

“Well-Being as a Business Concept”

Martine Durand¹ · Romina Boarini¹

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Abstract For years overall economic and societal progress of nations has been measured through GDP. While GDP remains a useful proxy of a country’s macroeconomic health, its inadequacy to measure people’s lives and well-being has grown uncontested and led countries to deploy massive efforts to build new data and initiatives that capture what really matters to people. The OECD has played a central role in this movement supporting many countries of the world in their ambition to generate more meaningful metrics of well-being and progress and to embed these metrics in everyday public policies. Since 2011 the OECD also produces well-being evidence and analysis on a regular basis through its Better Life Initiative, and mainstreams well-being in a growing numbers of its policy instruments. If well-being is today at the centre of policy-making, should it also have a role in business, one of the major actors in society? In this paper we argue that business has a strong impact on people’s well-being not only in today’s terms and within the national boundaries of one country, but also on well-being in the future and across multiple territories. However, a big research agenda lies ahead of us in terms of capturing these impacts in a more precise fashion and with data that are able to tell us what are the best business practices for enhancing people’s well-being.

Keywords Well-being · Corporate social responsibility · Metrics · Business impacts

Introduction

For years overall economic and societal progress of nations has been benchmarked on GDP performance. While GDP remains a useful proxy of a country’s macroeconomic health, its

✉ Romina Boarini
Romina.boarini@oecd.org

Martine Durand
Martine.Durand@oecd.org

¹ OECD, Paris, France

inadequacy to measure people's lives and well-being has grown uncontested (see for instance OECD 2008 and 2011, EU 2009; Stiglitz et al. 2009; Costanza et al. 2009) and led countries to deploy massive efforts to build new data and initiatives that capture what really matters to people.

The OECD has played a central role in this movement supporting many countries of the world in their ambition to generate more meaningful metrics of well-being and progress and to embed these metrics in everyday public policies. Since 2011 the OECD also produces well-being evidence and analysis on a regular basis through its Better Life Initiative, and mainstreams well-being in a growing numbers of its policy instruments, from its various country surveys to its high-level initiatives such as Inclusive Growth and New Approaches to Economic Challenges (NAEC).

The 'Copernican revolution' that the well-being agenda brings about in virtually all countries on earth is the same sought by the UN 2030 Agenda, as both promote a world "where all life can thrive" today and tomorrow, a "world of universal respect for human rights and human dignity" and "one in which humanity lives in harmony with nature" and none "is left behind"¹; and to that end both agendas encourage the use of a multidimensional compass to gauge the progress made by countries.

Against this background, the question addressed in this article is simple: if well-being is today at the centre of policy-making, should it also have a role in business, one of the major actors in society? We will argue that business has a strong impact on people's well-being not only in today's terms and within the national boundaries of one country, but also on well-being in the future and across multiple territories. However, a big research agenda lies ahead of us in terms of capturing these impacts in a more precise fashion and with data that are able to tell us what are the best business practices for enhancing people's well-being.

The article is structured as follows. The first section summarises the "Going Beyond GDP movement", highlighting the main lessons and developments in this field. The second section describes the OECD Better Life Initiative, providing a sense of the main achievements and the way forward for the OECD work on well-being. The third section discusses how well-being can be a valuable business proposition, particularly in the areas of health, jobs quality, work-life balance, social connections and community, and investment in the four types of capital that generate well-being over time; the fourth section elaborates on the statistical needs to advance our understanding of well-being as a business concept. The final section concludes.

A Global Effort to go Beyond GDP

The debate on the relevance of GDP as a good measure of people's well-being is almost as old as the measure itself. Simon Kutznets and Richard Stone, the fathers of modern National Accounts, were well aware of the limitations of GDP and warned against its use as a welfare measure (Lequiller and D. Blades 2014). Several scholars since then have highlighted the need of developing a range of alternative metrics, from Alexander King who was instrumental to the work on the Limits to Growth² and the pioneering works by Tobin and Nordhaus³ in the 70s together with the social indicators movement (OECD 1982). These works stressed that GDP is simply a means to an end, not an end in itself. They also highlighted that GDP does not capture

¹ Excerpts from the 2030 Agenda Transforming Our World : <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>.

