BOX 5

WALES' WELLBEING ECONOMY JOURNEY

Wales' devolutionary legislation which first created a Welsh Assembly, the *Government of Wales Act 1998*, included a unique duty to promote sustainable development in the exercise of its functions. According to Jane Davidson, a key senior minister in the Welsh government from 1999-2011, three governments tried over 15 years to deliver on this duty, adapting and learning from successive failures (Davidson, 2020).

The first attempts focused on trying to teach people how to live differently – putting sustainable development at the heart of everything they did – but after four years no real change was seen in the government, attributed in part to the fact that there was a lack of clarity about exactly what they were trying to achieve.

In 2004, in response to the lack of progress, they introduced a new scheme, *Starting to Live Differently,* which created a set of individual actions to provide a clearer path to sustainable development – actions such as increasing the use of renewable energy and protecting nature. However, this approach failed to gain traction, in part because it was seen as threatening the loss of thousands of jobs from the steel industry.

In 2007 the Assembly for Wales voted to make sustainable development the central organising principle of government – making it clear to all what the government was trying to achieve. However, once again this approach did not deliver the expected benefits. A few years into 'One Planet Wales', two critical reports highlighted its failure to deliver on the sustainable development goals. A Wales Audit Office (2010) report stated that there was a 'tick-box' approach to sustainable development in government, where ministers and senior civil servants saw it as just one of a number of competing priorities. A second report argued that the term 'sustainable development' still did not have specific meaning and Wales' ministers were failing to deliver despite their clear intentions (Netherwood, 2011).

These previous attempts and lessons led to the *Well-being of Future Generations (Wales) Act (2015)*, with a clear focus on accountability for delivery. The act established a Future Generations Commissioner to review the activities of government and critically support good practice; and it required a regular wellbeing and sustainability audit. The legislation requires each public body to contribute to sustainable development, setting and publishing wellbeing objectives defined by the seven goals, and taking all reasonable steps to meet these objectives. Wales is now considered one of the leading success stories of adoption and implementation of a wellbeing framework at a national level.

3.2 Integrating wellbeing into formal cost benefit analysis

Some efforts have been made to give wellbeing outcomes monetary values in order to adequately assess their costs and benefits. For example, in the New Zealand city of Porirua (see Box 6, page 20), an area with high levels of deprivation and housing crowding, a business case for policy intervention was made that included costing of wellbeing benefits (Kāinga Ora – Homes and Communities, 2018). While for each option the fiscal and economic benefits of a regeneration project in Porirua were outweighed by the projected cost, when wellbeing measurements were included not only did this tip the calculation firmly in favour of regeneration, but it provided a metric for ranking the available policies alongside assessments of qualitative criteria and costs. The inclusion of wellbeing benefits tipped the analysis in favour of the project and it was funded.

The policy setting approach most often used is to incorporate wellbeing data into typical cost-benefit analysis (CBA), which weighs the benefits and costs for proposed interventions, identifying those policies that are best value for money and recommending their prioritisation. Viewed from the perspective of wellbeing economies, this would involve giving priority to policies that had the highest expected outcome-per-dollar in terms of wellbeing increases.

Prioritisation of policies that produce the highest wellbeing outcomes can be part of integrating wellbeing concepts into fiscal policy processes.[21] In theory, this method of wellbeing policy prioritisation has the obvious advantage of having the potential to increase overall wellbeing by the greatest amount given limited resources. Further, it is relatively simple, which increases the transparency of the political decision-making process.[22] However, it is not clear whether it is possible to do this well or consistently. One issue is that it is not possible to translate all projects and benefits into monetary values: for example subjective benefits from reduced air pollution, or increased social connection

(Durand and Exton, 2019; Frijters and Krekel, 2021). If integrating wellbeing indicators into CBA is only done selectively, then it will not lead to a systematic change in prioritisation.

To undertake CBA, most outcomes are converted to monetary units. However, this may be challenging for subjective outcomes in wellbeing frameworks, as their units are expressed differently. In some situations where monetising outcomes has become a challenge or appropriate subjective wellbeing valuations are difficult to elicit, cost-effectiveness analysis (CEA) can be an alternative to CBA. CEA is a technique which estimates the costs incurred for a gain in subjective wellbeing. Instead of focusing on the predicted financial benefits of implementing a policy, CEA looks at the comparative effectiveness of interventions. For example, one version of CEA looks at effectiveness in terms of wellbeing-years (WELLBYs). Similar to the quality-adjusted life-years (QALY) measure used to estimate the quality of life in medical evaluations (Frijters and Krekel, 2021), WELLBYs are a measure of an individual's expected wellbeing over a year measured as a score between 0 and 10. WELLBYs are then averaged across a relevant population and multiplied by average expected years of life to deliver a figure which can be used to assess the predicted wellbeing impacts of competing policy choices (Layard and Oparina, 2021).[23] CEA can be used, for example, to selectively approve policies that will produce a quantity of WELLBYs per dollar spent over a specified cut-off amount (Layard, 2021).

While CBA is an essential tool for government agencies to make robust policy decisions, and CEA can be an important accompanying tool, without consistency in how the value of impacts are estimated or weighted across different government agencies and departments, these tools can be inconsistent and lack transparency, and wellbeing values may be de-prioritised in favour of more traditional fiscal values. The research shows that the clearer and more detailed the instruction provided across agencies, the more effective CBA is as a tool for a wellbeing framework. For example, New Zealand Treasury's CBAx toolkit provides a database of some New Zealand wellbeing values and standardises modelling using a spreadsheet designed to make it easier for government agencies to model benefits and costs alongside practical guidance, and wellbeing domains templates indicating which wellbeing impacts can be captured in dollar terms and which can't (Jensen and Thompson, 2020; New Zealand Treasury, 2020). The CBAx tool has been shown to be highly successful with agencies, doubling the quality of their cost-benefit analysis advice within a few years of its introduction (Jensen and Thompson, 2020).