 4.3 per 100,000 population by 2016.

⁵⁶ See NSW 2021, '2012 Performance Report's <http://2021.nsw.gov.au/reports>

⁵⁷ Further details of each target can be found at NSW 2021, 'NSW 2021 Plan'. http://2021.nsw.gov.au/sites/default/files/NSW2021_WEB%20VERSION.pdf

11. Keep people healthy and out of hospital	<p>Reduce smoking rates Reduce overweight and obesity rates Reduce risk drinking Close the gap in Aboriginal infant mortality. Improve outcomes in mental health. Reduce potentially preventable hospitalisations.</p>
12. Provide world class clinical services with timely access and effective infrastructure	<p>Reduce hospital waiting times. Improve transfer of patients from emergency departments to wards. Reduce unplanned readmissions. Decrease healthcare associated bloodstream infections. Ensure all publicly provided health services meet national patient safety and quality standards. Increase patient satisfaction.</p>
13. Better protect the most vulnerable members of our community and break the cycle of disadvantage	<p>Child wellbeing. Reduce the number and rate of people who are homeless.</p>
14. Increase opportunities for people with a disability by providing supports that meet their individual needs and realise their potential	<p>Persons centred approach to disability services: Increase the percentage of disability service users who are using individualised funding arrangements. Increase participation of people with disabilities in employment or further education. Increase the proportion of people (aged five and over) with profound and severe disabilities (core activity limitation) involved in out-of-home activities.</p>
15. Improve education and learning outcomes for all students	<p>All children have access to quality early childhood education. Improve student achievement in literacy and numeracy. More students finish high school or equivalent. Schools have high expectations for all their students. Improve the quality of all teaching. Public schools have more options for local decision making.</p>
16. Prevent and reduce the level of crime	<p>Reduce crime levels. Increase confidence in police.</p>
17. Prevent and reduce the level of re-offending	<p>Reduce juvenile and adult re-offending by 5% by 2016. Increase completion rates for key treatment and intervention programs.</p>
18. Improve community confidence in the justice system	<p>Increase community confidence through an efficient court system. Increase victims and community understanding of the justice system.</p>
19. Invest in critical infrastructure	<p>Increase expenditure on critical NSW infrastructure. Improve the quality of urban and rural State roads. Enhance rail freight movement.</p>
20. Build liveable centres	<p>Planning policy to encourage job growth in centres close to where people live and to provide access by public transport.</p>
21. Secure potable water supplies	<p>Secure long term potable water supplies for towns and cities supported by effective effluent management.</p>
22. Protect our natural environment	<p>Protect and restore priority land, vegetation and water habitats. Protect local environments from pollution. Increase renewable energy.</p>
23. Increase opportunities for people to look after their own neighbourhoods and environments	<p>Increase the devolution of decision making, funding and control to groups and individuals for local environmental and community activities. By 2016, NSW will have the lowest litter count per capita in Australia. Increase recycling to meet the 2014 NSW waste recycling</p>

	<p>targets.</p> <p>Reduce graffiti.</p> <p>Increase neighbourhood crime prevention.</p> <p>Minimise impacts of climate change in local communities.</p>
24. Make it easier for people to be involved in their communities	<p>Increase volunteering.</p> <p>Increase community participation.</p> <p>Improve our sense of community.</p>
25. Increase opportunities for seniors in NSW to fully participate in community life	<p>Develop and implement a whole of NSW government strategy on ageing by 1 July 2012.</p> <p>Implement standard retirement village contracts.</p>
26. Fostering opportunity and partnership with Aboriginal people	<p>Close the life expectancy gap within a generation.</p> <p>Increase the number of Aboriginal communities the State Government is partnering with to improve local outcomes.</p> <p>Support Aboriginal culture, country and identity.</p>
27. Enhance cultural, creative, sporting and recreation opportunities	<p>Increase participation in sport, recreational, arts and cultural activities in rural and regional NSW from 2010 to 2016 by 10%.</p> <p>Increase participation in sport, recreational, arts and cultural activities in Sydney from 2010 to 2016 by 10%.</p> <p>Increase the number of major international sports, artistic, creative and cultural events in NSW from 2010 to 2016 by 10%.</p> <p>Increase the number of opportunities for cultural participation.</p> <p>Enhance the cultural and natural heritage in Australia.</p>
28. Ensure NSW is ready to deal with major emergencies and natural disasters	<p>Ensure NSW has appropriate arrangements in place to respond to and recover from natural disasters.</p> <p>Defend against suburban and bushland fires.</p> <p>Increase the number of floodplain risk management plans available to support emergency management planning.</p> <p>Maintain preparedness to deal with biosecurity threats.</p>
29. Restore confidence and integrity in the planning system	<p>Implement a new planning system.</p> <p>Up to date information about planning decisions.</p> <p>Increase stakeholder satisfaction with planning processes and transparency.</p>
30. Restore trust in State and local government as a service provider	<p>Promote integrity and accountability in the public sector.</p> <p>Increase customer satisfaction with government services.</p> <p>Improve innovation within the public sector.</p>
31. Improve government transparency by increasing access to government information	<p>Increase the public availability of government information.</p> <p>Up-to-date information about government services.</p>
32. Involve the community in decision making on government policy, services and projects	<p>Increased proportion of people who feel able to have a say on issues that are important to them.</p> <p>Increase opportunities for people to participate in local government decision making.</p> <p>Increase visits to government websites and the number of submissions received from the community.</p>

