

# Quality of Life, Well-Being and Regional Economic Development

**A policy position paper written for *emda***

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# Quality of Life, Well-being and Regional Economic Development.

*A thought piece written by  
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for East Midlands Development Agency (emda).*

## 0. Executive summary

Regional Development Agencies (RDAs) have a morass of aims and targets to pursue, but behind them, at the heart of what RDAs are working towards, lies people's *quality of life*. Regeneration, competitiveness, employment, skills, and sustainable development are not ends in themselves, but are important precisely because of their impact on the well-being of the citizens in a region.

In this paper we argue that during the next round of Regional Economic Strategies (RESs), RDAs should explicitly make quality of life and well-being the organising principles at the heart of their visions and their strategies. An explicit focus on people's quality of life potentially offers rigorous methodologies for differentiating between 'good' and 'bad' growth. In addition enhancing people's well-being will support RDAs in successfully achieving their goals regarding enterprise, investment, skills, productivity and sustainable communities.

In order to operationalise the concept of quality of life in a systematic manner, RDAs will need to develop new measurement tools. There are two approaches to assessing people's quality of life:

- Objective measures of the economic, social and environmental conditions of life. **nef**'s Measure of Domestic Progress (MDP) is an example of this type of indicator.
- Subjective measures of people's actual experience of their quality of life – their well-being. This approach uses psychometric surveys to create well-being indicators.

The two approaches are complementary to each other. Objective quality of life measures are potentially better at assessing long-term issues such as sustainable development, whereas the subjective well-being measures are better at indicating variations between people's quality of life and in addition highlight what actually motivates people and enriches their lives. We suggest that RDAs experiment with using both kinds of indicators in order to measure and communicate their progress.

Creating measurement tools and targets is only the first step; RDA interventions that specifically relate to quality of life need to be designed. Procurement procedures or investment decisions could go through the discipline of an MDP-type screening to ensure that economic targets are not being met at the expense of environmental or social targets and a well-being filter to ensure that quality jobs are being created that will truly benefit the region's citizens.

In addition to creating 'joined-up' sustainable policy-making procedures, the promotion of quality of life and well-being offers a potential leadership role for RDAs. Supporting, identifying, assessing and communicating best practice across the region will ensure that the region truly prospers.

Putting people's quality of life and well-being explicitly at the centre of their economic strategies makes sense for RDAs. A region that has good quality of life and whose people experience high levels of well-being will not only be a great place to live and work, but also an economically competitive region.

## 1. Introduction

### ***What are Regional Development Agencies (RDAs) for?***

The 1998 RDA Act states five statutory purposes:

1. To further economic development and regeneration.
2. To promote business efficiency, investment and competitiveness.
3. To promote employment.
4. To enhance development and application of skill relevant to employment.
5. To contribute to sustainable development.

The Act also specifically charges RDAs with the responsibility of drawing up Regional Economic Strategies (RES) in partnership with other regional bodies in both the private and public sectors. In addition RDAs are increasingly being asked to contribute to Public Service Agreement (PSA) targets across a number of different policy areas such as: social exclusion, neighbourhood renewal, housing, knowledge transfer, enterprise cultures, foreign investment, and sustainable development. The PSA targets are laid in a 'tasking framework' to be included in the next round of RES and RDA corporate plans.

Whilst there is some uncertainty about the division of responsibilities between RDAs and any future regional assemblies<sup>1</sup> it can be argued that behind the morass of targets and purposes, it is in fact *quality of life* that is at the heart of what RDAs are working towards. It is clear, after all, that regeneration, competitiveness, employment, skills, and sustainable development are not ends in themselves, but are important precisely because of their impact on the well-being of the citizens in a region. If, however, we fail to distinguish ends and means, there is a danger that we fail to actually achieve our true ends. An example of the danger of confusing means and ends is the assumption that 'economic development' essentially means 'economic growth'. It is increasingly being recognised amongst RDAs that growth at all costs is no longer a good strategy politically, socially or environmentally.

In this paper we argue that during the next round of RESs, RDAs should explicitly make quality of life and well-being the organising principles at the heart of their strategies and their visions. An explicit focus on people's quality of life potentially offers rigorous methodologies for differentiating between 'good' and 'bad' growth, where good growth enhances people's quality of life and bad growth undermines it. This is no more radical an idea than normal accounting procedures, where short-term turnover is important but without reference to profitability, the valuation of assets, and long-term investment it does not ensure survival let alone the development of the business.

In addition there is also evidence that enhancing people's well-being is actually a precursor to RDAs successfully achieving their goals regarding enterprise, investment, skills and sustainable communities. For example:

- Businesses with mature reporting procedures for their social and environmental impacts tend to realise significant financial benefits from the process.<sup>2</sup>

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<sup>1</sup> Though with the North East voting overwhelmingly against, regional assemblies may not come into existence in the near future.

<sup>2</sup> Merrick J & Croockshanks C (2001) *Report on a Survey of Environmental Reporting Costs and Benefits*, Environ commissioned by DEFRA, <http://www.defra.gov.uk/environment/envrp/envron/envron.pdf> and

- Community-based initiatives that explicitly seek to increase social networks and make their neighbourhood more sustainable, find that there are multiple benefits including a more entrepreneurial culture.<sup>3</sup>
- People with high levels of well-being are healthier - living up to seven years longer, are more creative, entrepreneurial and economically productive, have stronger social networks, and are more engaged in their communities. In addition the fact that they are happy has positive externalities – in other words it has positive effects for others around them.<sup>4</sup>

So not only does people's quality of life underpin most RDA agendas but also an explicit focus on people's quality of life is likely to help RDAs achieve their goals as set by the PSA targets.<sup>5</sup>

**nef** is exploring what it would mean to create a 'well-being economy'. The rest of the paper will show how RDAs could assess the quality of life in their region, as well as how focusing on people's quality of life and well-being would in itself enhance the regional economy.

