



VICTORIA UNIVERSITY OF
WELLINGTON
TE HERENGA WAKA

Wellbeing Policy

Presentation to IPANZ AGM

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2019 Wellbeing Budget

Wellbeing
Budget 2019

“ ... Budget 2019 was heralded as the Wellbeing Budget ...

... News of New Zealand’s proposed Wellbeing Budget took the Davos World Economic Forum by storm earlier this year ...

... Members of the political and financial glitterati were enthusiastic ...

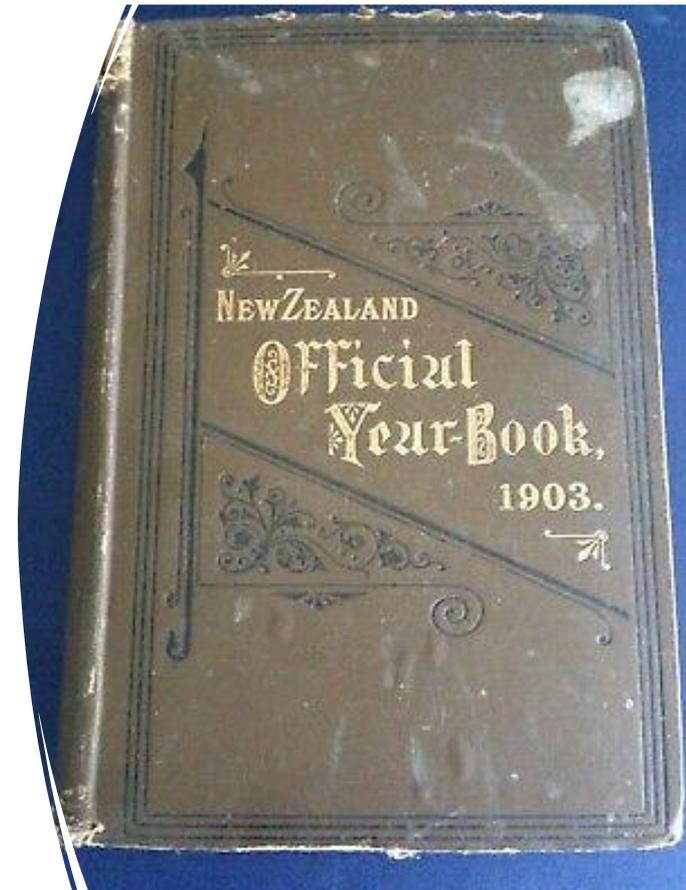
(BERL: Budget 2019 Commentary)

Budget speech

Hon Grant Robertson
Minister of Finance

2019 Wellbeing Budget (cont)

- Was the 2019 Wellbeing Budget ground-breaking?
 - *Or just new rhetoric?*
- Were the Treasury's LSF indicators any different to old Yearbooks?
- Had other countries beaten us to it?
 - *If so, how had they fared?*



Wellbeing Policy

- **Definition of wellbeing**
- **Alternative wellbeing approaches to budget policy**
 - Capabilities approach
 - Multi-dimensional poverty approach
 - Subjective wellbeing approach
- **6 country experiences**
 - Bhutan
 - Australia
 - France
 - Wales
 - UAE
 - New Zealand
- **Concluding observations**

*There is good government
when those who are near are
made happy, and when those
who are afar are attracted*

Confucius (c500 BC)