See the NSW 2021 website for more information <http://2021.nsw.gov.au/>

7.2.2 Community Strategic Plans

Section 402 of the *Local Government Act 1993* (NSW) requires each local council to develop and endorse a community strategic plan that identifies the 'main priorities and aspirations for the future of the local government area covering a period of at least 10 years'. The plan must address civic leadership,

social, environmental and economic issues in an integrated manner. The Community Strategic Plans may be used to inform community wide decisions about priorities as well as informing institutional responses to issues through service delivery and the lobbying of other agencies.⁵⁸ Community indicators are thought to be useful to local government as they 'enable local councils to measure and monitor selected features of the local community, track progress at the local scale and identify progress towards achieving regional or state directed outcomes'.⁵⁹ Eton Consulting identified the following as potential benefits of community indicators:⁶⁰

- Support better population level reporting and organisational accountability in respect to decision-making priorities
- Support improved decision-making, more integrated policy and planning based on the best local evidence
- Monitor change over time in terms of progress towards (or away from) a desired future
- Improve community engagement in decision making through transparent indicator development and reporting processes
- Help councils better understand their communities' needs and priorities
- Facilitate councils moving from a focus on inputs (eg dollars spent on recreational facilities) and outputs (eg new parks and sporting facilities delivered) to outcomes and practical results for their communities (eg improved participation in sporting and recreational activities, and health benefits)
- Create a shared ownership of outcomes rather than seeing community wellbeing as a council's responsibility
- Provide an opportunity to make comparisons with other similar locations, and/or with state-wide or national level averages.

7.2.3 City of Sydney

The City of Sydney⁶¹ has developed a draft of 99 Community Wellbeing Indicators to help track the wellbeing and sustainability of the City of Sydney. Submissions closed on 3 March 2012. It is developing the community indicator framework as a result of its belief that there is a need for a more sophisticated understanding of the various dimensions of progress, wellbeing and sustainability. The social, economic, environmental, cultural and governance

⁵⁸ Eton Consulting and UTS Institute for Sustainable Futures, *Integrated Planning and Reporting Framework: Community Indicators Project*, Division of Local Government of the NSW Department of Premier and Cabinet, February 2011, p 5.

⁵⁹ Eton Consulting and UTS Institute for Sustainable Futures, *Integrated Planning and Reporting Framework: Community Indicators Project*, Division of Local Government of the NSW Department of Premier and Cabinet, February 2011, p 10.

⁶⁰ Eton Consulting and UTS Institute for Sustainable Futures, *Integrated Planning and Reporting Framework: Community Indicators Project*, Division of Local Government of the NSW Department of Premier and Cabinet, February 2011, p 10.

⁶¹ See Partridge E, Chong J, Herriman J, Daly J and Lederwasch A, *City of Sydney Indicator Framework*, Institute for Sustainable Futures, UTS, November 2011.

spheres must thus be considered. The framework falls within the following categories:

- Healthy, safe and inclusive communities
- Culturally rich and vibrant communities
- Democratic and engaged communities
- Dynamic, resilient local communities
- Sustainable environments

It is hoped that the indicators will encourage engagement on important local issues as well as supporting policy and planning.

