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# Well-being in Wellington

## A Report on the June 2012 Well-being and Public Policy Conference

### Introduction

International interest in including a broad range of measures of well-being in national accounts and in using well-being research to inform policy making was greatly stimulated by the Stiglitz report (Stiglitz, Sen and Fitoussi, 2008). The essential message of this report was that if we want well-being to feature as one of our country's outcomes it has to be measured and monitored appropriately to test its responsiveness to public policy interventions. In order to bring these issues to a New Zealand audience, editors from the *International Journal of Wellbeing* organised the Well-being and Public Policy conference held at Victoria University of Wellington over the three days of 13–15 June 2012.

The science of well-being is relatively young so there is much that well-being researchers still do not know. For example, we are not sure which measures of subjective well-being, if any, should feature in national accounts of well-being

(we could include self-reported measures of emotional happiness, satisfaction with life, flourishing, or a combination of such measures). We also do not know what kinds of well-being research could usefully inform public policy; how

measures of subjective well-being relate to conventional measures of poverty; how we can best measure the well-being of children; or whether we can develop a meaningful measure of 'gross national happiness'.

The case for developing measures of subjective well-being rests heavily on the fact that many social well-being outcomes are either poorly captured or not measured at all by market transactions. For example, commuting raises GDP per capita but decreases peoples' well-being (Kahneman et al., 2004). Surveys of subjective well-being – which ask questions like, 'all things considered, how satisfied are you with your life?' – provide an opportunity to assess the impact of many important events and circumstances more comprehensively than we can by observing market responses. Examples include the response to natural disasters (e.g. earthquakes) and environmental conditions (e.g. pollution), and also changes to social policy (e.g. altered provisions to parental leave provisions).

The aim of the Well-being and Public Policy conference was to foster debate on the concept and measurement of well-being as it relates to public policy. The conference attracted nearly 100 attendees, of whom

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nearly half came from outside Wellington and about a fifth from overseas. Just over a third of all delegates were academics, two-thirds of whom came from outside Wellington, including 12 from overseas. Of the non-academic delegates, nearly half were employed in national or local government positions and about a quarter were employed in other, mainly research and policy advice, institutions. In this summary we report the main points made at the conference and conclude with our view of the implications for Australasian policy makers.

#### Keynote speakers

Sponsorship by the Treasury, Statistics New Zealand, the Institute of Policy Studies, Victoria University of Wellington and the Open Polytechnic of New Zealand made it possible to attract four international authorities in the field of well-being and public policy: Professor Andrew Clark of the Paris School of Economics; Robert Cummins, professor of psychology, Deakin University, Australia; Paul Frijters, professor of economics at the University of Queensland; and Robert MacCulloch, holder of the Matthew S. Abel Chair in Macroeconomics, University of Auckland.

In the seminal economics paper in the field, Richard Easterlin (1974) highlights the paradox that although richer people and richer countries tend to report themselves as happier than their poorer counterparts, average self-reported happiness in developed countries has remained fairly steady for the previous 50 years. The reason, Easterlin argued, is that increases in happiness due to rising income are cancelled out by the negative effect of social status comparisons. In his paper, 'Income comparisons, the Easterlin paradox and public policy', Andrew Clark argued that utility we get from income being relative in this way does not necessarily mean that other potential policy goals (employment, marriage, social relations, etc.) are better, because the utility we get from these sources can also be moderated by social comparisons and adaptation.

Robert Cummins argued that identifying changes in subjective well-being is complicated because of its homeostatic properties. In his

presentation, 'Set-points for subjective well-being: real or imagined', Cummins argues that both individuals and societies have a 'set-point' level of subjective well-being and that any deviation from this set point is quickly corrected by an internal homeostasis mechanism (except when the mechanism breaks down, which can happen when unfavourable environmental conditions overwhelm an individual's resilience-related resources for too long). Cummins' presentation was important because, according to him, it included the first direct empirical evidence in support of his set-point theory. Cummins' presentation was also controversial because, if his set-point theory is right, both the foundational assumption within positive psychology that we can learn to be lastingly happier and the belief of many economists that public policy can raise both individual and collective well-being come into question.

In a second paper presented later in the conference, Professor Cummins spoke on 'Measuring subjective well-being to inform public policy'. He argued that when our ability to manage homeostasis fails, then the resultant loss of positive mood (well-being) is conducive to depression. In what Cummins suggests may be one of the most effective initiatives to enhance population well-being and national productivity, he applies his Australian Unity Wellbeing Index to geographic regions and specific demographic groups in order to help policy makers allocate scarce resources to disadvantaged groups more effectively.