² Donella H. Meadows, Dennis L. Meadows, Jørgen Randers, 1972.

³ "Is Growth Obsolete", Nordhaus and Tobin, NBER Series No 96E, New York, Columbia University Press, 1972.

important quality of life elements (e.g. leisure, social connections, quality of working environment, etc.), does not reflect inequalities and is a static measure that doesn't embrace sustainability considerations (see e.g. Stiglitz et al. 2009 and OECD 2011).

Against this chorus of critiques, the world has responded with a significant numbers of new projects that provide new evidence on well-being. Today, almost all OECD countries and many other emerging economies have launched national processes to build well-being indicator dashboards and to use some of this information in policy design and evaluation.⁴ At the same time, there have been high-level initiatives that paved the way towards a global statistical agenda for well-being (for instance the Stiglitz-Sen-Fitoussi Commission that put forward 10 recommendations on how to measure economic performance and social progress beyond GDP, followed more recently by the High-Level Group on Measuring Economic Performance and Social Progress hosted at the OECD) as well as international processes to harmonise well-being measurement and data collections such as the CES Report on Measuring Sustainable Development, the Eurostat Sponsorship on Measuring Well-Being, Progress and Sustainable Development, and various OECD-led working groups on selected well-being topics (e.g. subjective well-being, trust, job quality, consumption, income and wealth, etc.).

These global efforts are particularly timely in the context of the recently adopted UN 2030 Agenda and specifically in relation to the significant statistical challenges posed by Sustainable Development Goals (SDGs) to all countries of the world. Indeed, there is a large overlap between the topics and indicators included in the majority of the well-being initiatives and the goals and targets of the Agenda 2030 (see for instance Durand and S. Scott 2016; and CES 2013) and a number of underlying principles such as: people-centeredness and development understood as a holistic concept; an emphasis on distributions and equality; a strong focus on sustainability.

These common threads imply that:

- Countries will be able to build on previous well-being measurement efforts when implementing the SDGs agenda, in particular in respect to monitoring;
- There will be an important opportunity for integrating even further the statistical and policy tools used to measure and influence progress at national level and with a consideration of footprints and impacts on other countries;
- Policy-makers will have a crucial role to play to embed global development priorities in their national development strategies and plans, and many governments have already taken steps in that direction.

In sum, the momentum is high for putting “progress beyond GDP” at the forefront of governments and public administrations’ objectives and for capitalising from what we learned through the work on measuring well-being that was developed over the years. The next section elaborates on the OECD’s contribution in this field.

The OECD Better Life Initiative

Launched in 2011 on the occasion of the 50th Anniversary of the OECD, the Better Life Initiative develops new well-being evidence for OECD countries and partner economies by considering 11 components of good lives today (Income and wealth, Jobs and earnings,

⁴ See here for a recent review of national initiatives.

Housing, Health, Education, Work–life balance, Civic engagement, Social connections and Environmental conditions) and four sets of resources that generate well-being over time (in each of the dimensions above): economic capital, environmental capital, human capital and social capital. The 11 components of good lives today are understood as enabling factors to achieve good functionings (beings and doings), in line with Sen’s *capabilities approach*. This approach highlights that some factors (e.g. better health, higher happiness) are key to expand people’s choices and opportunities to live the lives that they value. The focus on resources builds on the *capital approach*, reflecting the notion of stocks that represent a store of value for well-being in the future. These different capitals share a number of common characteristics: they influence a broad range of well-being outcomes in the 11 dimensions above (e.g. human capital generates higher income, higher health, higher civic engagement, etc.); they each have some degree of persistence over time and they each require investment and management to be maintained. The OECD well-being conceptual framework is shown in Fig. 1.