See City of Sydney, 'Community Wellbeing Indicators' <http://www.cityofsydney.nsw.gov.au/council/OnExhibition/CommunityWellbeingIndicators.asp>

7.2.4 Hunter Valley Research Foundation – Wellbeing Watch

The Hunter Valley Research Foundation has monitored health, wealth and happiness in the Hunter Region since 2006. The results of the research – Wellbeing Watch – are based on a biennial telephone survey of 2000 households. The study calculates a wellbeing index based on responses to the following questions (concerned with subjective wellbeing) and assesses the index against their social, personal and economic circumstances:

- Overall, how happy or unhappy are you with the circumstances of your life in the past four weeks?
- If you looked back on your life now, how satisfied would you be with what you have achieved?
- Overall, how valued do you feel by those who know you?
- How satisfied are you with your current standard of living?
- How optimistic are you about your future?
- How satisfied are you with your life as a whole?

It found that those in the Hunter Region who are at risk of low wellbeing are generally: unemployed; perceive themselves as poor or very poor; are dissatisfied with their current accommodation; are dissatisfied with their neighbourhood; rate their health as poor or fair; and do not have a partner.

See http://hvrf.com.au/images/HVRF_Publications/Wellbeing_Watch_2011_low_res.pdf

7.3 Victoria

Community Indicators Victoria works in partnership with various government, community and academic groups to monitor key local community wellbeing indicators in Victoria with the aim of improving citizen engagement, community planning and policy making. It considers indicators within the following five domains of community wellbeing:

- i. Healthy, safe and inclusive communities;
- ii. Dynamic, resilient local economies;
- iii. Sustainable built and natural environments;
- iv. Culturally rich and vibrant communities; and
- v. Democratic and engaged communities.

The right hand column in the following table lists the indicators monitored by Community Indicators Victoria. The left hand column notes the relevant domain and policy area.

Healthy safe and inclusive communities	
Personal health and wellbeing:	Self-reported health Subjective wellbeing Life expectancy Adequate physical exercise Fruit consumption Vegetable consumption Obesity Smoking status Risky alcohol consumption Psychological distress
Community connectedness:	Feeling part of the community Social support Volunteering Parental participation in schools
Early childhood:	Australian early development index Child health assessments Immunisation Breastfeeding
Personal and community safety:	Perceptions of safety Crime Family violence Road safety Workplace safety
Lifelong learning:	Home internet access Apprenticeship and vocational training enrolments Destinations of school leavers School retention
Service availability:	Access to services
Dynamic resilient local economies	
Economic activity:	Retained retail spending Highly skilled workforce Business growth
Employment:	Employment rate Unemployment Local employment
Income and wealth:	Income Distribution of income Per capita wealth Distribution of wealth Financial stress Food security
Skills:	Educational qualifications

Work-life balance:	Adequate work-life balance
Sustainable built and natural environments	
Open space:	Access to areas of open space Appearance of public space
Housing:	Housing affordability
Transport accessibility:	Transport limitations Public transport patronage Dedicated walking and cycling trails Practical non car opportunities Roads and footpaths
Sustainable energy use:	Greenhouse gas emissions Household electricity use Household gas use Renewable energy use
Air quality:	Air quality Water: Condition of natural streams and waterways Water consumption Waste water recycling
Biodiversity:	Native vegetation cover Carbon sequestration Weeds and pests
Waste management:	Household waste generation Household waste recycling
Culturally rich and vibrant communities	
Arts and cultural activities:	Opportunities to participate in arts and cultural activities Participation in arts and cultural activities
Leisure and recreation:	Opportunities to participate in sporting and recreation activities Participation in sporting and recreational activities
Cultural diversity:	Community acceptance of diverse cultures
Democratic and engaged communities	
Citizen engagement:	Opportunity to have a say on important issues Participation in citizen engagement Female local councillors Opportunity to vote for a trustworthy political candidate Membership of local community organisations and decision-making bodies

See: http://www.communityindicators.net.au/data_framework

The work of Community Indicators Victoria is intended to operate as a resource for those within local government and state government, especially those involved with policy and planning. In addition, it is intended that it be a useful resource for non-government organisations and anyone interested in their community's wellbeing. CIV sees its work being used as a:

1. Democratic resource – engaging citizens and communities in informed discussions about shared goals and priorities
2. Policy resource – guiding evidence-based planning and action to address those issues identified as important by communities
3. Reporting resource – tracking and communicating progress towards agreed goals and outcomes.