## 2. Assessing people's quality of life and their well-being

There are two inter-related approaches that are used to assess people's quality of life:

1. Objective measures. These are indicators that measure quantifiable changes in the quality of the circumstances and conditions of people's lives. We tend to call these quality of life indicators.
2. Subjective measures. These are indicators that use psychometric-type questionnaires with which people themselves grade the quality of their lives on the basis of their perceptions. We refer to these as 'well-being indicators'.

The two approaches are complementary to each other, with the ideal situation being that there are good conditions of life as well as high levels of well-being. Unfortunately this does not always follow.

Objective quality of life measures are potentially better at assessing long-term macro issues such as sustainable development, whereas the subjective well-being measures are better at indicating nuanced variations in people's quality of life and in highlighting what actually motivates people and enriches their lives.

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Doane, Deborah. "From Red Tape to Road Signs" Corporate Responsibility Coalition, October 2004. [www.corporate-responsibility.org](http://www.corporate-responsibility.org)

<sup>3</sup> Woolcock, M (2001), *The Place of Social Capital in Understanding Social and Economic Outcomes*, in John Helliwell (ed.) *The Role of Human Capital and Social Capital in Economic Growth and Well-Being* Paris: OECD and Human Resources Development Canada (September 2001). **nef** and **emda** are doing joint projects that are seeking to operationalise this idea – Local Alchemy and BizFizz – see [www.neweconomics.org](http://www.neweconomics.org) for more information.

<sup>4</sup> Lyubomirsky, S, King, L and Diener, E (2004) *Is Happiness a Strength? The costs and benefits of happiness* (forthcoming). Interestingly the only 'cost of happiness' they identify is a lower performance with some cognitive tasks, especially if they are deemed non-important.

<sup>5</sup> For example one of **emda**'s targets is to increase the number of people who are considering starting their own businesses and this is precisely the type of target that would be addressed through quality of life community-based initiatives.

### **Quality of Life (QoL) Measures<sup>6</sup>**

The QoL approach requires an intellectual framework to organise the structure and boundaries of any specific measurement tool. There are always issues as to what should, or should not be, included within the framework and how they should be combined or balanced.

For example, the Government's set of sustainable development indicators, published annually by the Department for Environment Food and Rural Affairs (DEFRA), are organised under the four simultaneous objectives of social progress, environmental protection, prudent use of natural resources and economic growth, but avoid the issues of interconnections, trade-offs and balance between them. The complete set of indicators runs to 147 – an indication of the difficulty in deciding what should be included within QoL measures. However, even the headline set of fifteen indicators is somewhat unwieldy as it can present confusing messages to policy-makers. What if seven of the indicators go upwards and eight go downwards? Is this better or worse than the case in which eight go upwards and seven downwards?

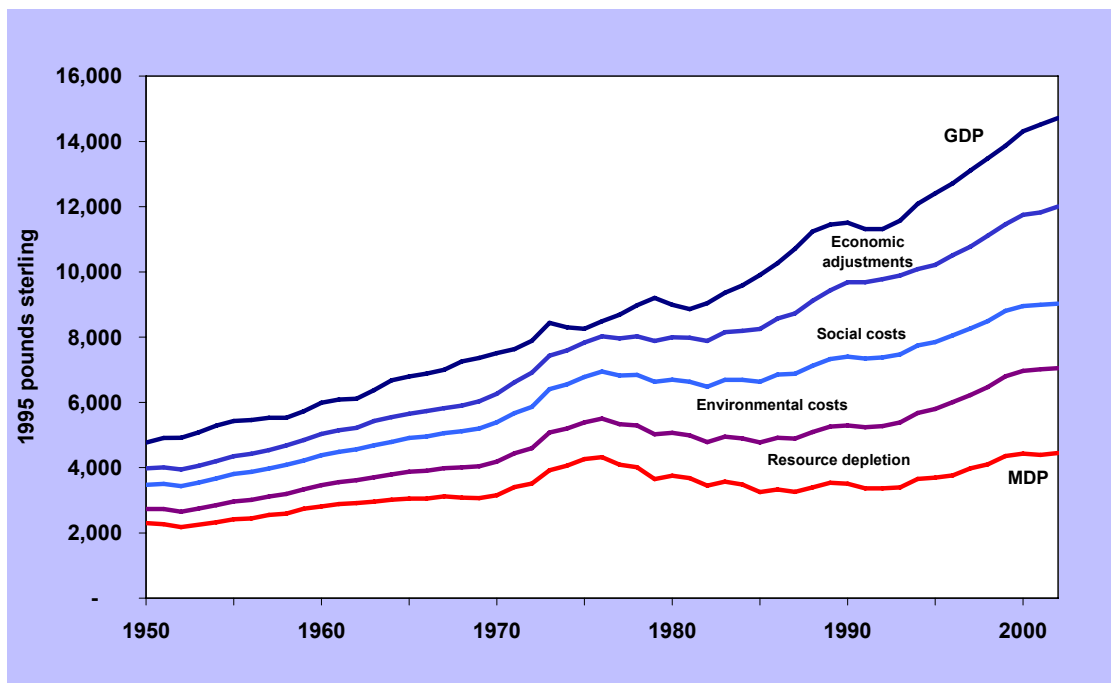
Composite indicators of QoL seek to answer these questions by weighting the different factors that they include. One example of an indicator that seeks to assess the relationship between economic development and QoL is **nef**'s recently published Measure of Domestic Progress (MDP).<sup>7</sup> This is an ambitious attempt to financially model quality of life and builds from earlier work by **nef** on the UK Index of Sustainable Economic Welfare (ISEW). The MDP is a single performance index that takes consumer expenditure as its basis. It then adjusts this basis to account for a series of different factors that affect domestic progress towards sustainable development:

- A number of **economic adjustments** associated with ensuring prudent investment and trade balances are made. In addition, a value for unpaid work, such as household labour, is included.
- Spending to offset **social costs**; in other words expenditures that defend our quality of life rather than enhance it. These include factors such as costs of car accidents, crime, and family breakdown. Changes in the distribution of income are accounted for, reflecting the diminishing marginal utility of money.
- Estimates of **environmental costs** are made. These include water and air pollution as well as estimates of the costs of climate change and ozone depletion.
- Costs of non-renewable **resource depletion** and other reductions in stocks of natural assets, such as farmlands and natural habitats.

