Measuring Wellbeing
A Fine Gael Discussion Paper
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Foreword

What gets measured is what gets done. This is particularly true across government which often operates in narrow silos.

The shortcomings of measures like GDP are well documented. However, the Covid experience has shown that policy undervalues much that is vital in our lives. New policies must help us to make better choices.

Being at home more has exposed that we don’t properly value what’s done within the family. The experience of isolation has exposed our vulnerability and need for policy to support resilience. The way in which people have stepped up to help, above and beyond what might be expected, has been invaluable. They all point to new agendas to be developed.

The Climate Crisis has also exposed the failure to properly measure damage being unwittingly caused. New policies must help us make different choices about our patterns of consumption, investment and lifestyle.

We must urgently change how we assess the wellbeing of our society if we are to make the right choices. The CSO made a start in 2017 to measuring wider dimensions with their Wellbeing Report, but we must go much further. It did not address Climate, Gender Balance, Work Life Balance or Social Engagement, which are some of the many gaps we must now fill.

However, measuring the right things is just the first step. We must make an immediate start to focus on new needs. Each Minister as they create their Strategy Statements due within the next hundred days must set targets for the wider dimensions of wellbeing. This is the start of a framework for a new social contract at the heart of government.

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1. Introduction

Fine Gael is a party of the progressive centre. That means we act in a way that is right for Ireland, regardless of dogma or ideology. Our desire, and indeed the desire of this coalition government, is to improve the wellbeing of the Irish people and society.

As part of this we believe it is necessary to expand the range of economic, social and policy indicators that we use in government. The wellbeing of the Irish people is impacted by a myriad of different factors, from our physical and mental health to the strength of our communities, and from the sustainability of our environment to people’s quality of life. And if our aim as a society is to improve our performance in these areas, then we need to be able to measure them and to evaluate our policy proposals and delivery using these measures.

The pandemic has turned our daily lives upside down and laid bare our needs as a country. It has shown that we are ultimately a society, made up of small communities, not just an economy. We saw communities come together and volunteers take care of the elderly and vulnerable in our midst. Stress increased for many as they had to work from home, especially if they were minding kids at the same time. On the other hand, some gained extra hours in their day as the time normally spent commuting was restored to their lives. In these ways, the pandemic highlighted the importance of volunteering and caring roles, of our mental health and of work-life balance. These issues, and others like them, need to be put front and centre in our national life and policy making.

Holistic and balanced policy measurement has huge potential to reform our politics and public service. It can help reset priorities, drive policy reform, and create better standards against which the performance of politics and service providers can be judged. While it may look like a technical area of public policy, it is necessary to drive improvement in the outcomes of the state for its citizens.

This short paper presents an overview of the issues involved and discusses some of the alternative approaches available, engaging with work done by the OECD and New Zealand in particular. It then makes some proposals for how these new indicators can be used in Ireland.
2. The Need for Change

The Political Imperative

This project is necessary to bring about the changes that we desire for our country. Our vision for Ireland includes the following elements:

1. We seek both a strong economy and a fair society. They are interdependent and must be delivered together if they are to be sustained in the long term. You cannot have one without the other.

2. We seek a sustainable future for our country and for the future generations who will comprise it. This means that the interests of future generations must be explicitly taken into account in decision making in the present. The issue of inter-generational equity is a major consideration when it comes to protecting the environment, pensions policy, the structure of health funding, the obligation to fund extra housing stock, and how we use borrowed funds which future generations will repay.

3. We seek good and effective public services for all of our citizens. This requires that public service providers are set targets based on outcomes for citizens. Too often the metrics that are used to evaluate our public services are based on inputs, not on whether these inputs are actually being well used to improve the lives of our people. Or at times policy targets can be used, and debated in the media, which suit particular interest groups, be they business, political or other. A set of balanced and well thought out targets based on outcomes will provide a proper context for policy evaluation.

4. We seek equal opportunity for all of our citizens. It is right that each individual has the opportunity to fully participate in our society and economy. Furthermore, it is clear in today’s world that imbalances in power, influence and opportunity can undermine the cohesion of our society.

5. We seek to be a country with a strong sense of community, solidarity and togetherness. These attributes are an end in themselves, increasing our wellbeing, but also create the trust and social capital necessary to address the many challenges which central government cannot meet.

For this broader vision for our country to be realised, it is essential to have a broader set of metrics against which to target, design and evaluate government policy.

