

A new science of wellbeing will change policy and decision making

What produces a happy society and a happy life? Richard Layard and Jan-Emmanuel De Neve suggest that through the new science of wellbeing, we can now answer this question empirically. Explaining how wellbeing can be measured, what causes it, and how it can be improved, they argue we are only at the beginning of a transformation in the ability to base decision making on the outcomes that matter most, namely the wellbeing of us all including future generations.

You know where we start – with the simple proposition that the true goal for a society should be the wellbeing of the people. That is how we should judge progress and that should be the goal of the government. It was a central proposal of the 18th Century Enlightenment; it inspired 19th century social reform; and it was the philosophy of the founders of LSE, Sidney and Beatrice Webb, and early director William Beveridge. It is probably the single greatest idea of modern times.

Thomas Jefferson put it like this: “The care of human life and happiness is the [only legitimate object of good government.](#)”

There is however one other key point: we want happiness to be fairly distributed. Social justice is important and governments and other organisations have a duty to prevent misery. So, they should create conditions that enable everyone to be happier, especially those who would otherwise not be. But, who are they? And how can we identify what causes the spread of happiness?

Measuring wellbeing

For people working on wellbeing the consensus is that the best measure is life-satisfaction. Overall, how satisfied are you with your life these days? (0-10. 0 means not at all, 10 means extremely satisfied). This is the question used by the Office for National Statistics. It has many merits. It is simple and easy to understand – much better than many questions condensed into an index. And it is democratic: each person judges

their own situation, rather than some researcher doing it.

We know the answers have real information content. They are one of the best predictors of how long you will live, as well as whether you will leave your job or your partner, and whether you will [vote back the existing government](#).

So let's look at the most basic fact about the human condition. It comes from the Gallup World Poll (published yearly in the [World Happiness Report](#) on the 20th March). It shows that a fifth of people rate their happiness at three or below and a sixth at eight or above – a huge spread.

Part of that spread comes from the variation between countries and part within countries. The top countries are mainly Nordic, peaceful and egalitarian, and the bottom ones are mostly torn by civil conflict or repression. Other factors include income, but also health, freedom, social support, altruism and trust – all variables in which the Nordic countries excel. In the [famous wallet-dropping experiments](#), 80% of the wallets dropped there were returned, compared with under a half in Britain and the US, and under 20% in China.