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<sup>6</sup> See appendix 1 for more details of all the QoL indicators referred to and a discussion of regional data availability.

<sup>7</sup> Jackson T (2004) *Chasing Progress: beyond measuring economic growth* **nef**. Available on line at [www.neweconomics.org](http://www.neweconomics.org)



**Figure 1: Trends and Components of UK GDP & MDP 1950 - 2002**

In addition to the overall trend of MDP Figure 1 shows the series of adjustments subtracted in turn from GDP to arrive at the MDP index. This analysis reveals that social costs, environmental costs, and resource depletion have all played a significant part in depressing the index below the GDP measure.

### **Well-being measures**

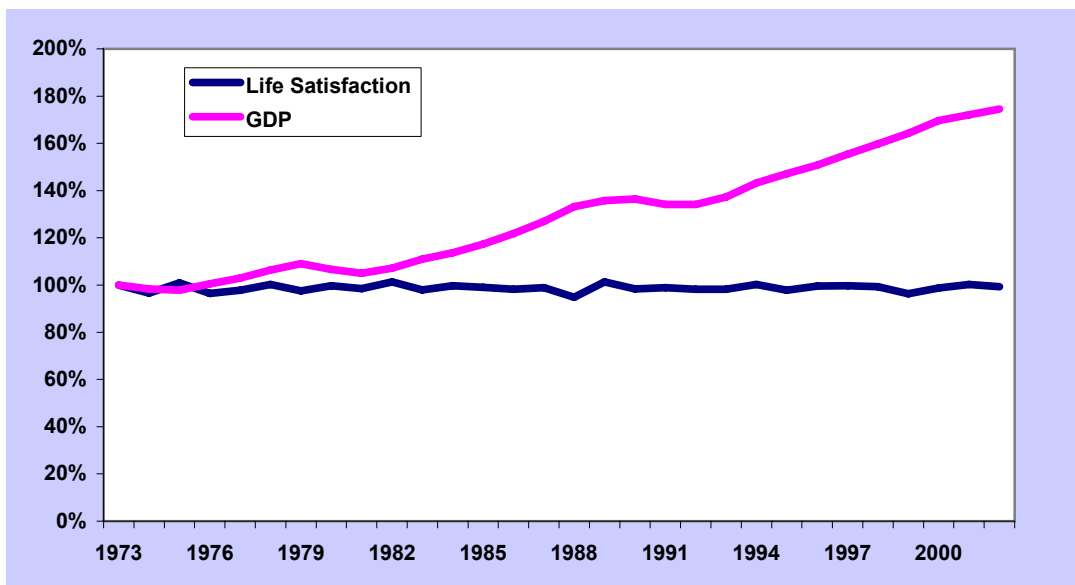
Whilst the growing work on objective QoL measures is to be welcomed, these measures do not assess the impact of conditions and policies on people's actual experience of their lives: this is what we call their sense of well-being.

There is now an emerging discipline of academic research into people's well-being that draws upon psychology, sociology, economics, philosophy, and other social sciences. nef's Well-being Programme was founded in 2001 with the explicit aim of understanding, using, and interpreting this body of work in a direct policy context. To this end we have already worked with Nottingham City Council assessing the well-being of young people in the city and we have several other projects underway.

The evidence from well-being research presents a similar overall challenge to economic growth as the QoL measures do. Whilst GDP has almost doubled in the last 30 years, Figure 2 shows that life satisfaction has remained resolutely flat. In addition, there are also signs that rates of depression are increasing<sup>8</sup> and people's trust in public organisations is plummeting.<sup>9</sup>

<sup>8</sup> Depressions rates are difficult to track over long periods of time due to changes in diagnosis and in how people perceive depression. However Diener and Seligman cite strong evidence that young people are experiencing more depression, and that "people born earlier in this century have experienced much less depression in their lifetime than people born later"; Diener, E and Seligman, M (2004) *Beyond Money: Toward an economy of well-being*. Psychological Science in the Public Interest ; Vol 5 issue 1; July 2004

<sup>9</sup> Aldridge, Halpern and Fitzpatrick (2002) '*Social Capital: A discussion paper*' Performance and Innovation Unit. Available on-line at <http://www.edemocracy.gov.uk/library/papers/socialcapital.pdf>



**Figure 2: Life Satisfaction and GDP: UK 1972-2002**

There has been some recent interest by UK policy-makers, initiated by the Cabinet’s Strategy Unit producing a paper on the policy implications of life satisfaction.<sup>10</sup> nef has also published a Well-being Manifesto which effectively seeks to answer the question: “what would politics look like if promoting people’s well-being was one of government’s main aims?”<sup>11</sup> This has generally been well received and was presented at a meeting in Autumn 2004 at the Treasury co-hosted by the Sustainable Development Commission and the Strategy Unit.

So what precisely do we mean by well-being? Evidence shows that as well as being happy and satisfied with their lives, people also want to be leading rich and fulfilling lives – developing their capabilities, fulfilling their potential, and leading socially useful lives.