In Paul Frijters' keynote address, 'Second chances at happiness in life', he asked whether we are born to be unhappy or whether there are indeed second chances for people with unfortunate childhoods. Are divorce and the death of a family member events you get over or do they scar you for life? Do countries go through prolonged unhappiness or do they bounce back quickly after adversity? Does the glow of a promotion or marriage last forever or fade over time? Frijters' empirical evidence suggested an ability to break out of, or at least stretch, the 'homeostatic' control process and therefore that there are many chances for

happiness and unhappiness in life. Such conclusions challenge policy makers to identify those contexts most likely to improve peoples' appraisal of their well-being.

In his later address to the conference workshop on the well-being of children, Professor Frijters continued his earlier theme by asking 'Whatever happened to happy kids?' Citing evidence from Australia on child happiness and the age-happiness relationship in general, his presentation dealt with unique data on the happiness of children from age 10 to 15 in Australia (documenting a large decline as children go through the turmoil of teenage years) and evidence from Australia, the United Kingdom and Germany on the happiness profile through life (people tend to start getting happier again from the age of about 45). It was pointed out during this presentation that the stark difference between the average happiness of 35-year-olds and 10- and 60-year-olds seems to counter the strong version of the set-point theory, since large changes in happiness appear to happen over time despite homeostatic adaptation to many day-to-day events.

The fourth keynote speaker was Robert MacCulloch. In his paper, 'Happiness, contentment and other emotions for policy makers', Professor MacCulloch pointed out that happiness research is based on the idea that it is useful to study empirical measures of individual welfare, namely the answers to simple well-being questions, such as 'Are you happy?' He went on to provide several examples of how happiness research has added useful information on important issues over and above the information provided by traditional economic data. For example, when reserve banks are deciding between official cash rate levels that are likely to have the effect of either increasing unemployment and decreasing inflation, or vice versa, it is useful for them to know how changes in inflation and unemployment affect people's happiness. (A 1% increase in unemployment has at least twice the negative impact on happiness as a 1% increase in inflation.) In this way, happiness research can be used to help evaluate trade-offs between

previously difficult to compare economic outcomes.

#### **Conference presentations**

A total of 45 papers were presented at the conference. Some of the main themes and relevant presentations are discussed here, and each of the presentations is summarised in the extended conference report on the conference website.

#### *Operationalising national well-being frameworks*

Several talks discussed national well-being frameworks and how to operationalise them. James Kelly provided an historical context for understanding the Australian Treasury's approach to their 'well-being framework' which sets out a conceptual approach for understanding well-being. His paper offered high-level guidance to staff as to what needs to be considered 'in providing an objective and thorough analysis of options in advice to the Government of the day'.

In May 2011 the New Zealand Treasury released a working paper outlining what it meant by living standards in its vision, 'working for higher living standards for New Zealanders'. In his paper, Girol Karacaoglu presented the details of and case for a living standards tool designed to assist policy analysts to consider the key elements of the living standards framework in their day-to-day work. The living standards tool included suggested indicators for each key element of the framework and is currently being tested by Treasury staff.

Terms such as well-being, subjective well-being, progress, quality of life, health and happiness are often used interchangeably, but, as Imogen Wall pointed out, there are benefits in differentiating between them in a clear conceptual framework. Such a framework has allowed the Australian Bureau of Statistics to develop a set of measures of well-being across a range of domains, including health, education, work and housing. Helen Spong reported on the bureau's recent efforts to gather qualitative information via workshops, social media and expert panels on what Australians aspire to. Aspirations were collected for the four domains of society,

economy, environment and governance for a refreshed set of headline indicators, using a dashboard rather than a composite index.

Presenting a different cultural perspective on this issue, Yoshiaki Takahashi explained that Japan's well-being index is made up of three dimensions: socio-economic conditions, physical and mental health, and 'relatedness'. Takahashi also discussed the development of indicators designed to capture these dimensions.

Other examples of the development of well-being indices were reported by Katherine Trebeck. The exclusive focus on financial growth under GDP policies, she argued, has resulted in damage to the social, human, natural and physical assets needed if current and future individuals, families and communities are to flourish. Trebeck explained how these assets have been incorporated into the Oxfam Humankind Index (under a sustainable livelihoods approach) for use in otherwise marginalised communities.

Choosing the right well-being indicators is an important and difficult task which can have far-reaching consequences. An example which Michael Givel brought to the conference is Bhutan, which began working towards its GNH (gross national happiness) index as early as 1972. Givel compared recent data on GNH from the Bhutanese government with an alternative index (which assessed the same nine domains as the GNH index but used different indicators for each domain). He found that Bhutan's results on their GNH index were markedly different from the results of his alternative dashboard. Givel argued that claims about the levels of well-being in Bhutan, and many other countries, should not be taken at face value because a different set of indicators can paint a very different picture.