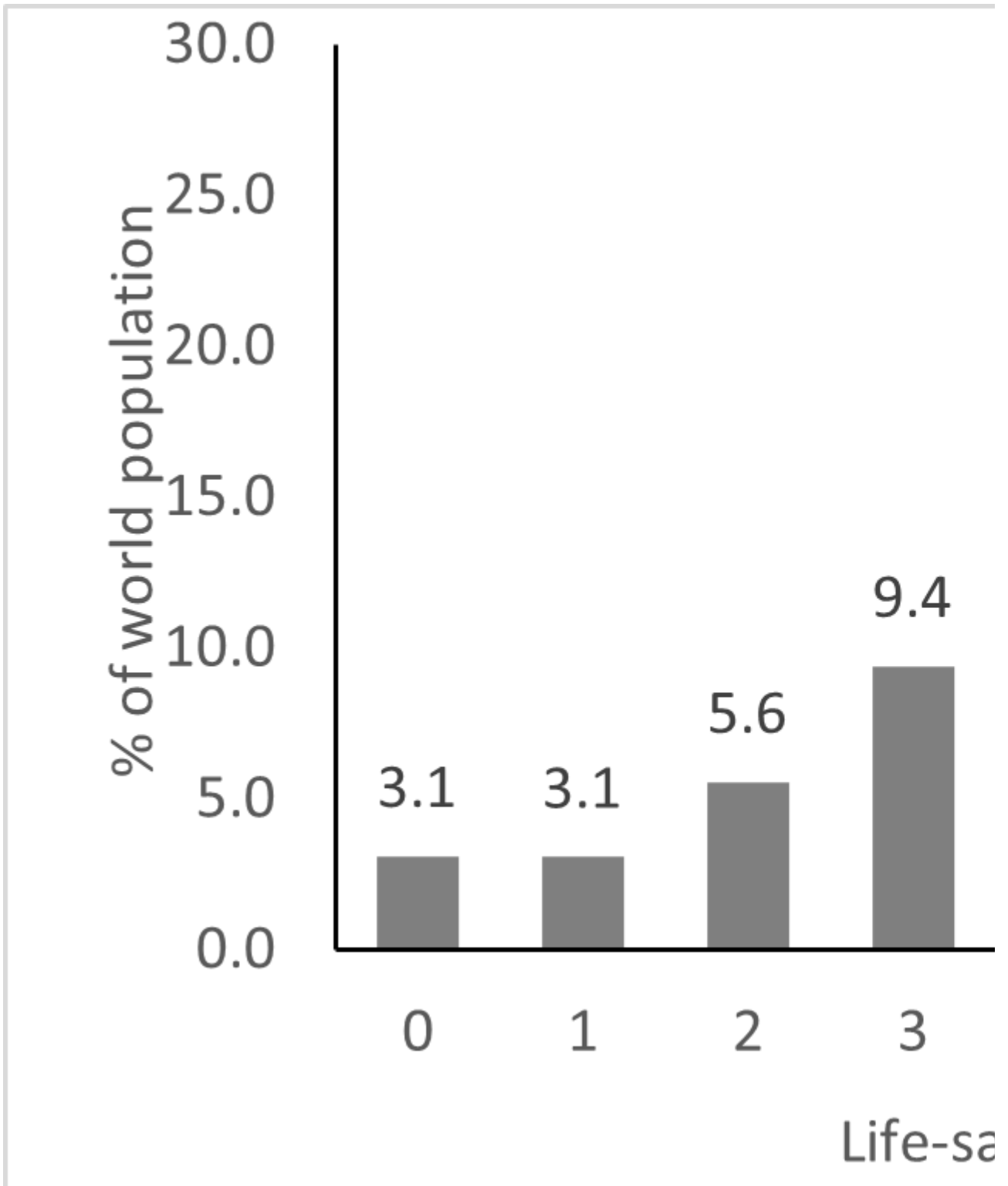


Fig. 1. Distribution of happiness in the world, Source: Gallup World Poll.

However, 80% of the variation of happiness is within countries. What explains the wide spread of happiness within countries? This has got to be the central question if your aim is to reduce misery, because the wider the spread of wellbeing, the more people there will be who have low life-satisfaction below any particular cut-off.

What matters?

Individual wellbeing has many causes. The most important single factor is mental health, defined by the question Have you ever been diagnosed for an anxiety disorder or depression? Physical health also matters, as does the quality of your work and whether you have work at all. Family life matters and so does income, but let's keep it in its place. This helps to explain the fact that in many countries, growth has not been accompanied by rising happiness.