Therefore, nef’s model of well-being has two personal dimensions and a social context:

- People’s **satisfaction with their life**, which is generally measured by an indicator called **life satisfaction**: this captures satisfaction, pleasure, positive emotions and enjoyment.
- People’s **personal development** for which there is not yet one standard psychological indicator – the concept includes engagement, ‘flow’ (a state of absorption where hours pass like minutes), being curious, fulfilling potential, having a sense of purpose in life, and the feeling that life has meaning.<sup>12</sup>

<sup>10</sup> Donovan, N and Halpern, D (2002) *Life Satisfaction: the state of knowledge and the implications for government* (Prime Minister’s Strategy Unit) available online at <http://www.number-10.gov.uk/su/lis/paper.pdf>

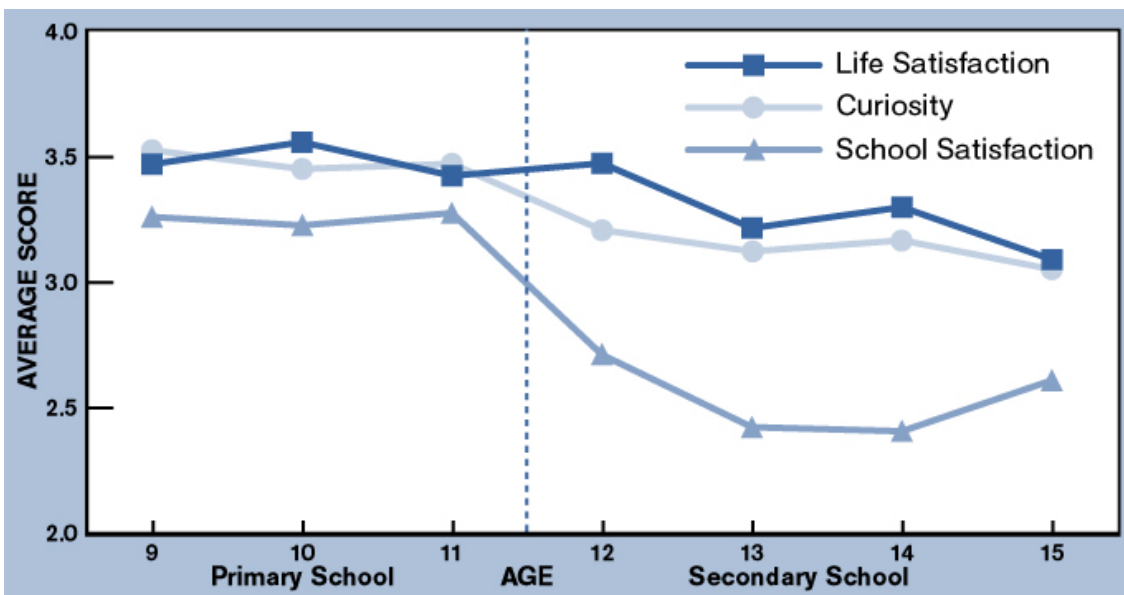
<sup>11</sup> Shah, H and Marks, N (2004) *A well-being manifesto for a flourishing society*, nef, [www.neweconomics.org](http://www.neweconomics.org)

<sup>12</sup> See for example: Ryan, R. M., & Deci, E. L. (2001). *On happiness and human potentials: A review of research on hedonic and eudaimonic well-being*. In S. Fiske (Ed.), *Annual Review of Psychology* (Vol. 52; pp. 141-166). Palo Alto, CA: Annual Reviews, Inc.

- People's **social well-being** – a sense of belonging to our communities, a positive attitude towards others, feeling that we are contributing to society and engaging in pro-social behaviour, as well as feeling that society is developing positively.<sup>13</sup>

Most of the focus of well-being research has been on the satisfaction dimension of well-being; this however only tells part of the story. For whilst life satisfaction is strongly (and inversely) related to mental health and depression, personal development seems to be more strongly linked to overall health, longevity, resilience, and the ability to cope with adverse circumstances and 'thrive' in life.<sup>14</sup> Overall it is important to realise that what we mean by well-being is not just about a passive satisfaction; it is also about an active engagement with life and with others. The promotion of well-being is a 'good' in itself as well as a contributor to other ends, with evidence showing that happy people are more entrepreneurial (both socially and economically), healthy, creative, altruistic and economically productive.<sup>15</sup>

In our work with Nottingham City Council (NCC), we operationalised this model of well-being as a part of a pilot study assessing the well-being of young people across seven schools the city.<sup>16</sup> Whilst this is a different context than the one RDAs tend to have an interest in, the data collected illustrates how illuminating this type of inquiry can be. A comparison between primary and secondary schools (Figure 3) shows that children's overall well-being, as assessed by life satisfaction and curiosity (a proxy measure for personal development in this context) falls slightly as they get older but, more significantly, it shows that satisfaction with their schools plummets when they get to secondary school. This finding provoked much policy and media interest for although many people have suspected this phenomenon, actually having data to prove it was very powerful.



**Figure 3: Young people's average overall well-being and school satisfaction by age.**

<sup>13</sup> Adapted from Corey Keyes' classification of Social Well-being; Keyes, C & Haidt, J (2003) *Flourishing: positive psychology and the life well-lived*; American Psychological Association; Washington DC

<sup>14</sup> See for a health example Singer, B and C Ryff (eds) (2001) *New Horizons in Health: An Integrative Approach*, National Academies Press, Washington

<sup>15</sup> Lyubomirsky, S, King, L and Diener, E (2004); *op id*

<sup>16</sup> Marks, N, Shah, H & Westall, A (2004); *Power and Potential of Well-being Indicators: measuring the well-being of young people* (nef, London); [www.neweconomics.org](http://www.neweconomics.org)



In addition to the specific findings of the inquiry, the process of creating the indicators involved several departments at NCC, thereby building inter-departmental co-operation as each had an interest in the same set of indicators. So the process itself was a powerful means of creating joined-up government, with everyone working towards a common goal.

### **3. Why quality of life and well-being are important for RDAs.**

#### ***Sustainable development benefits***

Whilst a composite objective QoL indicator such as the MDP is not so rigorously defined that it can guarantee that we are on course for a sustainable future, it is clear that the MDP does reflect the influence of policies designed to affect social progress, economic activity, environmental protection, and the prudent use of natural resources. The strength of an MDP-style approach is that it would allow RDAs to integrate economic, social and environmental costs and benefits into all of its policy-making decisions.<sup>17</sup> This would ensure that policies are not creating negative side effects that orthodox parallel (but single issue) targets can miss – in essence it is a way of operationalising ‘joined-up’ sustainable policy making.

In addition an RDA could develop and use a regional version of the MDP as a tool to present and communicate a systematic assessment of the region’s progress towards sustainable development over a period of time. It would also be possible to de-construct the regional MDP into its various component parts (see table 3 in appendix 1) and, where appropriate, to use these as detailed performance targets within a RES.