#### *Measurement issues*

What one uses as the central measure of well-being helps to qualify the contribution material standards of living make to our well-being. This point was well illustrated by Sharon Dane, Karen Stenner and Elizabeth Hobman, whose survey results underscored fulfilment of

psychological needs, as being those most strongly associated with people's feelings. Social support played the strongest role in predicting positive feelings, and lack of respect was the strongest predictor of negative feelings. Measuring these distinct facets of social well-being, they argued, is essential in isolating and evaluating the different contributions made by material and psychosocial prosperity.

The wider context is also important, especially those broad social, economic and environmental features of a locality. Francesco Devicienti and Ambra Poggi addressed these local context effects via the concept of 'efficiency': namely, that some households, because they are in relatively deprived areas, may be less efficient at converting income into well-being. They conclude that minimum income levels may, therefore, have to be higher in poor regions in order to compensate for lack of opportunities in those areas.

The relative strengths of objective and subjective measures of well-being continue to be debated. In their paper, Arthur Grimes, Robert MacCulloch, Les Oxley and Nicholas Tarrant tested the predictive power of well-being measures for an objective indicator of how people value countries' relative attractiveness, namely net migration. As a revealed preference indicator of people's (re) location choices, net migration over 50 years is used as an indicator of national well-being in this ongoing study. In the study they found that both material and life satisfaction outcomes are important determinants of the choice to migrate.

On the debate over the most appropriate measures of well-being, Yoshiaki Takahashi and colleagues considered the respective merits of the standard satisfaction and happiness questions. Based on small group interviews in seven regions and cities in Japan, they find that while 'life satisfaction' questions tap individual and economic aspects, such as income and employment status, 'happiness' questions are more related to the status of relationships with family and friends. Takahashi argued that, if the aim of subjective well-being measures is to provide information that is not already provided by traditional economic

indicators such as GDP, then the most appropriate measures of subjective well-being are questions about happiness, not satisfaction.

#### *The well-being of children*

A particularly timely focus of the conference was children. Simon Chaple's paper drew attention to the relative lack of information on how children's well-being relates to their well-being later in life, and to the differential well-being effect of experiencing poverty as a child.

At the same time, children differ markedly and this difference needs to be recognised. Nowhere is this clearer than in the case of children with disabilities. Using photographic documentation in a school setting, Maree Kirk investigated what constitutes well-being in children with Down Syndrome. The factors which influenced their well-being were different from those normally cited as affecting people's well-being, and Kirk argued that the ability to recognise these differences is important for professionals and service providers.

While we are increasingly concerned with well-being policies relating to children, children tend not to be included in policy development. Jenna Swan and Jonathon Sargeant made the point that children are capable of contributing meaningfully to the development of policies that affect them if they are only asked and listened to. Bronwyn Hayward made a similar point and suggested a potential educational solution to the problems facing our children: the social agency, environmental education, embedded justice, decentred deliberative democracy and self-transcendence (SEEDS) model of ecological and citizenship education.

#### *Poverty and well-being*

Despite the considerable attention paid to the relationship between subjective well-being and income, we still know relatively little about how well-being varies with different income levels below the poverty line. Using cross-sectional evidence from the New Zealand General Social Survey, Philip Morrison and Margreet Frieling documented the sensitivity of this relationship to the way both well-

being and income are measured, and how the level of aggregation (e.g. individual versus household) affects the estimated relationships. They found that well-being does not always rise with income among low-income respondents.

In contrast, Bryan Perry focused on the material well-being of low-income households because income per se is a poor indicator of well-being at this level, where day-to-day living conditions vary widely. The unreliability of household income is particularly important to consider when monitoring poverty, and this may signal the need for greater reliance on other indicators, such as health, education, and possibly subjective well-being, to assess the lives of the poor.

The study of dynamics by Kristie Carter and Fiona Imlach Gunasekara highlighted the prevalence of mobility in and out of states of low income, allowing them to contrast cross-sectional deprivation rates of 6–7% with deprivation rates of double that over seven years as people re-entered states of low income. In other words, many more people experience poverty over a period of time than do at any one moment in time. Instruments such as longitudinal surveys which capture the dynamics of people's lives are therefore central to the monitoring of well-being.

#### **Conclusion and implications for Australasian policy makers**

Overall, the presentations at the conference represented the growing international and local interest in using a more diverse range of well-being indicators to inform policy decisions at all levels of government. The complexity of the issues raised in some presentations also provided insight into the difficulties of creating and using new measures and constructing appropriate and useful indices of well-being. Despite these complexities, however, there were presentations of successful uses of well-being research, and of innovative measures of well-being developed to inform policy decisions.