Such conceptual framework, which builds on a large body of theoretical and empirical studies in this field (see OECD 2011 and Boarini et al. 2014 for a review) and reflects consultation with OECD countries, has been operationalised through a dashboard of 25 indicators, regularly published in the report *How’s Life? Measuring Well-Being* and in the Better Life Index (BLI) website. The BLI also offers an interactive application to weigh and combine the 25 indicators into a customised index that allow users to position their countries

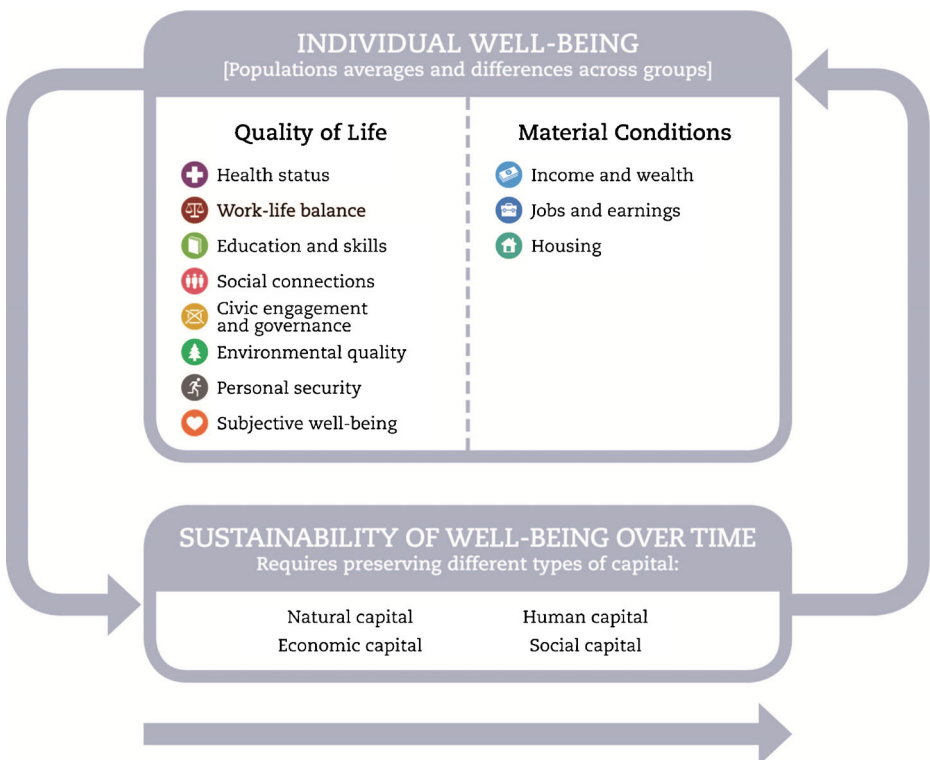


Fig. 1 The OECD conceptual framework of well-being

on an aggregate well-being performance scale. The BLI was created by the OECD to encourage citizens to take part in the debate on progress and to elicit their views on what matters most in their lives and what the ideal country they would like to live in should look like.

In the three *How's Life?* reports published since 2011 the OECD has carried out comparative analyses of well-being across countries and time, as well as studied in depth specific well-being issues such as job quality, sustainability, gender differences in well-being outcomes, child well-being, volunteering and sub-national well-being. These reports have also taken stock of the statistical advancements in the area of well-being and progress and identified some priorities for future research and statistical capacity building.

The OECD work on well-being has been quite influential in many arenas, including national and local well-being measurement initiatives that were built on the model of the OECD framework and indicators, as well as programmes for embedding well-being indicators in policy (see for instance the What Works Centre for Well-Being and the Legatum Commission on Well-Being and Policy). The well-being indicators have also informed various OECD policy work; for instance the OECD Economic Surveys of Austria, the United States and Mexico have made important policy recommendations in the area of people's well-being. Similarly, multidimensional country reviews are a new tool developed by the OECD Development Centre that examines development challenges through the well-being lens. The OECD has also mainstreamed its well-being work in its Inclusive Growth and New Approaches to Economic Challenges initiatives that aim at redefining a paradigm of growth that creates opportunities for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms fairly across society.