The Statistical Shortcoming

Historically, the key economic measurement tool that governments target in policy making is Gross Domestic Product (GDP). GDP measures economic output and national income, what a nation produces and what it earns for that produce. Its importance in policy is derived from its measurability, as well as the importance of income as a policy goal. In Ireland, because of our highly globalised economy and the role of multinational companies, GDP, as measured by international standards, does not always represent our true level of economic activity, and so Gross National Product (GNP) and some newer measures are often used instead.

However, GDP and its derivations are increasingly coming under attack as being insufficient with calls to supplement or even replace them. It should be noted that GDP doesn’t claim to measure wellbeing and its shortcomings as a measure of people’s wellbeing have been known for a long time. Famously, Robert F. Kennedy said “Gross National Product measures everything, in short, except that which makes life worthwhile.”
In its work on ‘the economy of wellbeing’, the OECD summarises these shortcomings. It notes that measuring economic performance and societal progress “beyond GDP” requires that we look:

- “Beyond the market” to consider the multi-dimensional nature of wellbeing;
- “Beyond averages” to take account of the distribution of income and other wellbeing outcomes throughout society; and
- “Beyond the here and now” to better understand the impact of economic growth on environmental sustainability, on the cohesion of society and the long-term potential and resilience of the economy.

Fine Gael agrees with and supports this broad approach. What is new is that alternatives are now being developed and are already in use, to varying degrees, in other countries.

3. Programme for Government

The new government has already outlined its desire to develop new measures of wellbeing and progress in Ireland. The Programme for Government, ‘Our Shared Future’, states that:

“The Government is conscious that we need to supplement our existing economic measurements with new ones. We know that our existing measures of economic performance fail to measure matters such as damage to the environment and voluntary work. They also overlook equality of opportunity, distribution of wealth and income and only value public expenditure on the basis of the inputs used, not the outcomes achieved.

We will develop a set of indicators to create a broader context for policymaking, to include

- A set of wellbeing indices to create a well-rounded, holistic view of how our society is faring.
- A balanced scorecard for each area of public policy, focused on outcomes and the impact that those policies have on individuals and communities. Initially, this will be focused on housing, education, and health.

The development of this work will be informed by the experience of other jurisdictions which have developed similar measures in recent years. Through the Department of the Taoiseach, we will convene a group of experts from the public service, academia, NGOs, and the private sector to guide this work.

Once developed, we will ensure that it is utilised in a systematic, way across government policymaking at local and national levels, in setting budgetary priorities, evaluating programmes and reporting progress. This will be an important complement to existing economic measurement tools.”
4. Principles for a Wellbeing Framework

It is important that the overall framework clearly articulates an appropriate balance between the economic and the social.

While it is important to note the shortcomings of GDP and try to address them, GDP should retain its priority as a policy target, but not as a single compass for policy direction. Wellbeing indicators need to be introduced to supplement and complement GDP, such that equal weight is given to the economic and the social.

Any future framework needs to be clear about means and ends. GDP is not and never was an end in itself, we care ultimately about people (society) and not goods (GDP). However, economic growth needs to retain its significance as a policy target because it is a critical means to the end of progressing society:

1. Many of the wellbeing indicators will be directly linked to economic growth (e.g. unemployment, wages, poverty etc.)
2. All of the indicators will have the opportunity to be improved by the increased fiscal resources economic growth provides.

The OECD seeks a ‘virtuous circle’ in which economic growth and wellbeing work together to the benefit of people and society. Policy should ensure that “economic growth translates into greater wellbeing and improved living standards for all of society and, in turn, that greater wellbeing and improved living standards act as foundations for stable and sustainable long-term economic growth.”

A clear presentation of this ‘virtuous circle’ is important. In the New Zealand approach the ‘Our country’ section provides indicators for each of the 12 Living Standards Framework current wellbeing domains. It includes 43 indicators in total, with up to four indicators for each domain. Within this structure only 2 of the 12 domains, and 9 of the 43 indicators, are economic. By contrast, the OECD Wellbeing Framework formally categorises its 11 different dimensions that shape people’s lives into two broad sections, ‘Material Living Conditions’ and ‘Quality of Life’. This different presentation more clearly captures and gives balance to the economic and social, even though the number of indicators is not even.

The overall context of this ‘virtuous circle’ is also important for communication on individual indicators and appropriate policies to impact them. An indicator communicated solely by itself may bias political debate to specific social policy solutions, to the neglect of the impact that economic growth has. This may then inadvertently impact on other social indicators and ultimately on people and their wellbeing.