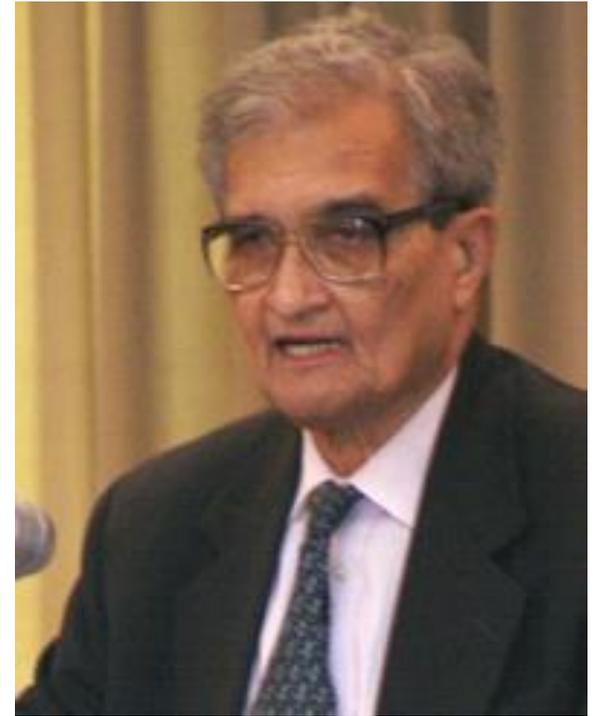
Definition of Wellbeing

- **Well-being**: “The state of being or doing well in life; happy, healthy, or prosperous condition; **welfare**” (SOED)
- **Welfare**: “good fortune, happiness, or **well-being**” (SOED)
- I.e. wellbeing = welfare
- **Arthur Pigou** (welfare economist) in 1920 defined total welfare to include all aspects of people’s welfare; i.e. welfare economics has always targeted wellbeing

- *But recent extensions have occurred*

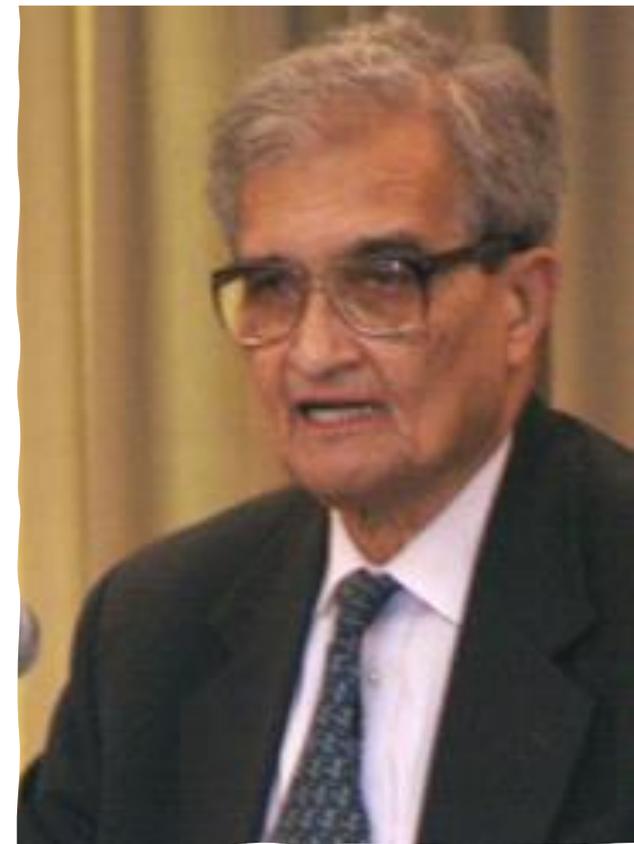
Capabilities approach [Sen, Nussbaum]

- Policies should be designed to improve people's *capabilities* in order to improve their *functionings*
- *Capabilities* are the **opportunities and freedoms** to pursue wellbeing
- *Functionings* represent the various aspects of **achieved wellbeing**
 - e.g. Access to suitable foods (a capability) may result in being adequately nourished (a functioning)



Capabilities approach [Sen, Nussbaum]

- BUT who should choose which capabilities or functionings are important for policy?
- Nussbaum specifies 10 required capabilities
- Sen refuses to specify, but says *persons must have reason to value* chosen capabilities
- But who decides if they *have reason to value*?
- Either way, the approach is paternalistic