Finally, the BLI has proved a powerful tool for engaging with citizens at large. Since 2011 more than 6 million people from all countries of the world have visited the BLI site and around 90 000 of them have shared their index and preferences for a better life with the OECD. These responses, that are published by the OECD on a dedicated [web space](#), highlight that health, education and life satisfaction are the topics that matter the most to people in OECD countries (Fig. 2). Men assign more importance to income than women while women value work-life balance and community more than men. Environment, civic engagement and health become more important with age, while life satisfaction and income are particularly important for young individuals. There are also regional patterns in users' findings, for instance work-life balance is particularly important in North America while safety matters most in Asia-Pacific.

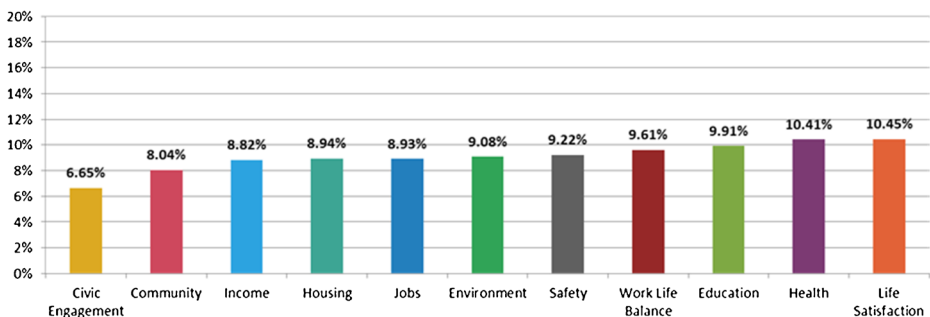


Fig. 2 BLI users responses

Well-Being: A Business Proposition?

Governments have a great responsibility and several means to improve people's lives but they are obviously not alone in pursuing this goal. Civil society and the business sector are also crucial players and the rest of this article focuses on the role of the latter in enhancing people's well-being.

In particular we argue that since an increasing number of governments are developing policies to embrace the well-being agenda, business has *all to gain* to anticipate the implications of this new paradigm and be an active part of it, rather than just react and be constrained by e.g. new regulations or uncertainty around policy changes.

In practice business has a strong influence on the life of their employees, on the communities where they operate or to which they are indirectly connected (e.g. supply chain) and on the life of the consumers that they reach through the goods and services produced. This influence is informally regulated by Corporate Social Responsibility (CSR) practices.

Corporate Social Responsibility

Corporate social responsibility is a well-established notion and many corporations have taken on board broader objectives than short-term financial returns. For instance Responsible Business Conduct (RBC) has been at the core of the OECD's Guidelines for Multinational Enterprises that will soon celebrate their 40th Anniversary. The Guidelines put forward a comprehensive set of government-backed recommendations on RBC that seek to a) enhance the positive contributions that multinational enterprises can make to sustainable development; b) avoid adverse impacts and addressing them when they do occur. The Guidelines cover 9 areas where such recommendations are defined more specifically: disclosure; human rights; employment and industrial relations; environment; combating bribery; bribe solicitation and extortion; consumers' interest; science and technology; competition and taxation.

By addressing the most relevant issues in business ethics in compliance with well-established international declarations and treaties such as the Universal Declaration of Human Rights or the ILO conventions on Working Conditions and Industrial Relations, the framework of the Guidelines is also particularly comprehensive, covering more themes than comparable global instruments for corporate responsibility (such as e.g. the UN Global Compact). However, the Guidelines' framework does not entirely lend itself to be used in the context of research showing the relationship between people's well-being and business' actions as some of the domains covered are not sufficiently people-centred (e.g. science and technology, competition, etc.). This is why in what follows we discuss the nexus between well-being and business starting from selected well-being dimensions of the OECD well-being framework.