Data is sourced from various places including the Australian Bureau of Statistics, the Victorian Government and the statewide Community Indicators Victoria Survey. It is able to be customised according to local government area, region or zone within Victoria.

The work of Community Indicators Victoria has attracted much attention in the field of wellbeing research, both within Australia and internationally. For example, the US Government Accountability Office, as part of its own research into developing a national system of measuring wellness, included Community Indicators Victoria as one of seven in-depth case studies it conducted into wellbeing indicator systems developed throughout the world.⁶² (Interestingly, two of the seven case studies were Australian – the GAO also examined the work of the ABS in developing its *Measures of Australia's Progress* series).

See <http://www.communityindicators.net.au/>

7.4 South Australia

South Australia's Strategic Plan was released in 2004 and sets out community targets for 2014. The Australian Centre for Excellence in Local Government has noted that:

This framework was chosen due to the unique approach it presents in attempting to achieve a collaborative approach between State Government agencies, unions, the business sector, local government, community groups, social interest groups and individual South Australians towards achieving state wellbeing goals. Of particular interest was the alignment of the framework, indicators and reporting procedure with the State's Strategic Plan.⁶³

See www.saplan.org.au

The South Australian Strategic Plan incorporates 100 targets within six priorities:

1. Our community
2. Our environment
3. Our education
4. Our prosperity
5. Our health
6. Our ideas

Every submission by a Minister to Cabinet must show how targets in the Plan will be met by the proposal. The State Plan notes that whilst an assessment of progress toward the targets will provide a sense of wellbeing in South Australia,

⁶² US Government Accountability Office, *Key Indicator Systems: Experiences of Other National and Subnational Systems Offer Insights for the United States*, GAO-11-396, March 2011.

⁶³ Oleson E, Albert E, Coroneos R, Leeson R and Wyatt R, *Options for a Local Government Framework for Measuring Liveability*, Australian Centre of Excellence for Local Government, University of Technology, Sydney, 2012, p 29.

it does 'not offer the single measure of a wellbeing index or allow for comparisons to be made over time'.

7.5 Tasmania

Tasmania Together (<http://www.tasmaniatogether.com.au/>) is an independent statutory authority that was established under the *Tasmania Together Progress Board Act 2001* (Tas) to monitor, promote and report on the 20 year social, environmental and economic plan for Tasmania. It is used to guide government policy, as well as decisions in the business and community sectors. It has 12 goals to be reached by 2020 (see table below) and 155 benchmarks that measure progress towards those goals. These goals resulted from a community consultation process. Results are reported to the Parliament of Tasmania on a biennial basis.

Goals	
Standard of living	A reasonable standard of living for all Tasmanians
Safe communities	Confident and safe communities
Education	High quality education and training for lifelong learning and a skilled workforce
Health	Active, healthy Tasmanians with access to quality and affordable health care services
Vibrant communities	Vibrant, inclusive and growing communities where people feel valued and connected
Arts and culture	Dynamic, creative and internationally recognised arts community and culture
Aboriginal culture	Acknowledgment of the right of Aboriginal people to own and preserve their culture, and share with non-Aboriginal people the richness and value of that culture
Democracy	Open and accountable government that listens and plans for a shared future
Work opportunities	Increased work opportunities for all Tasmanians
Business and industry	Thriving and innovative industries driven by a high level of business confidence
Biodiversity and natural heritage	Value and protect our biodiversity and natural heritage
Natural resources	Sustainable management of our natural resources

7.6 Australian Capital Territory

The ACT Government has established 'Measuring Our Progress', an online report card of life in Canberra (<http://www.measuringourprogress.act.gov.au/home>). It evaluates 28 indicators across the following themes which are aligned with *The Canberra Plan: Towards Our Second Century*. The specific indicators considered are noted in brackets after each theme.