Informal and semi-formal polling of the conference delegates confirmed the organisers' belief that the conference was a big success. However, many well-being and public policy-related questions

remain unresolved, and research into well-being in New Zealand in particular is still in its infancy. Consequently there was widespread interest in the forthcoming special issue of the International Journal of Wellbeing on well-being and public policy, as well as a possible follow-up conference.

In our opinion, the conference made it clear that Australasian policy makers are at an important juncture. Both Australia and New Zealand have fairly solid theoretical well-being frameworks, and have made tentative steps towards investigating indicators for the key domains in those frameworks. Unfortunately, these frameworks are of little use if they do not come with a complete set of effective indicators based on local data and the support of the policy making community. In many cases the local data required for this task is incomplete or non-existent, and we won't know which new indicators are going to be effective until we test them. In New Zealand we especially lack a nationwide panel data set, in which individuals making up a nationally representative set are surveyed every year over a long period of time. Such surveys are expensive to set up, but the ongoing costs associated with them are much lower than they used to be, thanks to widespread internet access and the efficiencies of online surveys. In the current political and economic situation, surveys about hope, happiness and flourishing are unlikely to be high on the list of funding priorities. But, without further funding for better data sets, we might sit at this juncture and do nothing. Better data sets would bring sharper minds to bear on the problem, with the likely result of a set of indicators which cover all important policy domains and are sensitive enough to produce results that can inform how effective new policies are.

But even without these better data sets, Australasian academics and policy makers still have access to a lot of data relevant to new indicators of well-being. The most outstanding of these is the Australian panel data set HILDA: the Household, Income and Labour Dynamics in Australia survey, which has been used to generate a number of insightful, and

policy-relevant, papers on subjective well-being. Although New Zealand lacks such a comprehensive panel survey, we do administer a number of cross-sectional surveys, from which a great deal can be learned about the distribution of both objective and subjective measures of well-being. Probably the best known is the World Values Survey, to which New Zealand has contributed two samples. Surprisingly, these have received very little attention from local researchers, despite their allowing cross-country comparisons (Morrison, 2012).

Several researchers have administered their own surveys (e.g. Fortune et al., 2010; Ganglmair-Wooliscroft and Lawson, 2008; Koopman-Boyden and Reid, 2009; Sibley, Harre and Houamau, 2011), but nationally representative surveys typically require much larger samples than can be commanded by individual researchers. Two large biennial cross-sectional surveys

now meet this criterion. The most recent is the New Zealand General Social Survey (NZGSS), administered by Statistics New Zealand (Brown, Wolf and Smith, 2010). Results from the 2008 and 2010 rounds of the GSS were used by Morrison and Frieling in their analysis discussed above. The other is the longer-running Quality of Life Survey, administered by a consortium of local bodies. This survey has been particularly useful for understanding variations in well-being across the country (Morrison, 2007, 2011). In addition, the Ministry of Social Development has been at the forefront of many measures of well-being (Ministry of Social Development, 2008) and the quinquennial census has also been used to generate non-subjective measures of family well-being (Cotterell, von Randow and McTaggart, 2009).

We hope that the well-being and Public Policy conference stimulates further interest in the use of these existing

data sources for policy-related research and the development of a New Zealand panel survey that includes subjective well-being questions.

#### Conference organising committee:

Philip S. Morrison, Dan Weijers and Aaron Jarden.

- 1 See the executive summary here: <http://www.stat.si/doc/drzstat/Stiglitz%20report.pdf>.
- 2 A full conference programme with abstracts and presenters' contact details, some of the PowerPoint presentations and a full conference report are available from the conference website: <http://www.wellbeingandpublicpolicy.org>.
- 3 <http://www.wellbeingandpublicpolicy.org>.
- 4 The *International Journal of Wellbeing* – [www.internationaljournalofwellbeing.org](http://www.internationaljournalofwellbeing.org) – is an 'open access' journal, meaning that all of its contents can be accessed without subscription. The special issue on well-being and public policy will be published late in 2012 or early in 2013.
- 5 A good recent example of the benefits of panel data can be found in the work of Carter and Gunasekara (2012), which made use of Statistics New Zealand's seven-year panel survey, the Survey of Family, Income and Employment. The ongoing nature of the survey enabled Carter and Gunasekara to discover unique insights into the repeat pattern of entry into, and exit from, poverty for many New Zealanders.
- 6 A full list of papers from this survey is available from their web site: <http://www.melbourneinstitute.com/hilda/biblio/>.
- 7 <http://www.worldvaluessurvey.org/>.

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