Good Quality Jobs

First of all, business plays a central role in the creation of jobs and the income from these jobs as businesses are the largest employer and the greatest source of income in the OECD (Fig. 3).

But having a job is not all that matters for employees' well-being: the quality of jobs is equally important. The OECD has developed a new framework, now endorsed by the G20 Leaders, to measure and assess job quality (Box 1).

Box 1. OECD Framework on Job Quality

The OECD Job Quality framework identifies three dimensions along which job quality should be measured:

- Earnings quality that refers to the extent to which the earnings received by workers in their jobs contribute to their material well-being.
- Labour market security captures those aspects of economic security that are related to the probability of job loss and its economic cost for workers.
- Quality of the working environment captures non-economic aspects of job quality and includes factors that relate to the nature and content of work performed, working-time arrangements and workplace relationships. Jobs that are characterised by a high level of job demands such as time pressure or physical health risk factors, combined with insufficient job resources to accomplish the required job duties, such as work autonomy and social support at work, constitute a major health risk factor for workers. Therefore, the quality of the working environment is measured by the incidence of job strain, which is a combination of high job demands and limited job resources.

Source: OECD



A crucial determinant of job quality is the *quality of the working environment*, which is shaped by factors such as time pressure, physical and mental health risk factors, work autonomy and learning opportunities, social support at work and good management practices. The quality of working environment is critical to understand how firms can shape people's well-being in the workplace. For instance workers in strained jobs (i.e. jobs with insufficient resources and excessive demands) report that their work is impairing their health status in much higher proportion (Fig. 4, panel A) and are absent from work much more often (Fig. 4, panel B) than those not in strained jobs. In addition, workers facing strong time pressure or being exposed to many physical and mental health risk factors report lower positive affect and higher negative affect (Fig. 5, panel A and B). Conversely workers who enjoy more autonomy

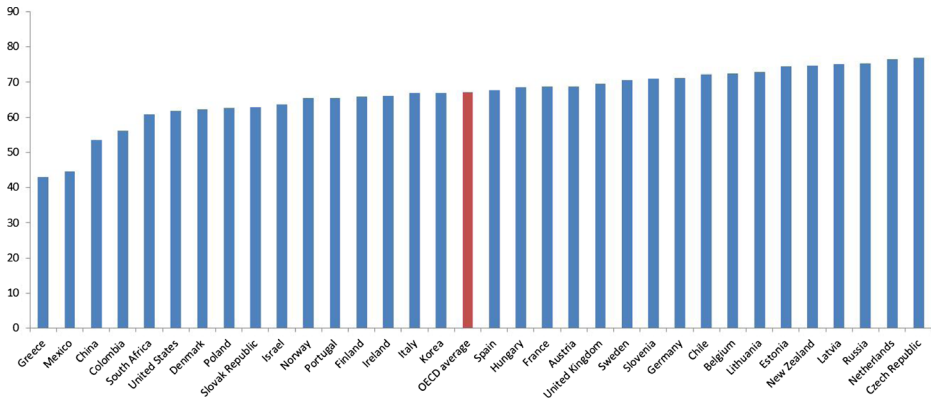


Fig. 3 Share of income produced by the private sector, 2014. Source: OECD National Accounts at a Glance

and can count on larger social support at work and good management practices declare higher positive affect and lower negative affect.

In addition, business has a strong role to influence work-life balance (e.g. OECD 2007), typically through working arrangements, hours worked, leaves, etc. The latter is of particular concern for gender equality (e.g. OECD 2012a) and the possibility that women can reconcile work aspirations with family needs, especially when they have young children.