#### ***Economic benefits***

The personal development dimension of well-being is closely related to the kind of individual characteristics that underpin current RDA and government agendas around active citizenship, enterprise and innovation, learning and skills, and social participation. Indeed the role of high levels of well-being in the micro setting of a particular business or team, has been shown to have an extraordinarily large effect on profitability. Recent research has illuminated this process in detail and shows how a high incidence of positive interactions between team members broadens the creative potential of the team as well as building resources.<sup>18</sup> These in turn increase profitability and customer satisfaction.

Numerous studies show that people’s satisfaction with, and caring about, their jobs affects their performance significantly.<sup>19</sup> The causality runs both ways and so it is plausible that there is an upward spiral effect as the intrinsic quality of the tasks that people have to perform on a day-to-day basis also affects their satisfaction and motivation as well as more ‘objective’ indicators such as absenteeism. Studies have tended to show that the most important requirements for high levels of job satisfaction are:

- The variety of tasks.
- The significance of the tasks.
- Whether the worker identifies with their role.
- An autonomous mode of operation.

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<sup>17</sup> This kind of decision making was recommended by the Sustainable Development Commission in their paper: Summary report (2002) : *Revision of the RDAs’ Regional Economic Strategies and the integration of sustainable development*; available on line at <http://www.sd-commission.org.uk>

<sup>18</sup> Losado M & Heaphy E (2004), *The Role of Positivity and Connectivity in the Performance of Business Teams*, American Behavioral Scientist, Vol. 47 No. 6, February 2004 740-765

<sup>19</sup> For example a study of nurses’ delivery of care found strong differences between wards whose overall job satisfaction were either high or low. Other studies suggest the effect is stronger for managerial and professional employees than for others – though the effect still exists. See Warr P (1999) *Well-being and the workplace* in Kahneman D et al *Well-being the foundations of hedonic psychology* New York, Russell Sage Foundation.

- Good clear feedback.<sup>20</sup>

Common barriers to job satisfaction are: overload, low quality tools, interruptions, uncertainty, conflicting expectations, poor physical environment, job insecurity, low status or recognition, and having to do 'illegitimate' tasks. Notable by its absence in these lists is levels of pay. It is not that this is unimportant but it is well established that relative pay is more important than absolute levels – in other words the status or sense of respect afforded by the pay is what affects our well-being. For this reason 'performance-related pay' is likely to be a zero-sum game, or indeed possibly have a net negative effect on employees' well-being. Good feedback systems and other types of recognition or reward much more readily enhance people's job satisfaction.

In addition, positive health outcomes from high levels of well-being are likely to have knock-on effects on productivity and reduced absenteeism. There is evidence that unhappy people have a lower threshold for pain and are more likely to decide they are 'ill'; in contrast, happier people tend to seek out and absorb more health risk information.<sup>21</sup> As well as these increased risks of sickness due to unhappiness, depression itself is a major direct cause of long-term absence from work, with some surveys suggesting that a mixture of stress and depression accounts for over 40 per cent of long-term absenteeism – the largest cause – with back pain and muscular-skeletal problems being the second-highest cause.<sup>22</sup>

The well-being agenda and the economic imperative are intertwined at this level of operation. The consistent production of high quality value-added outputs is dependent upon people having a high quality of experience at work and feeling they are valued. If RDAs want to secure economic resilience and to promote a thriving, entrepreneurial, productive and sustainable economy, then one of the key components will be the quality of people's working lives.

### **Community benefits**

Research shows clearly that we derive well-being from engaging with one another and in meaningful projects.<sup>23</sup> In particular, the personal development aspect of well-being is linked with engaging actively with life and our communities. Well-being research comes together with work that has been done on social capital to show the profound importance of our communities and relationships to our quality of life.<sup>24</sup> Community engagement not only improves the well-being of those involved but also improves the well-being of others. The relationship is positive in both directions: involvement increases well-being and happy people tend to be more involved in their community. Therefore, interventions in this area should lead to a positive upward spiral.

Just as when individuals flourish they tend to become more entrepreneurial, a flourishing community will support the creation of a more entrepreneurial culture – this is almost by definition what high social capital is. This is crucial for engaging with the economic inclusion agenda: how can all of a region's citizens benefit from and be included in the economy? Interventions such as *emda* and *nef's* Local Alchemy project are beginning to show how economic well-being can be achieved through successful community interactions. However RDAs need to be careful with their interventions so as not to re-enforce a dependency 'hand-out' culture, but instead to work with communities who are willing to take responsibility for the

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<sup>20</sup> See for a summary of this area of well-being research see: Warr, P. B. (Ed.) (2002). *Psychology at Work (5th edition)*. Harmondsworth: Penguin. This specific list comes from the work of Professor Bruce Avolio, to be published in Avolio B (forthcoming- 2005) *Authentic Leadership Development*, McGraw- Hill.

<sup>21</sup> Seligman (2004) *Authentic Happiness*, p40, Free Press, New York and Argyle M (2002) *The Psychology of Happiness*, second edition, p219, Routledge, New York.

<sup>22</sup> Survey by the EEF, the manufacturers organisation. Khan Dr S (2004) *Managing long-term sickness absence and rehabilitation*, EEF, UK. Available at <http://www.eef.org.uk>

<sup>23</sup> See for example Csikszentmihalyi, M. (1997); *Finding Flow, the psychology of engagement in everyday life*; Perseus Books; NY

<sup>24</sup> Putnam, R. (2000) *Bowling Alone: the collapse and revival of American community*. (Simon Schuster) and Helliwell, J & Putnam, R; 2004 *The Social Context of Well-being*; forthcoming