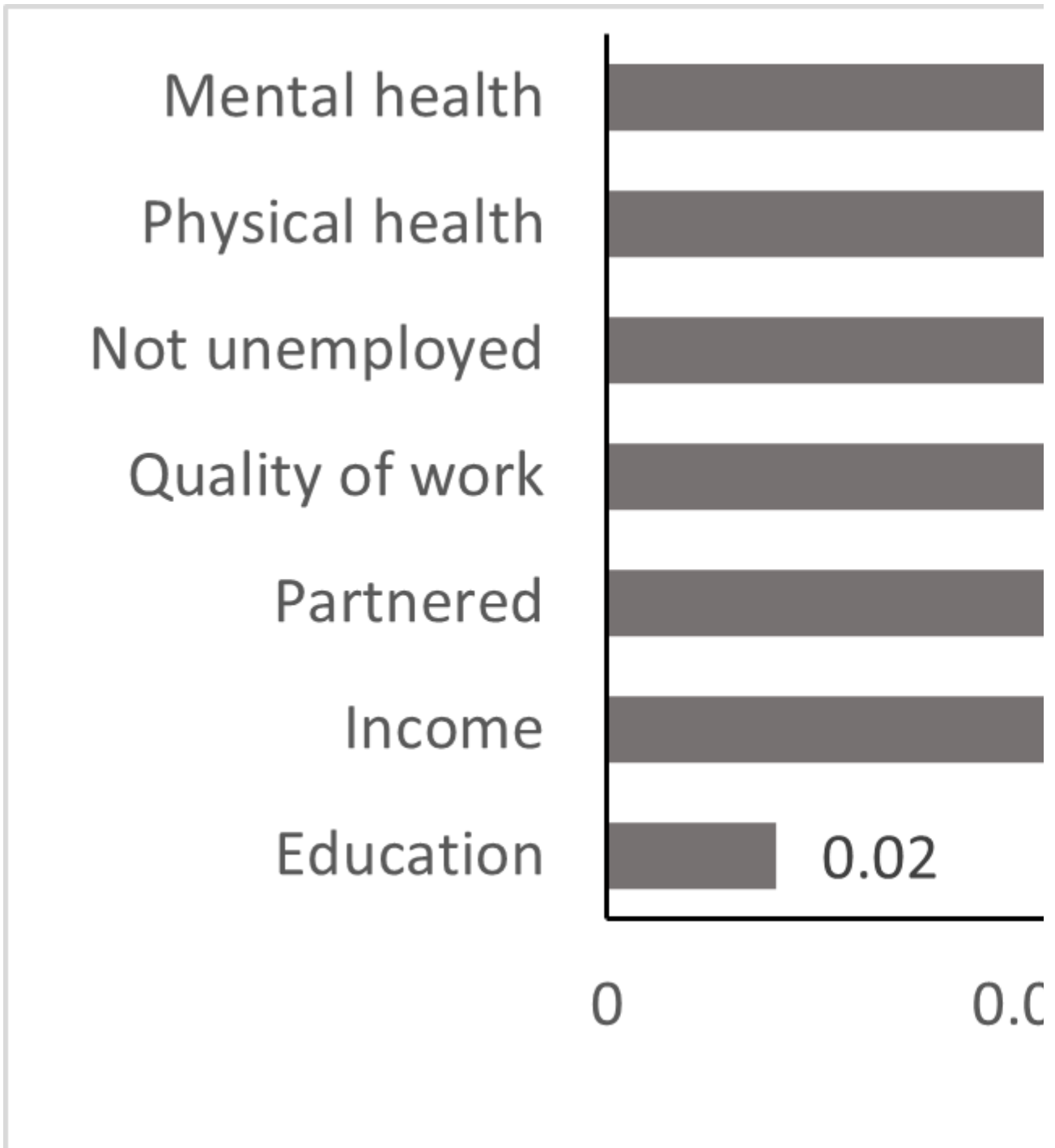


Fig. 2. What explains the variation of life satisfaction among adults over 25? (Britain). Source: A.E. Clark et al (2018) Table 16.1.

Policy to create a happier world

We are at a pivotal moment to redirect policy towards wellbeing. The [OECD](#) and [EU](#) have already made proposals in this direction, Keir Starmer has also said that if elected, [every policy should be tested for its impact on wellbeing](#) (as well as GDP).

This requires a massive rethink. Technically, the Treasury will have to follow the procedures which are now allowed in its own [Green Book](#), and use direct measures of wellbeing as the measure of benefit. This will not mean throwing away the use of money as a method of measuring benefits in terms of willingness-to-pay. These methods cover a small part of government expenditure, but where they work well, they can be turned into measures of wellbeing by multiplying them by the wellbeing value of money (there will still be plenty of work for traditional economists).

Work means more than money

In the world of work, wellbeing research makes it painfully clear just how important work is to wellbeing far beyond being paid. Unemployment leads to a drop of one whole point on the scale from zero to 10, which is a lot – it's very difficult to move people by this. We know that about half of this drop is due to the loss in monetary terms: the loss of the paycheck and being able to put bread on the table. However, the other half, which is typically overlooked, is due to losing the non-monetary elements of work.

It bears reminding that the non-monetary aspects of work that we find so important for wellbeing, have to do with building identity, building social ties and social capital, having routine and structure throughout your week, as well as work being a source of lifelong learning. This isn't always picked up in traditional economic thinking. We find this to be very strongly the case and note also, that people do not adapt to falling unemployed. Even when people regain a job, we find that there are scarring effects, so they don't quite reach back to the same level in terms of life satisfaction that they were at before being made redundant.