Job quality and work-life balance are strong drivers of employees' well-being (Clark 2015; Cazes et al. 2015) and this is in turn an important determinant of their attachment to the company where they work, their motivation and ultimately their productivity (Oswald et al. 2015). Therefore improving working conditions increases business profitability through higher workers' performance.

Good health is what people value most. Because people spend most of their daily life at work, their health, both physical and mental, is shaped by the working environment and labour conditions. So here again the corporate sector has a pivotal role to improve well-being. The same

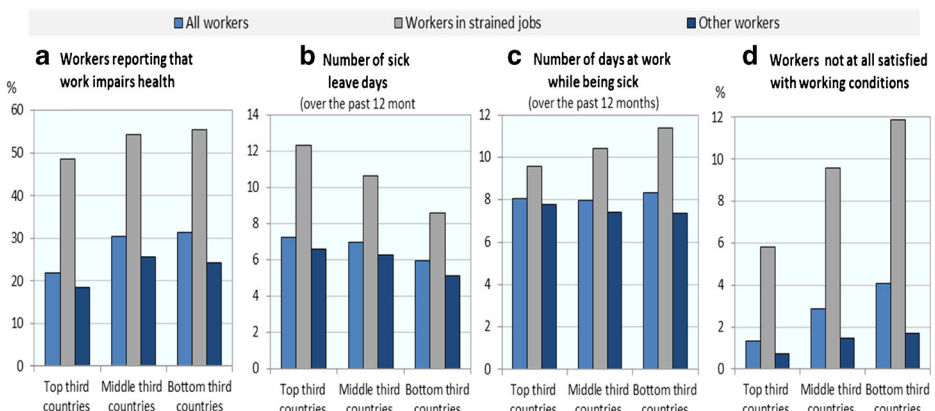


Fig. 4 The relationship between job strain, workers' health and job satisfaction, 2010. Note: Unweighted average across the following groups of countries: Top third countries (low incidence of job strain): Denmark, Finland, Ireland, Netherlands, Norway, Portugal, Sweden, United Kingdom; Middle third countries: Austria, Belgium, Estonia, Hungary, Italy, Luxembourg, Poland; Bottom third countries (high incidence of job strain): Czech Republic, France, Germany, Greece, Slovak Republic, Slovenia, Spain, Turkey. Source: Eurofound (2012), Fifth European Working Conditions Survey, Publications Office of the European Union, Luxembourg

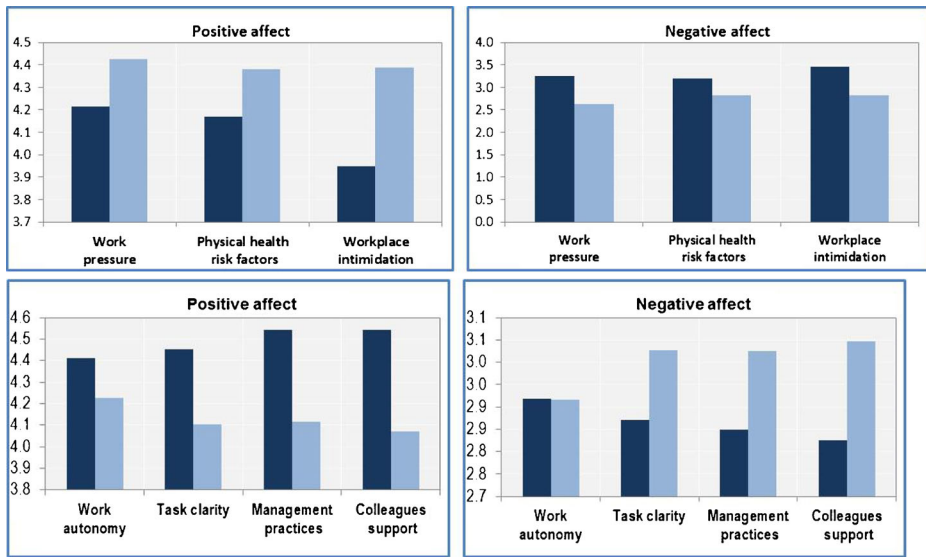


Fig. 5 The relationship between job resources, job demands, positive and negative affect, 2010. Source: OECD calculations on the European Quality of Working Conditions Survey, OECD Guidelines on Measuring the Quality of Working Environment, OECD Publishing (2017) forthcoming

