

What produces a happy society and a happy life? In the first textbook on wellbeing, **Richard Layard** and **Jan-Emmanuel De Neve** explain how wellbeing can be measured, what causes it and how it can be improved. They conclude that 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.

Wellbeing: science and policy

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. This was a central idea 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.”

But there is one other key point: we want happiness to be distributed fairly. 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 those people? 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 (on a scale of 0 to 10, where 0 means not at all and 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 for the government in an election (Ward, 2020).

So, let’s look at the most basic fact about the human condition. Figure 1 comes from the Gallup World Poll (published yearly in the *World Happiness Report* in 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 variation between countries (20%) and part from variation within countries (80%). The top countries are mainly Nordic, peaceful

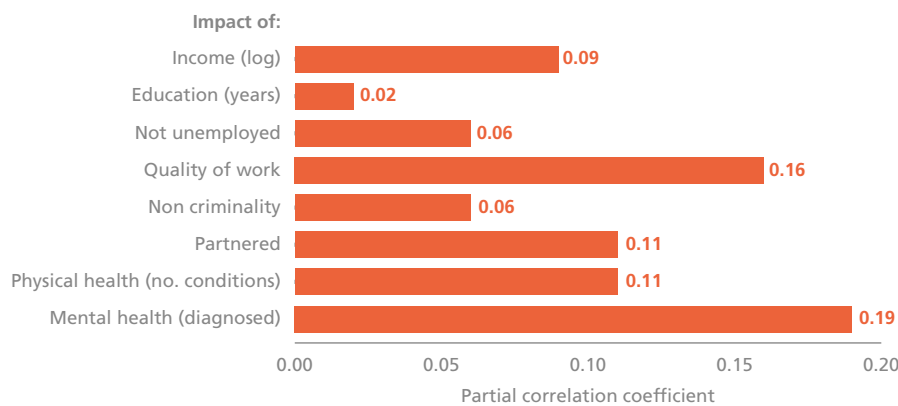
and egalitarian; and the bottom ones are mostly torn by civil conflict or repression. Other factors include income, but also health, freedom, social support, altruism and trust – all variables in which the Nordic countries excel. In wallet-dropping experiments (Cohn, 2019), 80% of the wallets dropped there were returned, compared with under a half in Britain and the US, and under 20% in China.

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.

Individual wellbeing has many causes. As Figure 2 shows, 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. So does income, but let's keep it in its place. This figure helps to explain the fact that in many countries, growth has not been accompanied by rising happiness.

We are at a pivotal moment to redirect policy towards wellbeing

Figure 2:
What explains the variation of life satisfaction among adults over 25 in Britain?



Source: Clark et al (2018).

Figure 1:
Distribution of happiness in the world



Source: Gallup World Poll, World Happiness Report 2012.

Policy to create a happier world

We are at a pivotal moment to redirect policy towards wellbeing. The Organisation for Economic Co-operation and Development and the EU have already made proposals in this direction, Keir Starmer has also said that if elected as the UK's next prime minister, every policy should be tested for its impact on wellbeing (as well as gross domestic product).

This requires a massive rethink. Technically, the Treasury will have to follow the procedures that 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. Such 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.

Meaningful work

Wellbeing research makes 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 0 to 10, which is a lot. Under half of this drop is due to the loss in monetary terms: the loss of regular pay and being able to put bread on the table. But the other half, which is typically overlooked, is due to losing the non-monetary elements of work.

There's a very strong tie between how we feel and how productive we are

The non-monetary aspects of work that we find to be 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 remaining unemployed. Even when people regain a job, we find that there are scarring effects, so people don't quite return to the same level in terms of life satisfaction that they were at before being made redundant.

Happy workers equal productive workers

Next consider 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 research in collaboration with British Telecom (Bellet et al, 2020) we 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 0 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.

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. 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.

This is an edited version of the CEP lecture 'Wellbeing: Science and Policy', available at this link (https://cep.lse.ac.uk/_new/events/event.asp?index=8729). The lecture marked the launch of *Wellbeing: Science and Policy* by Richard Layard and Jan-Emmanuel De Neve, available through open access via Cambridge University Press (Cambridge.org/wellbeing).

Richard Layard is CEP's founder-director, and is co-director of the Centre's community wellbeing programme.

Jan-Emmanuel de Neve is director of the Wellbeing Research Centre at the University of Oxford and an associate in CEP's community wellbeing programme.

Further reading

Clément Bellet, Jan-Emmanuel De Neve and George Ward (2020) 'Does Employee Happiness Have an Impact on Productivity?', CEP Discussion Paper No. 1655 (<https://cep.lse.ac.uk/pubs/download/dp1655.pdf>).

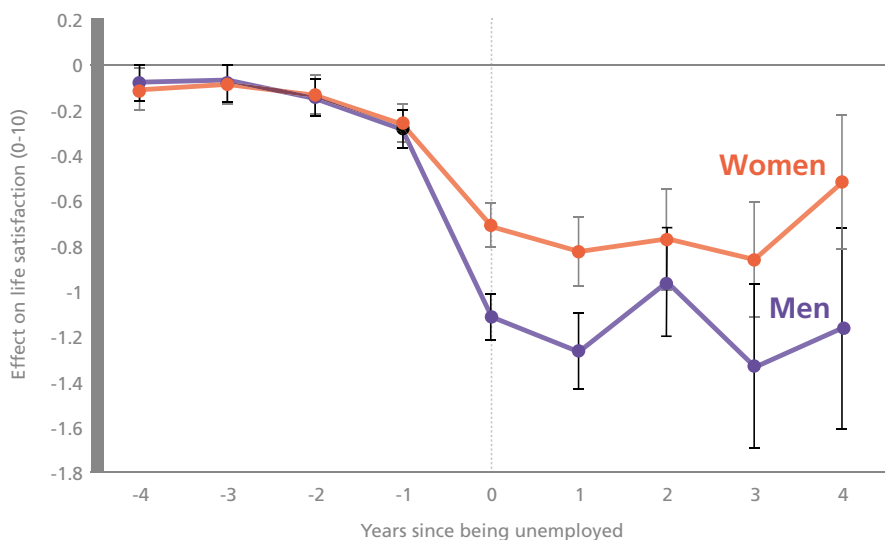
Andrew Clark, Sarah Flèche, Richard Layard, Nattavudh Powdthavee and George Ward (2018) *The Origins of Happiness: The Science of Well-Being Over the Life Course*, Princeton University Press.

Alain Cohn, Michel André Maréchal, David Tannenbaum and Christian Lukas Zünd (2019) 'Civic Honesty Around the Globe', *Science* 365(6448): 70-73.

John Helliwell, Richard Layard and Jeffrey Sachs (2012) *World Happiness Report 2012*.

George Ward (2020) 'Happiness and Voting: Evidence from Four Decades of Elections in Europe', *American Journal of Political Science* 64(3): 504-18.

Figure 3: Effect of unemployment on life satisfaction (0-10) over time



Notes: 95% confidence interval bars shown.

Source: Jan-Emmanuel De Neve and George Ward (2017) 'Happiness at Work', CEP Discussion Paper No. 1474.

The most important single factor in individual wellbeing is mental health