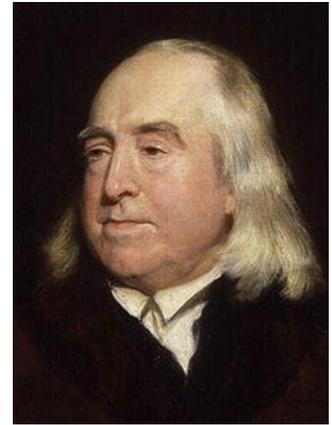


Multi-dimensional poverty (MDP) approach [Alkire, Foster]

- Sets thresholds for each indicator (capability or functioning)
- Counts # thresholds a person falls below
- Deems a person to be in MDP if they fall below a proportion (e.g. 1/3) of indicators
- Policies then aim to reduce # people in MDP
- *But who chooses the indicators & thresholds?*
- ***NB: Related to SDG approach***



Utilitarianism



Bentham (1748-1832)

- “it is the *greatest happiness of the greatest number* that is the measure of right and wrong”
... led to calls for equal rights for women, homosexuals, non-believers ... and rights of animals

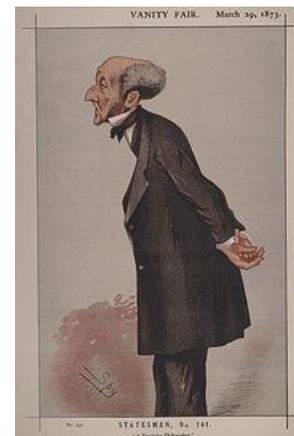


Mary Wollstonecraft (1759–1797)

- A Vindication of the Rights of Woman

J.S. Mill (1806-1873)

- A moral agent should choose the action that maximizes the total happiness in the world



Subjective wellbeing (SWB) approach (modern utilitarianism)

- Policies should be designed to maximise (evaluative) SWB
 - often with greater weight given to those with lower wellbeing
- Graham, Veenhoven, Easterlin, Diener, Singer, Layard, Pinker, ...



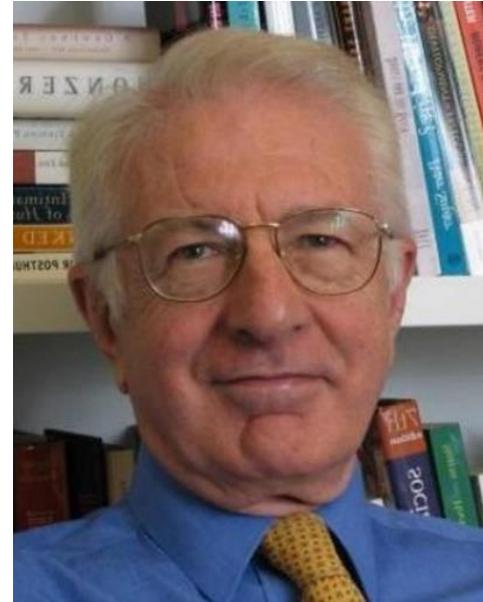
Two common evaluative SWB measures

- *“All things considered, how satisfied are you with your life as a whole these days?”*
- *“Please imagine a ladder with steps numbered from zero at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?”*



Policy use of evaluative SWB measures

- Evaluate impacts of a policy on SWB
 - *e.g. course of CBT worth 1 point on SWB scale*
- Estimate \$s needed to lift SWB by 1 point
- Then CBT course = those \$s in value
- Use estimates in **Cost-Wellbeing Analysis** (like CBA) incorporating non-market wellbeing



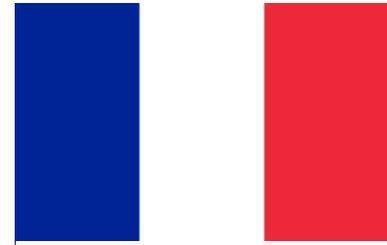
“Wealth is about so much more than pounds, or euros or dollars can ever measure. It's time we admitted that there's more to life than money, and it's time we focused not just on GDP, but on GWB - general wellbeing”