As an example, the Living Standards Framework of the New Zealand Treasury is a valuable and oft quoted model. However, one shortcoming is that economic growth (usually measured as GDP % growth) is not listed among the 65 indicators on the Living Standards Framework (LFS) Dashboard. Presumably that is because the Dashboard focuses on wellbeing to accompany the traditional economic measures, but this is not clear and highlights the importance of presentation and balance. The ‘virtuous circle’ always needs to be included in the communication.
5. Dimensions to a Framework

There are different options for presenting a measure of wellbeing. The ‘dashboard’ option presents a range of indicators from different policy areas, up to 60 indicators in some examples, and thus is the most comprehensive. A ‘composite indicator’ can also be used: this is where a single figure is derived by combining all the individual data. While a single number provides clarity and simplicity, it does so at the expense of detail by hiding underlying trends and performance, and how they vary by policy area. As such we favour the use of a wellbeing dashboard.

The OECD Wellbeing Framework provides a helpful starting point for measuring wellbeing. It defines wellbeing in two general levels which are then split up into different parts:

1. Material Living Conditions and Quality of Life, captured through 11 different dimensions that shape people’s lives. These dimensions are income and wealth, jobs and earnings, housing, health, work-life balance, skills, social connections, civic engagement and governance, environmental quality, personal security and subjective wellbeing;

2. Four types of assets (natural, economic, human and social) that drive wellbeing over time.

The eleven dimensions is a thorough list of the different inputs that determine people’s wellbeing from the economic to the social to the personal. It seems hard to make the list more concise as all eleven dimensions seem relevant to how people experience life in Ireland. However, this is not to slavishly follow one pre-existing model, rather the general framework can be adopted including the eleven dimensions but then, when particular indicators are picked within each dimension (e.g. four to six statistics), there is room to select different indicators which apply better to Ireland. There may be certain indicators which are more important in an Irish context as a small open economy, or because of our culture and history, or because of a specific policy objective.

The ‘4 capitals’ element is very useful giving a ‘wealth’ dimension to complement the income dimension of GDP. The OECD believe they “represent the fundamental assets that foster long-term economic growth”, as well as having a wellbeing function. New Zealand propose the same 4 capitals, albeit with slightly different names. However, the financial capital section in the New Zealand framework could more clearly include liabilities as well as assets, e.g. government debt statistics including debt ratio, debt servicing costs and budget deficits (the related ‘flow’ statistic). This is very important for a small open economy in a monetary union, and is a part of our ‘capital’ constantly judged by those who lend to us.
6. Selection of Indicators

When it comes to selecting the specific indicators for the dashboard, there is much data already available, across different policy areas. Furthermore, the CSO has already produced an initial wellbeing report, ‘The Wellbeing of the Nation 2017’, and also has some survey data on subjective wellbeing in its Survey of Income and Living Conditions (SILC) reports. While an important first step, the CSO report omits crucial areas like climate care and subjective measures of wellbeing.

The selection of indicators will be crucial. We have already discussed the importance of a balance between economic and social indicators. Furthermore, within the social side there will need to be much discussion about potential indicators to try and cover the range of areas which impact on our wellbeing as a nation. In addition, consideration will need to be given to the nature of policy statistics, that one number never gives a full picture. Issues to be taken into account here include:

- Measurement: some indicators are hard to measure reliably, yet might have the same standing in an overall wellbeing framework as other indicators.
- Benchmarking: to benchmark our performance we must choose indicators which can be compared with those of other countries, particularly countries that are similar to us in terms of profile, challenges and ambitions. This will help us pursue excellence and best practice.
- Communication: some indicators can be difficult to interpret, while still important. As an example, tertiary educational attainment can be too high as well as too low, as tertiary education will not be a suitable pathway for all students.
- Exogeniety: some indicators might be very hard to influence by public policy; they may differ from other countries but because of cultural factors not policy.
- Trends: the data should be presented in a way that shows changes in the indicators rather than just a point in time, as this better measures progress and policy impact.
- Policy Bias: some indicators might lead policy in a certain direction. An important statistic presented in isolation can tell an incomplete story and nudge policy in a specific direction. So the balance of indicators in a particular area is crucial.

While these are technical issues, it is important that the right indicators, and balance therein, are selected so that this new project does lead to improvements in the wellbeing of our people.