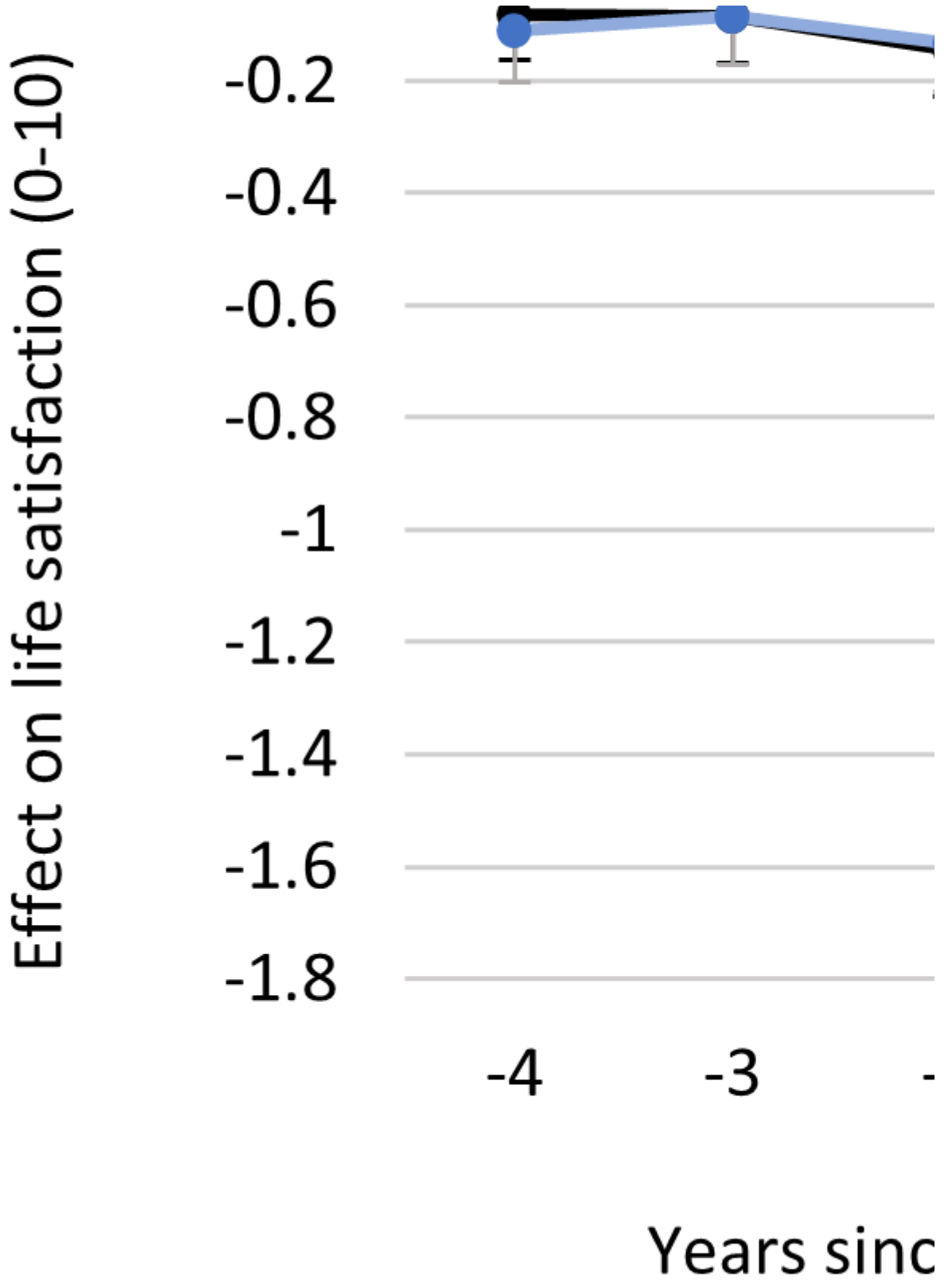


Fig. 3. Effect of unemployment on life satisfaction (0-10) over time. Source: De Neve & Ward (2017)

Happy workers = productivity workers

Let's move into the workplace itself and whether it pays to invest in workplace wellbeing? At the individual level, there's a very strong tie between how we feel and how productive we are. In forthcoming research I've carried out with Clément Bellet and George Ward in collaboration with British Telecom, we think we've been able to identify for the first time causal field evidence for the [link between employee wellbeing and productivity](#). The headline result is that feeling better by one point on a scale from zero to 10 translates into 13% more weekly sales in the context of BT call centres. And there's reason to believe that this is actually a lower bound of the impact we have.

Our research makes a powerful case for why it's not just the right thing to invest in wellbeing as a government or business leader, but also the clever thing to do. It is correlational, it doesn't quite identify causality, but there's a lot more work to be done with these data. We hope that more economists will join with other social scientists to answer the overarching question of how to create a happier world. Quite rightly, economics has always insisted that we cannot think coherently about policy choices without evaluating them against a single measure of value. It's time now to make that value a true measure of the real quality of life as people experience it.

*Richard Layard and Jan-Emmanuel De Neve's new book, [Wellbeing, Science and Policy](#), is available now open access via Cambridge University Press. This post is an edited version of the CEP lecture *Wellbeing: Science and Policy* a recording of which is available [here](#).*

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