is true for skills. Skills increase employability but also have an intrinsic value for people's well-being. It is hard to overstate the importance that firms can play in developing employees' skills and the OECD has provided ample analysis on the topic (see for instance OECD 2012b and 2013). Investing in skills is therefore another win-win in terms of well-being and firms' performance.

Firms also influence profoundly the way communities are organised and shape people's social connections and relationships. They have a strong impact on environmental quality by shaping built-environment and being strong consumers of environmental media (Agrawala et al. 2011).

Systematically reporting and reflecting on the performance of the businesses along all these well-being dimensions may be worthwhile from a business perspective. It would demonstrate the contribution business makes in improving people's lives, and in turn how enhanced well-being can also improve companies' performance. In other words, it would demonstrate the business case to invest in well-being. The next section outlines some of the data challenges that should be addressed to make it possible to build new measures for benchmarking business' sector performance on its ability to enhance people's well-being.

Metrics Needed to Understand Business' Contribution to People's Well-Being and Facilitate Coordinated Actions Across Public Policy and Business Actions

There are currently many relevant initiatives that promote standards for reporting on CSR and sustainability, including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and Integrated Reporting and some of the frameworks used are relatively consistent with well-being and sustainable development frameworks that national statisticians and policy-makers use for the purpose of reporting on the progress of societies (see Hoekstra and J.P. Smits 2014 for a review and a mapping of some company reporting and official statistics tools).

This alignment is key for ensuring that policy and business leaders may pursue their objectives consistently, getting a shared understanding of the risks and opportunities they both have to act sustainably and in the interest of the well-being of all in society.

However there remain various significant challenges to confront:

- the first is that more work is needed to align and harmonised the indicators and metrics used by the various CSR reporting (among themselves and with those used by policy-makers), especially on the social and governance themes whose operationalization is much more diverse across tools than in the case of environmental themes.
- business' actual take-up of CSR tools is uneven and partial (i.e. in a given country a relatively small percentage of firms report on these issues and even those reporting do not report on all required aspects or on their entire operations system) as CSR reporting is mandatory only in a limited number of cases;
- the third, related to the former, is that these data are not systematically disclosed and made public. It is therefore impossible to truly evaluate the full business' impact on people's well-being and societies at large.

Creating a dialogue between these various stake-holders (business leaders, policy-makers, statisticians, CSR practitioners), developing new metrics of business impact, promoting greater harmonisation of tools and finding mechanisms to make these metrics and tools taken up and lead to effective change in firms' behaviours, are critical actions that the OECD intends to support in the future.

Conclusions

This article has discussed the significant progress made in measuring well-being for the sake of informing public policy, highlighting the work done by the OECD through its Better Life Initiative. The OECD has played a central role in promoting the Beyond GDP agenda, developing new indicators and tools that put people's well-being centre-stage and enrich the policy debate needed to generate democratic consensus about how we want to live as societies. The UN 2030 Agenda is well in line with the Beyond GDP movement, aspiring to move the world towards shared prosperity and higher well-being for all.

In the article we have also argued that business may also have a profound influence on people's well-being but to better understand this relationship and ensure that the business sector and policy-makers pursue consistent goals, it will be important to harmonise and align their respective metrics and benchmarking systems to a greater extent. This alignment may bring mutual benefits to demonstrate that business is playing an active role in support of the new "well-being" agenda, enhancing business' accountability and trust from citizens, which in turn may mitigate risks of societal and policy changes that go against business' interest.

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