David Cameron (2006)



6 country examples

- Bhutan
- Australia
- France
- Wales
- UAE
- New Zealand





Bhutan: 1972

- Targets **GNH** (*Gross National Happiness*) based on MDP approach
- 9 domains including: spirituality, ecology, contribution to others

BUT

- No consideration given to costs of raising people over different thresholds
 - resources may be better targeted at other domains

RESULT

- Bhutan ranks 95/156 countries on average SWB
 - has slipped relative to China & Nepal since early 2000s

Australia: 2004



- Treasury adopted Wellbeing Framework in 2004
- Based on utilitarianism, with nod to capabilities
- Used ABS dashboard: *Measures of Australia's Progress*

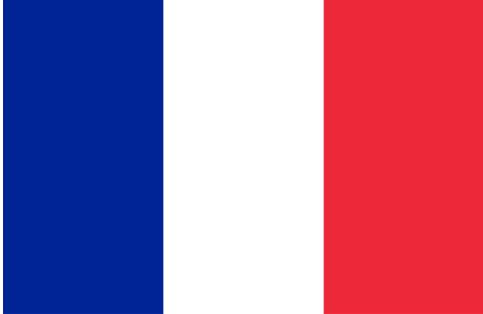
BUT

- Govt never bought into the framework or used it for policy

RESULT

- ABS measures & Treasury framework both ditched in 2014

France: 2015



- Act of Parliament requires Govt to submit annual report ...
... “presenting the evolution of **new wealth indicators** as indicators of inequalities, quality of life & sustainable development ...”
- First report included 10 indicators used to evaluate 6 major reforms

BUT

- Since 2015, reports have either been late or non-existent

RESULT

- Framework has fallen into abeyance

Wales: 2015



- **Wellbeing of Future Generations (Wales) Act**
 - Follows UK 'GWB' approach (Cameron) + Scotland + ONS dashboard
 - **7 goals:** prosperous; resilient; healthier; more equal; more cohesive communities; vibrant culture and language; globally responsible Wales
- All public bodies **MUST** carry out sustainable development & publish WB objectives + intended actions

ACCOUNTABLE

- *Auditor-general* checks bodies have acted in accordance with principles
- *Future Generations Commissioner* acts as guardian for future generations

RESULT

- Promising start; accountability mechanisms give hope for success

UAE: 2017



- *Program for Happiness & Positivity*: focus is on citizens' SWB
- 6 key drivers: economy, education, health, culture, environment, govt services
- Policy proposals assessed on effects on each driver & overall evaluative SWB
- Calculate impacts measured in “Happiness Years” (HAPYs)
- HAPYs used for cost effectiveness analysis & cost wellbeing analysis (CWA)

BUT

- Population: 9.2 million = 1.4 million **citizens** + 7.8 million expats (!)
- UAE has one of worst human rights records in the world

RESULT

- In theory, best WB approach BUT in a country with terrible human rights!

New Zealand: 2018/19



- Treasury published Living Standards Framework (LSF) in 2018
- Dashboard approach: 61 indicators across 12 domains + 4 capitals
- SWB is 1 of 12 domains, but not given priority

BUT

- LSF not used to prioritise budget choices
- Few targets or accountabilities, except child poverty targets (different Act)

RESULT

- Not useful for prioritisation
- Has not had buy-in from Opposition, so longevity in doubt

Final thoughts

Most national wellbeing approaches have failed

Key problems have been:

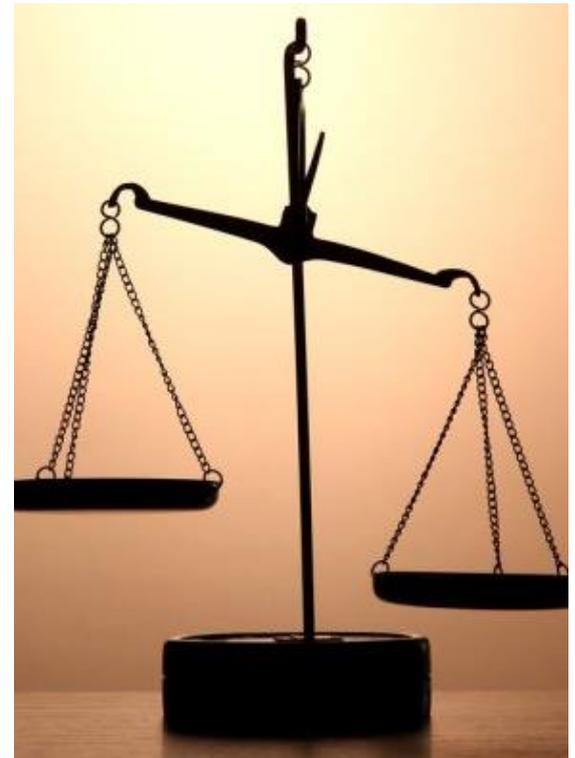
1. Dashboards do not help prioritisation
2. No accountabilities to achieve targets

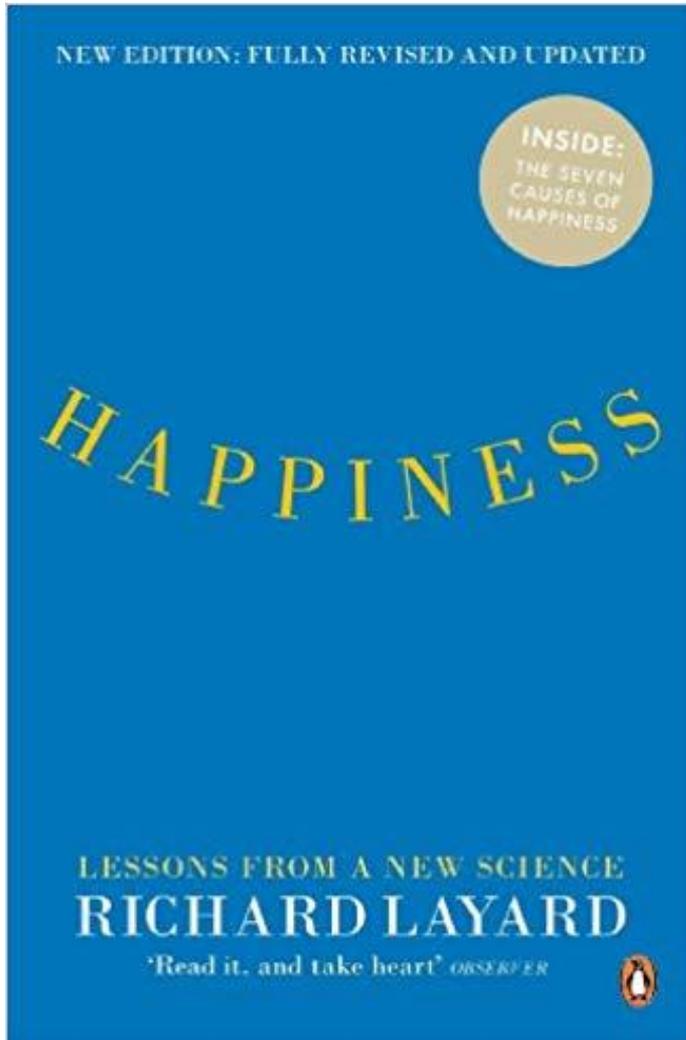
Has NZ learned either of these lessons?

- Not yet

Conclusion

- NZ wellbeing approach needs overhaul
- Treasury is currently overhauling it
 - *will they heed lessons from UAE & Wales?*





Personal happiness is related to:

- financial situation
- work (especially unemployment)
- health
- personal freedom
- personal values
- family relationships
- community and friends