

RESEARCH FOR THE WORLD

Placing wellbeing at the centre of government decision-making

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Dr Christian Krekel,
Assistant Professor in
Behavioural Science,
Department of Psychological
and Behavioural Science, LSE



Professor Lord Richard Layard, Director, Wellbeing
Programme, Centre for Economic
Performance, LSE

We all want to live our happiest lives, but until now it has not been possible for governments to identify which policies will increase citizens' wellbeing the most. LSE researchers, working together with the UK government, are now aiming to change this.

In October 2023, UK Prime Minister Rishi Sunak officially cancelled Phase Two of HS2, the government's flagship high-speed railway line. With headlines as far back as 2019 suggesting that the project would fail any cost-benefit analysis made today, his announcement that it no longer provided value for money was perhaps no surprise. But in Sunak's weighing up of its pros and cons, were the right factors considered?

With only a finite amount of money and competing priorities and needs, it is routine for policymakers to use cost-benefit analysis when deciding how to best allocate scarce public funds. Measuring the benefits of a project against its costs, cost-benefit analysis is a useful tool. But while it is routinely used, the embedding of citizens' wellbeing within the process is less common.

This is changing, however, with researchers Dr Christian Krekel (Assistant Professor in Behavioural Science in the Department of Psychological and Behavioural Science at LSE), Professor Lord Richard Layard (Centre for Economic Performance at LSE), David Frayman (Research Economist at the Centre for Economic Performance at LSE), and Sara MacLennan (Visiting Senior Research Fellow at the Centre for Economic Performance at LSE), aiming to provide policymakers with the methods and tools to help them assess the potential wellbeing impact of any future policy project.



Senior decision-makers are very interested, because they ultimately want to improve people's lives through their policies. ” – Sara MacLennan



David Frayman

Post-Doctoral Research

Economist, Centre for Economic
Performance, LSE

Incorporating wellbeing into government decision-making

Dr Krekel and his colleagues are halfway into a new, major research project exploring how the UK government can best calculate the value-for-money of major policies, where value is defined as citizens' wellbeing, measured as their self-reported life satisfaction. The project builds on Dr Krekel's A Handbook for Wellbeing Policy-Making, joint with Professor Paul Frijters (Visiting Professor in the Department of Social Policy at LSE), which makes the case for the importance of wellbeing within today's political economy and sets out the methodology of how to use wellbeing data in social cost-effectiveness (CEA) and cost-benefit analysis (CBA).

Their work has already gained substantial traction within the UK government, with HM Treasury incorporating their recommendations into its Green Book, which provides internal guidance to policymakers on how to appraise and evaluate public policies. Aligning its advice with Dr Krekel's findings, the guidance on how to appraise policies, programmes and projects now states: "Social or public value ... includes all significant costs and benefits that affect the welfare and wellbeing of the population, not just market effects."

Impacting government policy in real time

Translating guidance into action, however, can be difficult, and while the document applies to all UK government departments and agencies asking for funding from HM Treasury, applying the learning to real-life modelling requires a change in approach that some may find difficult. To this end, Dr Krekel and colleagues are working on a new book aimed at helping to embed the inclusion of wellbeing in policymaking across all government departments.

Their goal is to show in practice that CBA and CEA based on wellbeing data can be used for most major policy options, not just those that are low-hanging fruits from a wellbeing perspective.

"Currently, government analysis only takes into account some of the non-monetary effects of policies on people's lives. We think that a more comprehensive, holistic approach can allow for greater rationality in the allocation of government money. We show how this can be done for a range of contrasting, major policies, which we chose by approaching UK government departments and asking them what key policy areas they wanted to be analysed from a wellbeing perspective," David Frayman explains.



This is something that nobody has done before. ”

– Dr Christian Krekel

he researchers have currently met with around 70 UK civil servants, including the Permanent Secretary of HM Treasury, and have also approached most major spending departments of the UK government, eliciting two projects from each to analyse. As well as refreshing and further developing the methodology around

wellbeing CBA and CEA, they aim to produce two case studies relevant to each department. The researchers have also secured funding from LSE's Knowledge Exchange and Impact Large Bid Fund to conduct about 20 workshops with UK government departments and agencies to disseminate their findings within the next 18 months.

These case studies, Dr Krekel hopes, will encourage policymakers to prioritise wellbeing measures when they assess future interventions. Reactions from UK government departments have, so far, been very positive: "to a certain extent, because they're curious to see what will come out of this," says Dr Krekel. He goes on: "Much of our work is learning-by-doing. We are also getting a lot out of this for ourselves, by understanding how our methods work in practice and, most importantly, what we are still missing."

"Senior decision-makers are very interested", adds Sara MacLennan, "because they ultimately want to improve people's lives through their policies. Wellbeing evidence can support them in achieving this goal". MacLennan is on secondment to the Centre for Economic Performance at LSE from the Government Economic Service and provides a vital link between the LSE project and the UK Civil Service.



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Can we always measure wellbeing?

The researchers aim not just to help the UK Government assess which of their projects will be most beneficial to the public from a wellbeing standpoint, but also to provide an easy-to-use guide for policymakers to run WELLBY CBAs and CEAs in future. A WELLBY (Wellbeing-Year) is defined as a one-point change in life satisfaction for one person for one year, and was first proposed by Frijters et al. (2020) and first put into practice in A Handbook for Wellbeing Policy-Making.

The aim of WELLBY CBAs and CEAs is to help identify which projects are most cost-effective in improving how satisfied people are with their lives. Ultimately, it will allow policymakers to choose and rank policies from the most cost-effective in producing wellbeing to the least, thereby effectively maximising wellbeing in societies subject to budget constraints.

David Frayman acknowledges that WELLBY policy analysis is easier for some departments to work with than others, and that departments face varying challenges when it comes to the issue of wellbeing. "Some departments, the Department of Health and Social Care for example, already look at factors similar to WELLBYs, so we need to demonstrate to them why WELLBYs will be more useful for them than the measures they currently use," he says.

“Others, like the Department for Culture, Media and Sport, are very open to our project, because it’s very difficult to measure intangible, public goods like culture, art and history without biases coming in. And then there are departments like the Department for Business and Trade, where wellbeing benefits or losses can be more difficult to identify. For example, how do we quantify R&D subsidies and how effective or not they’ll be down the line when it comes to improving citizens’ wellbeing? That’s much harder to do. But we still try.”

Preparing for a potential change in government

The project aims to publish its interim report this September, potentially only months before a UK General Election brings in a possible change of government. While departments may have to adapt to a new set of government priorities, the current government is already on board, and Labour leader Sir Keir Starmer has also highlighted his commitment to treating “wellbeing equally to economic growth”. As a result, Dr Krekel is convinced that, whatever the election outcome, future policymakers will find the project helpful in embedding wellbeing into their future policymaking.

“This is something that nobody has done before, but identifying policies that will improve people’s wellbeing is key to improving all of our daily lives, which in turn will increase trust in government and the democratic process,” he concludes. ■

Dr Christian Krekel was speaking to
Jess Winterstein, Deputy Head of
Media Relations at LSE

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