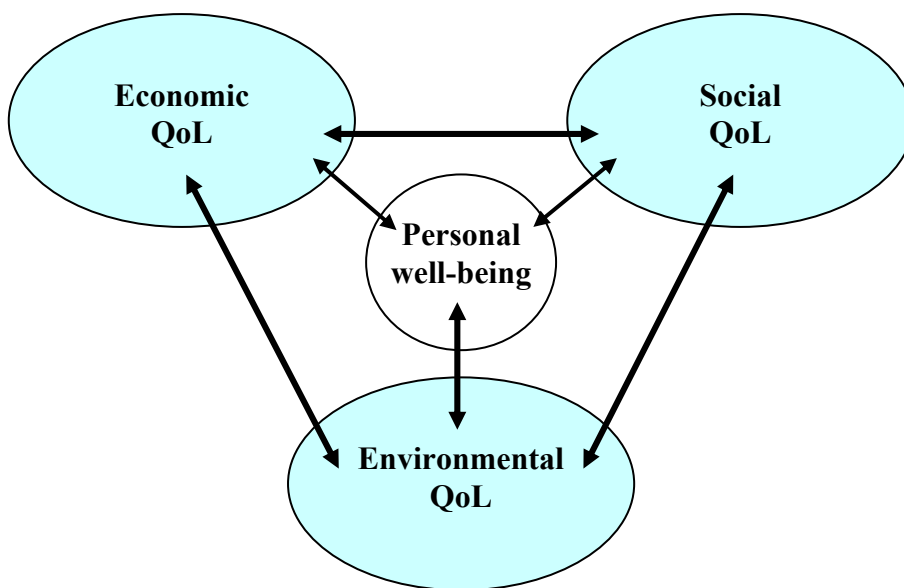
outcomes of the project.<sup>25</sup> The “personal development” component of well-being is therefore a pre-requisite to creating enterprising communities and economic resilience.

RDAs that engage with their communities, involve them in the decision making processes and facilitate their increased interactions are creating a recipe for a successful region as well as enhancing people’s well-being.

#### 4. Regional Economic Strategies for quality of life and well-being

Most of the regional economic strategies produced in the last round open with a vision or set of aspirations for their region. These visions tend to act as both as an organising principle and also a communications tool for the whole strategy.

We would argue that “quality of life” has the potential to be the explicit integrating principle that underpins regional economic strategies. Enhancing the region’s quality of life is a vision that is accessible and understandable to everyone, but without systematic operationalisation it can sound somewhat hollow. In order to achieve this quality of life needs to be broken down into different realms: economic, social and environmental. These realms are highly interconnected, as illustrated in diagram 1, and it is these interconnections that illustrate “quality of life’s” integrative capacities. We further propose that people’s personal well-being needs to be included at the centre of the diagram as these realms are important precisely because of their effect on people’s well-being. Indeed the arrows work both ways – people’s personal well-being also contributes to social, economic and environmental quality of life.



**Diagram 1: Interconnections between economic, social and environmental quality of life and people’s personal well-being.**

RDAs could create targets and goals that are explicitly about people’s quality of life – these could be assessed through a combination of objective QoL indicators and subjective well-being indicators. These targets would be concerned with levels of quality of life and well-being and also their distribution. Identifying specific targets and indicators is beyond the scope of this paper but is entirely feasible as part of a broader consultation process.

<sup>25</sup> Some of nef’s projects have learnt this the lesson through direct experience!

Creating measurement tools and targets is of course only the first step, interventions would need to be designed that specifically relate to quality of life – which of course much of current best practice already does. Procurement procedures or investment decisions could go through an MDP-type screening to ensure that economic targets are not being met at the expense of environmental or social targets – or indeed that low quality jobs are being created that do not support employees' well-being.

Answers to such questions as “which population groups are suffering low quality of life” would help RDAs target the most vulnerable groups. Well-being indicators may provide insights into why they have low quality of life, and could provide insights into appropriate interventions. Intervening at the community level has potential multiplier effects and clearly this is the aim of most regeneration projects. By measuring the specific quality of life and well-being impacts of projects RDAs would further support current good projects and by providing an evidence base would start to enable best practices to be identified and communicated.

There also exists potential for interventions with companies to enhance people's quality of working life. Well-ness at work is becoming increasingly accepted as a valid government agenda, well-being at work would build from this base. Whilst this is not an area where solutions can be prescribed, interventions could appeal to companies enlightened self-interest – enhancing people's quality of life at work will be a benefit to the bottom line not a cost.

There are also clear synergies between economic competitiveness and well-being – companies that survive and thrive will do so in large part due to the quality of their workforce as well their economic, social and environmental practices. In time, award schemes for enterprises could be created, with companies applying to be recognised as “quality organisations” due to their practices. Perhaps a region might even be able to identify Q1, Q2, Q3 & Q4 type companies in a similar vein to the ‘knowledge economy’ definitions of K1, K2, K3 & K4 type organisations.<sup>26</sup>

## 5 Conclusion

Putting people's quality of life and well-being at the centre of their economic strategies makes sense for RDAs, partly because they are already implicitly the concepts which underlie the work they do. A region that has good quality of life and whose people experience high levels of well-being will not only be a great place to live and work, but also an economically competitive region. Creating a set of regional quality of life and well-being indicators will be a potentially very rewarding task for an RDA to embark on because these are the issues that actually motivate and inspire people.

We would recommend RDAs to start measuring what matters to the people in their region. This would require a mixture of objective QoL indicators such as the MDP and subjective well-being indicators. The QoL indicators will help RDAs track the economic, social and environmental conditions of people's lives and the region's progress towards sustainable development, and the well-being indicators will help RDAs create a region where people want to live and work, as they see the possibility of living happy and fulfilled lives.

Measuring what matters will enable RDAs to examine the impacts that all their activities have on people's well-being. This discipline will support the integration of economic, social and environmental goals into ‘joined-up’ sustainable policy making procedures and ensure that all RDA interventions achieve a truly positive impact on people's quality of life.

RDAs are ideally placed to inspire their regions with a vision of a truly better quality of life for everyone and help create a sustainable well-being economy.