1. A healthy ACT (newborn birthweight, tobacco consumption, life expectancy and healthy bodyweight)
2. A fair and safe ACT (offences against the person/property, people who feel safe at home, child protection substantiations and homelessness)

3. An ACT with high quality services (satisfaction with service delivery, call centre response times, satisfaction with education and satisfaction with hospitals)
4. An educated and skilled ACT (children achieving national standards in education, year 12 (or equivalent) attainment, people with post-school qualifications and VET participation)
5. A prosperous ACT (state final demand, unemployment, capital expenditure and equitable distribution of income)
6. A sustainable ACT (water consumption, greenhouse gas emissions, waste to landfill and ecological footprint)
7. A vibrant ACT (contact outside the household, involvement in cultural events, participation in sports/physical recreation and participation in voluntary work)

It assesses whether the performance of the ACT for each indicator is improving, worsening or stable. For example, there has been an improvement in life expectancy in the ACT whilst the proportion of people with a healthy bodyweight has fallen. See http://www.measuringourprogress.act.gov.au/our_progress for the current progress report card.

8 INTERNATIONAL DEVELOPMENTS

8.1 Human Development Index

The United Nations Development Programme has formulated a Human Development Index (HDI) which provides a summary measure of human development and is concerned with the capabilities of a country's citizens. The HDI is calculated by assessing: life expectancy at birth; mean years of schooling; expected years of schooling; and gross national income per capita. These indicators are combined to form a single number for comparison. In 2011, Australia was ranked 2nd out of 187 countries, behind Norway, with an HDI of 0.929 (out of 1). The top 20 in 2011 was as follows:

Rank	Country	HDI
1	Norway	0.943
2	Australia	0.929
3	Netherlands	0.910
4	United States	0.910
5	New Zealand	0.908
6	Canada	0.908
7	Ireland	0.908
8	Liechtenstein	0.905
9	Germany	0.905
10	Sweden	0.904
11	Switzerland	0.903
12	Japan	0.901
13	Hong Kong	0.898
14	Iceland	0.898
15	Korea	0.897
16	Denmark	0.895
17	Israel	0.888
18	Belgium	0.886
19	Austria	0.885
20	France	0.884

Source: United Nations Development Programme, *Human Development Report 2011*, UNDP, New York, 2011.

The UK was in 28th position with an HDI of 0.863.

8.2 Organisation for Economic Co-operation and Development

The OCED's Better Life Initiative is concerned with measuring wellbeing and progress. It has developed a 'Your Better Life Index' to compare wellbeing outcomes in 36 countries according to 11 dimensions. The OECD focuses on material living conditions, quality of life and sustainability. Wellbeing is determined by the areas of: community, education, environment, civic engagement, health, housing, income, jobs, life satisfaction, safety and work-life balance. However, it allows the user to determine the importance they give to the various components. This approach also reveals the impact prioritising specific areas has on overall wellbeing.

If all categories are given equal weight, Australia is ranked highest of 36

countries (the 34 OECD members plus Russia and Brazil). The top 20 are:

1.	Australia
2.	Norway
3.	United States
4.	Sweden
5.	Denmark
6.	Canada
7.	Switzerland
8.	Netherlands
9.	New Zealand
10.	Luxembourg
11.	Finland
12.	United Kingdom
13.	Iceland
14.	Belgium
15.	Ireland
16.	Austria
17.	Germany
18.	France
19.	Spain
20.	Slovenia

8.3 Gallup

Gallup has been studying wellbeing throughout the world since 2006. It deems the five essential elements of wellbeing to be: career; social; financial; physical; and community. Its assessment of the impact of the global financial crisis is that 'thriving' has returned to pre-2009 levels, but 'suffering' remains elevated http://www.gallup.com/poll/154886/Economic-Crisis-Lasting-Effect-Wellbeing-Worldwide.aspx?utm_source=alert&utm_medium=email&utm_campaign=syndication&utm_content=morelink&utm_term=Wellbeing. In 2004, approximately 24% of adults consistently rated their lives as 'thriving' whilst 13% considered themselves to be 'suffering' (people are classified as either thriving, struggling or suffering).

Gallup conducts telephone interviews with about 7000 adults per week in the US in order to calculate its Well-being Index, which provides a daily assessment of levels of happiness and stress in the community. <http://www.gallup.com/poll/151166/Mood-Weekly.aspx>

8.4 Happy Planet Index

Very different and the subject of considerable comment is the Happy Planet Index developed by the New Economics Foundation which ranks 151 countries by considering such measures as life expectancy, experienced wellbeing and ecological footprint and giving each country an assessment out of 100. According to the Happy Planet Index for 2012, the top 20 countries and their score are as follows:

Rank	Country	Happy Planet Index
1	Costa Rica	64.0
2	Vietnam	60.4
3	Colombia	59.8
4	Belize	59.3
5	El Salvador	58.9
6	Jamaica	58.5
7	Panama	57.8
8	Nicaragua	57.1
9	Venezuela	56.9
10	Guatemala	56.9
11	Bangladesh	56.3
12	Cuba	56.2
13	Honduras	56.0
14	Indonesia	55.5
15	Israel	55.2
16	Pakistan	54.1
17	Argentina	54.1
18	Albania	54.1
19	Chile	53.9
20	Thailand	53.5

Australia receives an HPI of 42 ranking 76th. Whilst Australia scores high in the components of life expectancy and wellbeing, its ecological footprint rating of poor reduces the overall index. New Zealand has an HPI of 51.6 and ranks in 28th place (making it the top Western nation). The UK also ranks ahead of Australia in 41st position, with an HPI of 47.9. Canada is in 65th place with an HPI of 43.6 whilst the US is well down the ranks with an HPI of 37.3 placing it in 105th place. When the HPI is limited to Western countries, Australia is ranked 17th out of 24 nations.

See <http://www.happyplanetindex.org/>

8.5 New Economics Foundation and National Accounts of Wellbeing

The New Economics Foundation, whose projects include the Happy Planet Index, has also developed the National Accounts of Well-being which examine 22 countries in Europe and consider both personal and social wellbeing. It utilises two headline measures:

1. Personal wellbeing – emotional wellbeing, satisfying life, vitality, resilience and self-esteem and positive functioning.
2. Social wellbeing – supportive relationships, trust and belonging.

The New Economics Foundation certainly intends that its findings be used to influence policy. It argues that the National Accounts of Wellbeing are needed because:

It is clear that economic measures can only ever be a limited proxy for the richness of our lived experience. But a myopic obsession with growing the economy had meant that we have tended to ignore the negative well-being implications of the longer working hours and rising levels of indebtedness which it has entailed. In the process we have also squeezed the time and space we allow ourselves for pursuit of all the other

activities which we know promote positive well-being and human flourishing. Facilitated by a fiscal system that has been allowed to operate with very few checks and balances, the focus on 'growth at any cost' created the giant credit bubble whose collapse has led to the recent global financial turmoil.⁶⁴

8.6 Canada

The Canadian Index of Wellbeing Network is an independent, non-partisan group based at the University of Waterloo in Ontario which seeks to 'report on the wellbeing of Canadians, and promote a dialogue on how to improve it through evidence-based policies that are responsive to the needs and values of Canadians'. The Canadian Index of Wellbeing (<http://ciw.ca/en/>) considers 64 indicators within eight domains:

1. democratic engagement
2. community vitality
3. education
4. environment
5. healthy populations
6. leisure and culture
7. living standards
8. time use

The Canadian Index of Wellbeing (CIW) currently provides reports on the different categories of wellbeing. It also provides a composite index to give a quick snapshot of whether the quality of life in Canada is improving or deteriorating. The 2011 Report noted that between 1994 and 2008 GDP increased by 31% yet the CIW rose by only 11%.⁶⁵

The CIW Network definitely sees a role for the use of wellbeing measures in policy decisions, particularly in the broad approach it adopts by considering eight domains. It hopes that study of how the various domains interact will allow for more comprehensive policy solutions. It argues:

There is, in short, a need for both public policy interventions tailored to socially excluded groups, as well as initiatives outside the health field, including poverty reduction measures such as a living wage, affordable housing, food security, early learning initiatives, and more available, affordable childcare. The challenge to Canadian policy shapers and decision makers is to take this knowledge and use it to produce more comprehensive policies that will improve the lives of all Canadians.⁶⁶

8.7 France

In 2008, French President, Nicholas Sarkozy, formed the Commission on the

⁶⁴ New Economics Foundation, *National Accounts of Well-being: Bringing real wealth onto the balance sheet*, p 9. Available from <http://www.nationalaccountsofwellbeing.org/>

⁶⁵ Canadian Index of Wellbeing, *How are Canadians really doing? Highlights: Canadian Index of Wellbeing 1.0*, Canadian Index of Wellbeing and University of Waterloo, Waterloo, 2011, p 11.

⁶⁶ Canadian Index of Wellbeing, 'From research to policy', <http://ciw.ca/en/GetInvolved/FromResearchToPolicy.html>

Measurement of Economic Performance and Social Progress (CMEPSP) to consider the limits of GDP as an indicator of economic performance and social progress. The Commission was tasked with considering what additional information may be required for more relevant indicators of social progress and to assess the feasibility of such measurement.

