Summary: The European Union owes its legitimacy to and earns prestige from its commitment to democracy, the rule of law and human rights, environmental sustainability and a strong social dimension. These values are pursued for their own account but they are also a source of economic strength, contributing to Europe’s success as a globally competitive and attractive yet socially and environmentally responsible market economy. Finland’s Presidency of the Council of the European Union is introducing the Economy of Wellbeing as an approach to policy and decision making to address the political, economic and societal challenges of the 2020s.

Keywords: Wellbeing, Economy, Policy making, EU Presidency, Finland

Background

Since the 1950s, the European Union (EU) has pursued sustainable peace, improved quality of life and advanced social protection. It has increased the wellbeing of EU citizens by developing the internal market and promoting macroeconomic stability. The raison d’être of the EU, as enshrined in the EU Treaties and in the European Union Charter of Fundamental Rights, is to ensure respect for human dignity and to promote the wellbeing of its people. People’s wellbeing is therefore the responsibility of the EU and its Member States.

The Economy of Wellbeing is a policy orientation and a governance tool with the objective to put people and their wellbeing at the centre of policy and decision making. While people’s wellbeing is a value in itself, the Economy of Wellbeing underlines the mutually reinforcing nature of wellbeing and economic growth. Taking wellbeing into account in all policies is vitally important to the EU’s economic growth, productivity and fiscal sustainability, as well as to societal stability, democracy and the rule of law.
The European Pillar of Social Rights (hereinafter the Pillar) provides a compass for renewed upward convergence towards better working and living conditions in the EU. The Pillar has been an important milestone in raising the social dimension higher on the EU’s policy agenda and linking the economic and social dimensions together more closely. Delivering on the Pillar is a shared political commitment and responsibility of the core EU actors and necessitates continuous developments and profound actions at both EU level and in the Member States.

How can we pursue the Economy of Wellbeing?

A horizontal approach, overcoming silos by cross-sectoral collaboration, is elementary to the realisation of the Economy of Wellbeing. As a multisectoral approach the Economy of Wellbeing touches upon social, gender, health, employment, education and environmental issues and their relation to economic growth. The necessity to engage with cross-sectoral action is embedded in requirements enacted in the Treaty on the Functioning of the EU and in the European Social Charter, and has been brought up as part of Health in All Policies approach in the 2006 Council Conclusions.

The core of the Economy of Wellbeing concept is to improve the prospects for a good life based on better cross-sectoral cooperation. It is a horizontal approach, which:

• increases our understanding of how investing in wellbeing enhances productivity, generates economic growth, increases employment, and thus holds promise to reduce public expenditure in the long term;
• highlights the importance of wellbeing impact assessments, designed to evaluate how legislative and policy measures affect the wellbeing of people; and
• underlines wellbeing as a value in itself and as a source of societal resilience and stability that also benefits business and investment.

Public spending on wellbeing, namely social, health, education and employment expenditure, constitutes a major part of national budgets. Often the dominating tendency in reforms is to cut these expenditures in order to attain fiscal consolidation in the short-term. On the other hand, major challenges and opportunities loom on Europe’s horizon linked to the changes driven by climate change, new forms of work, ageing of the population and changes driven by technological development such as digitalisation, artificial intelligence and robotics. Resilience and the capacity to adapt have never been more important as the EU Member States are constantly challenged to preserve trust and stability.

Social cohesion is vital to economic progress

In order to better respond to these developments and to strive for the objective of the EU becoming the world’s most competitive and socially inclusive low-carbon economy, we need to intensify our efforts in promoting the European Social Model empowering all people by promoting upward social and economic convergence. Sustainable and inclusive economic growth and resilience can function as enablers for the wellbeing of people, societies and the planet.

The balance between economic progress and social cohesion is at the core of European integration, but it also distinguishes the EU globally. It is about understanding the importance of social, gender equality, health, employment, education and environmental policy aims in relation to economic growth, as well as the stability of the economy and societies. The recent World Bank Human Capital index, released in October 2018 provides results supporting this thinking.

Let us take examples. Should women increase their paid working hours so that gender gaps, in both participation and working hours, disappear completely by 2040? This would boost the economy by an additional 15–30% Gross Domestic Product (GDP) per capita growth in the Nordic countries – an estimation made by the OECD. Overall, the cost of the lower employment rate of women in the EU is estimated to be around 2.8% of the EU’s GDP. Improving gender equality would lead to an increase in the EU’s GDP by 6.1% to 9.6% by 2050. Another example is the perspective of the ageing population. Longevity is one of the successes of national policies in Europe, which is strongly and increasingly shaping our societies and economies. Ageing of the population has a strong impact on economic growth, productivity, public finances and the financial sector, as well as wealth and income distribution.
Health is an intrinsic value and a prerequisite

Health is a fundamental human right and key factor contributing to wellbeing. Improved health status contributes to increased economic growth through greater educational attainment, improved labour market participation and higher savings.

On the other hand, ill health imposes a significant economic burden on society and public finances, in addition to its human toll. For instance, mental health is fast becoming one of the defining global health challenges of the 21st century. The total costs of mental ill health are estimated at more than 4% of GDP – or over €600 billion – across the 28 EU Member States. Around 550,000 people of working age die prematurely every year across the EU due to non-communicable diseases, amounting to 3.4 million life-years and €115 billion in economic potential lost annually.[1]

The dual pursuits of population wellbeing and sustainable economic growth

Population wellbeing and sustainable economic growth are not contradictory goals. The Economy of Wellbeing is based on a sound economic policy. It highlights the importance of investing in effective and efficient policy measures and structures ensuring access to all to public services including health services, promotion of health and preventive measures, social protection, and education and training. It emphasises employment, active labour market policy and occupational safety and health as measures to guarantee wellbeing at work. It stands for equal opportunity, gender equality and social inclusion.

Assessment and monitoring of the long-term consequences of budgetary policies on both wellbeing and macroeconomic development are crucial for the implementation of the Economy of Wellbeing concept. In the EU, it is vital to understand how wellbeing can benefit from and contribute to the internal market. Climate change will have an impact on the lives of all people, and the transition to a climate-neutral economy should be implemented in a fair manner. It is essential to achieve sustainable growth through measures that benefit both population wellbeing and the environment, but never at their expense.

Knowledge-based policy making requires the use of a broad set of indicators and comprehensive impact assessments and evaluation of the cost-effectiveness of different policies and actions. It is widely accepted that GDP alone does not provide a comprehensive picture of people’s wellbeing as stated already by the Stiglitz-Sen-Fitoussi Commission.[10] Therefore, further collaborative efforts across sectors are required to improve existing instruments, to better use them and to build on them for the development of a common approach to measuring the different dimensions of the Economy of Wellbeing.

Inclusive growth is a priority

Finally, we need to recognise that the economic growth during past decades has not brought benefits to all people in Europe. Though the majority of people in the EU are wealthier, healthier and more educated than ever before, the number of people at risk of exclusion and vulnerable groups remains high. Paying attention to inclusive growth is, therefore, of utmost importance.

The Economy of Wellbeing approach aims at ensuring that no one is left behind in our rapidly changing world and that all people in the EU live in prosperity. Finland’s Presidency aims to incorporate the Economy of Wellbeing approach into the core of the EU’s future strategies as the next step towards a socially, economically and ecologically sustainable EU.

References