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<sup>26</sup> Hepworth M & Spencer G (2002) *A regional perspective on the knowledge economy in Great Britain* Local Futures Group, London

## Appendix 1 – Details of objective quality of life measures

### UK Government's sustainable development Indicators

These indicators are the UK Government's official sustainable development indicators – in all there is a set of 147 indicators but the most commonly cited are the 15 headline indicators. These are organised under four sustainable-development objectives and are presented as a set of independent indicators (see Table 1). The Sustainable Development Commission is currently reviewing both the objectives (particularly the fourth objective) and also the indicator set – they will report in 2005.

<b><i>Sustainable development objective</i></b>	<b><i>15 Headline indicators</i></b>
<b>Social progress that meets the needs of everyone</b>	<ul style="list-style-type: none"> <li>• Poverty and social exclusion</li> <li>• Education</li> <li>• Health</li> <li>• Housing</li> <li>• Crime</li> </ul>
<b>Effective protection of the environment</b>	<ul style="list-style-type: none"> <li>• Air quality</li> <li>• River quality</li> <li>• Traffic</li> <li>• Wildlife</li> </ul>
<b>Prudent use of natural resources</b>	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Land use</li> <li>• Waste</li> </ul>
<b>Maintenance of high and stable levels of economic growth and employment</b>	<ul style="list-style-type: none"> <li>• Economic output</li> <li>• Investment</li> <li>• Employment</li> </ul>
<b>Table 1 – Defra's set of 15 headline indicators of sustainable development</b>	

The regional data for these headline indicators is already published annually by Defra – however there are data availability issues, particularly in regards to housing. Other indicators are not directly comparable to the national dataset.

## The Index of Economic Well-Being.

One example of a tightly defined indicator that seeks to assess the relationship between economic development and QoL is called the Index of Economic Well-Being (IEWB).<sup>27</sup> This seeks to balance short- and long-term issues of economic consumption and wealth in addition to assessing the impact of distributional issues and insecurities about the future (such as the risk of poverty in old age).

This index has been developed in Canada but versions are available for about 10 countries around the world including the UK.

	<b>Current Economic W-B</b>	<b>Future Economic W-B</b>
<b>Personal Economic W-B</b>	1. Consumption flows: <ul style="list-style-type: none"> <li>• Personal consumption</li> <li>• Government Services</li> <li>• Unpaid domestic work</li> <li>• Estimates of changes in time allocation, leisure and household economies of scale.</li> </ul>	2. Stocks of productive resources: <ul style="list-style-type: none"> <li>• Tangible capital</li> <li>• Human capital</li> <li>• Natural capital</li> <li>• Housing stocks</li> <li>• Environmental costs</li> <li>• Foreign indebtedness</li> <li>• Investment in research &amp; development</li> </ul>
<b>Societal Distribution of Economic W-B</b>	3. Income distribution: <ul style="list-style-type: none"> <li>• Intensity of poverty, both incidence and depth</li> <li>• Income inequality</li> </ul>	4. Future economic security, financial risks of: <ul style="list-style-type: none"> <li>• Unemployment</li> <li>• Illness</li> <li>• Family break-up</li> <li>• Poverty in old age</li> </ul>

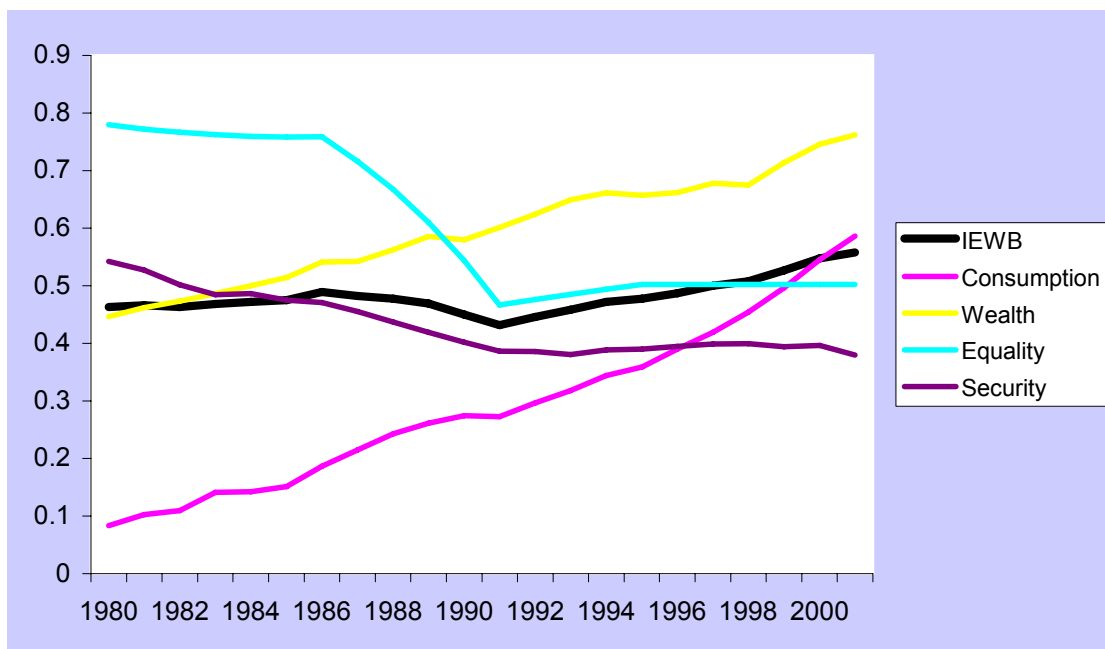


Figure 5: Overall and components of IEWB: UK 1980 – 2001 (IEWB = average of 4 components))

<sup>27</sup> Osberg L & Sharpe A (2002) *An index of economic well-being for selected OECD countries*, Review of Income and Wealth, Series 48, Number 3, September 2002

The authors of the IEWB fully recognise that economic well-being is part of a broader concept of social well-being. For example, whilst they model the financial risks of becoming unemployed, they do not account for the social and emotional costs nor indeed the associated health costs. Broadly speaking the Index suggests that increases in consumption since 1980 in the UK have been mainly offset by increasing income inequality and heightened risks of future economic insecurity – though the effect is less pronounced since the 1990s due to the stabilisation of income inequality indicators after a severe rise in inequality in the 1980s.