The CMEPSP released its report (also known by reference to its principal authors as the Stiglitz, Sen and Fitoussi Report) in September 2009. The Report argued that there should be a shift away from production-oriented measurement to one that focuses on the wellbeing of people, both now and in the future. Whilst the Report acknowledged that measuring production is essential for monitoring economic activity, it stressed that the:

time has come to adapt our system of measurement of economic activity to better reflect the structural changes which have characterized the evolution of modern economies. In effect, the growing share of services and the production of increasingly complex products make the measurement of output and economic performance more difficult than in the past.

It highlighted that economic wellbeing and market production (which is what GDP measures) are two different things and should not be confused. It recommended that more prominence be given to the *distribution* of income, consumption and wealth (recommendation four), as well as considering averages. It also recognised the need to broaden income measures to non-market activities as a result of changes in how households and society function. It cites the example of services now being purchased on the market that were previously received from family members, which 'translates into a rise in income as measured in the national accounts and may give a false impression of a change in living standards, while it merely reflects a shift from non-market to market provision of services'.⁶⁷

The CMEPSP Report defined wellbeing as involving the simultaneous consideration of dimensions of: material living standards (income, consumption and wealth); health; education; personal activities including work; political voice and governance; social connections and relationships; environment (present and future conditions); and insecurity, of an economic as well as a physical nature. It noted that both objective and subjective dimensions of wellbeing are important. Whilst sustainability is complementary to current wellbeing and economic performance, it stressed that it needs to be examined separately. The Commission is in favour of a 'dashboard' approach to measuring wellbeing, rather than reducing it to a single indicator. To explain why, the Commission gives the example of driving a car; both the speed of the vehicle and the remaining amount of fuel are important pieces of information. To combine them into a single number would result in the loss of vital information.

The Report suggested that a measure of wellbeing should include the following

⁶⁷ Stiglitz J, Sen A and Fitoussi J, *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, p 14.

categories:

1. Health
2. Education
3. Environment
4. Employment
5. Material wellbeing
6. Interpersonal connectedness
7. Political engagement

The Report made a number of recommendations regarding Gross Domestic Product, quality of life, and sustainable development and the environment. These recommendations are listed below.

Gross Domestic Product
Recommendation 1: Look at income and consumption rather than production.
Recommendation 2: Consider income and consumption jointly with wealth.
Recommendation 3: Emphasise the household perspective.
Recommendation 4: Give more prominence to the distribution of income, consumption and wealth.
Recommendation 5: Broaden income measures to non-market activities.

Quality of life
Recommendation 1: Measures of subjective wellbeing provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own surveys.
Recommendation 2: Quality of life also depends on people's objective conditions and opportunities. Steps should be taken to improve measures of people's health, education, personal activities, political voice, social connections, environmental conditions and insecurity.
Recommendation 3: Quality-of-life indicators in all the dimensions they cover should assess inequalities in a comprehensive way.
Recommendation 4: Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields.
Recommendation 5: Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different scalar indexes.

Sustainable development and environment
Recommendation 1: Sustainability assessment requires a well-identified sub-dashboard of the global dashboard to be recommended by the Commission.
Recommendation 2: The distinctive feature of all components of this sub-dashboard should be to inform about variations of those 'stocks' that underpin human wellbeing.
Recommendation 3: A monetary index of sustainability has its place in such a dashboard, but under the current state of the art, it should remain essentially focused on economic aspects of sustainability.
Recommendation 4: The environmental aspects of sustainability deserve a separate follow-up based on a well chosen set of physical indicators.

8.8 New Zealand

The New Zealand Quality of Life Project is concerned with the quality of life and wellbeing of those living in 12 cities in New Zealand. It examines 68 quality of life indicators within 11 domains: people; economic standard of living; housing; natural environment; safety; civil and political rights; knowledge and skills; economic development; health; built environment; and social connectedness. Data is sourced from Quality of Life Surveys conducted once every two years in addition to data from government agencies and non-governmental organisations. A Quality of Life Report has been published in 2001, 2003 and 2007.