Returning to the balance between the economic and the social again, there may be a need to include specific economic indicators to highlight policy trade-offs, to show that a policy to improve a social indicator may disimprove an economic indicator. For example a large scale tax increase may improve social indicators but the question should be asked: where will the negative economic impact be seen? Indicators such as the tax wedge at different wage levels, or tax progressivity, or entry to the higher rate band might be considered. While these economic indicators are normally presented in personal terms such as income level, they don’t just capture the monetary benefits to the individual but indicate the economic impact on work incentives and migration.

The OECD Wellbeing Framework is again helpful for the selection of indicators:

1) “Its dimensions and indicators are people-focused rather than economy-focused;
2) it captures outcomes (i.e. life conditions and experiences) as opposed to inputs (i.e. health status rather than health care spending) or outputs (i.e. number of patients treated);
3) it pays attention not only to averages but also to the distribution of outcomes; and
4) it takes account of both the objective and subjective aspects (i.e. people’s evaluations) of wellbeing.”
7. Wellbeing Indicators & Public Policy

**Wellbeing Indicators & The Policy Cycle**

A key consideration is how to use these new metrics to influence policy decisions. The first step is to measure and publish new indicators. The second step is using these metrics in national policy settings. The Global Happiness Council (GHC) uses this graph of the different stages of the policy cycle, with different countries using the indicators at different stages.

It found that “wellbeing indicators are mostly used at the policy formulation stage, such as in New Zealand and Ecuador, or at the evaluation stage, such as in the cases of the other countries. In France, Italy and Sweden, indicators are more commonly used at the agenda setting stage, with parliamentary reporting at the start of the budget process.”

All stages are important as this set of indicators should be used to both drive policy setting and also monitor and evaluate the impact of policy. In this way it has the potential to bring much more coherence into government. This scorecard should guide a cabinet level statement of what government is seeking to achieve. It can drive the ambition of government and guide it in setting goals. At department level, it should then be used in the Strategy Statements which Ministers are required to set out at least once every three years, and also to set a context for the impact indicators which are reported each year in Public Expenditure Reports.

The agenda setting stage will probably engage with Parliament and thus the opposition more, and the policy formulation stage with the civil service. An agenda setting stage would need to be well designed so that it forces discussion around policy priorities, so that the trade-offs inherent in public policy are acknowledged.
This is likely to be part of the Budget process, broadly defined. As that is where resources are allocated and addressing these indicators will require resources. Alternative structures such as those used for the ‘Action Plan for Jobs’ or the National Competitiveness Council (NCC) ‘Competitiveness Reports’ in the past could also be examined.

**Wellbeing Indicators & Public Service Reform**

The introduction of new policy measurement brings with it the opportunity for further public sector reform. The potential benefits include:

- More targeted policies: better linking of policies and resources to specific policy outcomes (as measured by these indicators).
- Better policy evaluation: using these indicators.
- Better resource allocation: with common ‘whole of government’ goals it might be possible to better allocate resources between departments. This might help overcome the weakness of the Irish budgetary system where departments are usually given an X% growth in their budget annually and the existing base is just assumed into future allocation.
- Better ‘whole of government’ interaction: e.g. between two departments / agencies working on a common goal.

8. Moving Forward

This is a relatively new area of economics and public policy. Detailed work will have to be carried out on a framework, the exact indicators to use, and its place in policy formation.

The Global Happiness Policy Report 2018 notes that most of the national experiences in this area are fairly new and that impacts are difficult to identify and challenges exist. In short, “there is no blueprint for successful implementation”, so further detailed work at a national level will be needed.

This project will be a significant piece of work and Fine Gael believes that it should commence with immediate effect. This project must achieve the selection of a balanced and broad range of wellbeing indicators. Certain categories of indicators do not presently receive enough attention in our national public debate and this must be corrected. We believe that new performance indicators in areas such as work-life balance, environmental quality and subjective wellbeing, in particular, need more prominence in policy discussions.

It is essential that these new indicators are presented within an overarching framework, as we have outlined. This framework will need to be clear and easy to understand, and adequately capture the link between a strong economy and a fair society. A single coherent framework will help highlight the inherent trade-offs in public policy and has the potential to promote healthy political debate. Furthermore, this framework, and the suite of indicators chosen, needs to command a broad political consensus to ensure its continued usage.

Finally, this project needs to examine how these new indicators can be most effectively used in the existing Irish policy landscape.

We urge progress in this new field in the hope that better statistical measurement will lead to better government policy and delivery and so ultimately to an improvement in the wellbeing of our people and our society as a whole.
**Endnotes**