## Measure of Domestic Progress

The MDP builds on a variety of previous work over the last 20 years at constructing such indicators: it is based on earlier index called the Index of Sustainable Economic Welfare (ISEW)<sup>28</sup> and is closely related to the Genuine Progress Indicator (GPI) that has been developed by the US-based lobby group Redefining Progress.

The main difference between the IEWB and the MDP is that the MDP includes far more detailed estimates of the financial costs of environmental impacts, in particular with regard to future climate change. A particular and important difference is that the MDP estimates the future costs of climate change as the flow of costs from the 'stock' of CO<sub>2</sub> in the atmosphere, whereas the IEWB only cashes out a cost based on annual emission rates – i.e. additions to the stock.

Table 3 indicates all the components of the MDP. MDP is really an open-ended indicator as cases can be made for other factors to be included or excluded. There is, for example, a strong case for including an estimate of the value of voluntary work; a lack of available historical data on participation has made this difficult (though a new dataset on participation rates and their relationship to life satisfaction is to become available in late 2004). Issues such as increased longevity, whilst clearly an improvement in terms of quality of life (though more strictly quantity of life!), should perhaps also be included but are not due to the fact that it is exceptionally difficult to place an estimated value on these gains. Critics have toyed with using court-awarded damages figures, but these are problematic and tend to overwhelm the trends of the Index with a single issue.

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<sup>28</sup> Jackson T & Marks N (1994) *Measuring Sustainable Economic Welfare*, Stockholm Environment Institute and nef

<b>Table 3: Components of the UK MDP</b>		
<i>Type</i>	<i>Indicator</i>	<i>Influence on MDP</i>
Economic indicators	Consumer expenditure	+ve
	Difference between expenditures on and service flow from consumer durables	-ve
	Net capital growth	mainly +ve
	Net international position	mainly -ve
Social progress	Effects of inequality in the distribution of incomes	-ve
	Value of services from domestic labour	+ve
	Public (non-defensive) expenditures on health and education	+ve
	Defensive private expenditures on health and education	-ve
	Costs of commuting	-ve
	Costs of car accidents	-ve
	Costs of noise nuisance	-ve
	Costs of crime	-ve
Costs of family breakdown	-ve	
Environmental protection	Costs of personal pollution control	-ve
	Costs of air pollution	-ve
	Costs of water pollution	-ve
	Estimated costs of climate change	-ve
	Costs of ozone depletion	-ve
Prudent use of natural resources	Loss of natural habitats	-ve
	Loss of farmlands	-ve
	Depletion of finite natural resources	-ve

If an MDP was to be developed at a regional level then pragmatically available datasets would have to be identified. However, the principle of the MDP – i.e. you add up the economic, social, and environmental benefits and deduct the costs – could be replicated at a regional level. The most pragmatic way might be to devise a new measure based on MDP methodologies and perhaps call it an MRP – Measure of Regional Progress. Table 4 illustrates the type of regional datasets that might be required to achieve this.



**Table 4 – A first estimate at which types of regional datasets might required to create a MRP – Measure of Regional Progress**

<i>Type</i>	<i>Regional Datasets</i>
Economic indicators	Consumer expenditure figures – broken down by types of expenditure Private and Public corporations capital investments Labour workforce figures Regional investments outside the region and vice versa.
Social progress	Income distribution figures – by quintiles. Time use data to estimate unpaid domestic labour and potentially value of voluntary work Public expenditures on health and education Private expenditures on health and education Time use data for estimating commuting costs Number of car accidents and cost of repairs, claims etc Incidents of noise complaints and severity Crime statistics Divorce statistics
Environmental protection	Statistics on air quality, particularly sulphur dioxide, nitrogen oxides, particulates, carbon monoxide, tropospheric ozone and volatile organic compounds. River and groundwater quality data Historic carbon dioxide and CFC emissions data (could be estimated from national figures and allocated by GDP figures to regions)
Prudent use of natural resources	Current and Historic data about land use Detailed energy use data split by source of energy.

### **Well-being indicators.**

There are various datasets which contain variables that are relevant to assessing people's well-being. **emda** are actively engaged in discussions with the National Centre for Social Research about disaggregating their data-sets at a regional level. Some of their indicators may well be of value to RDAs in a well-being context and this mining of existing datasets is clearly of interest not only from a cost perspective.

However very few inquiries contain a combination of life satisfaction, personal development, and social well-being questions across all appropriate domains of life. If an RDA wanted to operationalise the **nef** model of well-being it would be necessary to start from scratch and build a quality regional database that would allow for comparisons to be made between different population groups – based on organisational affiliation, as well normal demographic data. The dataset could also create a set of baseline indicators that specific interventions could be assessed against to judge their merit. It is important to note that this dataset would be, as far as we are aware, a world's first and, as such, would have great international interest and there may exist funding opportunities to support its creation.

It would be important that the project of creating the indicators involved a coalition of interested parties as this would ensure both higher quality research and more impact due to their investment of time, energy and perhaps funds. It would also be important for the project to involve appropriate experts in the various fields – for example, data collection and sampling techniques are very specialised tasks and a research organisation would be far better placed to organise the delivery of such as survey (or surveys) than either **nef** or an RDA. In addition, to ensure that the survey instruments themselves would be of the highest academic standards, we would recommend liaising with highly regarded academics that specialise in well-being research.

### ***A potential new composite QoL indicator***

There also exist possibilities of devising completely new composite indicators that build on these existing methodologies. A US academic, Michael Hagerty, has suggested creating a subjectively-informed objective QoL indicator. What he means by this is that the factors that influence people's quality of life and well-being are relatively well-known. In addition correlations between the factors and people's well-being are also reasonably well-established. So it is feasible to use the correlations as weights to create a composite QoL index based on current and historic trend data of various objectively measured influences. For example income levels have a small positive correlation to well-being and unemployment has a large negative correlation – the different correlations would allow the two factors to be balanced (or traded-off) with the composite index. Whilst this approach would require significant work to be operationalised it is a promising approach that **nef** are keen to develop.

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