See <http://www.bigcities.govt.nz/index.htm>

8.9 United Kingdom

There has been significant interest in measuring wellbeing in the United Kingdom. In November 2010, Prime Minister David Cameron invited the UK Office for National Statistics to develop measures of national wellbeing and progress. In 2010, public consultation commenced on the issue of measuring wellbeing, which the Office for National Statistics defines as referring to both subjective and objective wellbeing, and ran through to April 2011. The Office for National Statistics began including questions relevant to subjective wellbeing in their Integrated Household Survey as of April 2011.

The Institute of Economic Affairs has produced a number of papers highly critical of David Cameron's desire to measure wellbeing, arguing that this is not a proper concern of public policy, and that it is better that individuals are left to manage their own lives and determine for themselves how to best improve their own wellbeing and pursue happiness.⁶⁸

8.10 United States of America

Legislation has been passed in the US authorising the development of a key national indicator system. Section 5605 of the *Patient Protection and Affordable Care Act of 2010* established a Commission on Key National Indicators which will work with the National Academy of Sciences to develop a key national indicator system (the requirements of which are specified in the legislation). This system is to consider economic, social and environmental measures to allow the assessment of how the US is progressing.⁶⁹

⁶⁸ See, for example, Booth P, *...and the Pursuit of Happiness: Wellbeing and the Role of Government*, The Institute of Economic Affairs, London, 2012.

⁶⁹ United States Government Accountability Office, *Key Indicator Systems: Experiences of Other National and Subnational Systems Offer Insights for the United States*, Report to Congressional Addressees, GAO-11-396, March 2011.

9 CONCLUSION

This paper has examined the reasons behind the growing interest in measuring both subjective and objective wellbeing. It has explored the historical context of the formulation of GDP and, whilst not discounting its immense value as a measure, the paper has addressed the growing concerns with its limitations.

The Canadian Index of Wellbeing, whilst noting that GDP is very useful if used for its intended purpose, identified the shortcomings of GDP as follows:

But GDP does not tell us anything about whether or not we have jobs, and if those jobs are meaningful and well-paying or precarious and minimum wage. It does not tell us if we live in adequate and safe housing in supportive communities, or in sub-standard and unsafe housing in crime-filled neighbourhoods where we are afraid to go out in the streets, or in communities where the lack of clean water threatens the health of children.

GDP does not tell us anything about whether we have enough leisure time to engage with our friends and families in recreational and cultural activities. Or whether our environment is clean, green, and sustainable or polluted and toxic with rapidly vanishing natural resources.

It tells us nothing about whether or not our kids are given quality early learning opportunities and a chance to reach their full potential in a rapidly changing world. It does not tell us if we are able to engage in a democratic society and fully participate in determining the directions and decisions that shape our lives, or whether we are marginalized by virtue of being poor, disabled, an immigrant, a racialized minority, young, female, or any of the other characteristics that in an unequal society can push one to the sidelines.

In short, GDP tells us nothing about the kind of world we are creating for ourselves and future generations, and whether we are progressing forward or moving back.⁷⁰

It is this kind of sentiment that provides the impetus driving the movement toward measuring wellbeing. Many have identified the gains that will benefit the whole of society if the wellbeing of the persons who comprise it is improved. Some would also say that measuring wellbeing heightens the quality of democracy, as policy decisions are better informed, citizens are more engaged, and the accountability of governments is increased.

The various approaches to measuring wellbeing have been noted, with various examples provided at the domestic and international level. These examples also reveal the varying outcomes that can result depending on what indicators are used. For instance, Australia ranks 76th of 151 countries on the Happy Planet Index (which measures life expectancy, experienced wellbeing and ecological footprint) yet is 2nd of 187 countries in the UN's Human Development Index (calculated by reference to life expectancy at birth, mean years of schooling, expected years of schooling, and gross national income per capita).

For some, the enterprise is wrong-handed, taking governments further down the

⁷⁰ Canadian Index of Wellbeing, *How are Canadians really doing? Highlights: Canadian Index of Wellbeing 1.0*, Canadian Index of Wellbeing and University of Waterloo, Waterloo, 2011, p 12.

road of intervention into individual life. The debate about wellbeing raises many kinds of questions, ethical, philosophical and methodological in nature. It asks about the relationship between personal happiness and the social good, both within and between generations. Do insuperable methodological difficulties stand in the way of measuring wellbeing? On the other side, do we neglect the issues raised by the wellbeing debate at our peril?