A SPENDING REVIEW TO INCREASE WELLBEING
An open letter to the Chancellor

Report by the All-Party Parliamentary Group on Wellbeing Economics

May 2019
The All Party Parliamentary Group on Wellbeing Economics seeks to highlight how wellbeing serves as a valuable and pragmatic framing for making policy decisions and for setting a vision for the UK.

Wellbeing draws attention to the diversity and interdependence of issues and interventions that affect us in our lives and the complex and complementary roles that different government departments and policies can play in improving outcomes.

The APPG will therefore play a convening role across parties and government departments and look at different levels of intervention (national – local – individual) to identify where the biggest gains can be made for the lives of people in the UK, drawing on specific examples, challenges and contexts and building on existing knowledge and evidence.

The What Works Centre for Wellbeing provides the secretariat to the group.

This is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of Members of both Houses with a common interest in particular issues. The views expressed in this report are those of the group.
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Executive summary

Wellbeing includes everything that is important to people and their lives. We believe therefore that improving wellbeing should serve as a central goal for our society and the overriding aim of government policy. It is what should determine the country’s spending priorities across all departments for the next Spending Round.

We say this because wellbeing is what people care most about, which is why it determines how they vote. The evidence is now clear. The main determinant of whether a government gets re-elected is the level of wellbeing – and not the level of employment or of economic growth.¹

So any wise government will target wellbeing, on prudential as well as moral grounds. It will do this on the basis of robust evidence, paying special attention to those who are really struggling in their lives. From this analysis some key new priorities emerge where the costs are quite low and substantial savings are generated. These savings arise because greater wellbeing also generates many benefits of other kinds.

Greater wellbeing raises productivity; reduces benefit dependence; cuts absenteeism; and reduces physical illness. So even if the government does not accept wellbeing as the overall objective, it should target it strongly as a means to many of its other objectives. Viewed from both of these angles, we propose six major priorities for the Spending Review.

**Mental illness**

1. The top priority is the treatment of mental illness, which destroys lives and costs the government billions in benefits, lost taxes and additional physical healthcare. At present only 40% of people with mental illness are in treatment. But the government is committed to parity of esteem for mental and physical health. This should mean that people with mental health problems have the same access to NICE-recommended therapies as people who are physically ill.

   This is currently far from the case and the situation will only be rectified through strong leadership from the centre. We propose that the total NHS budget that has already been agreed up to 2025 should be divided into two separate parts, with mental healthcare growing at 6% a year in real terms and physical healthcare at 3% a year. As we show, much of this additional expenditure on mental healthcare would be fully offset by equivalent savings elsewhere.

**Children in schools**

2. The next priority is investing in the wellbeing of children in schools. Schools should prepare children to lead fulfilling lives by developing strong

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3 Despite accounting for 23 per cent of the disease burden, mental health gets just 11 per cent of the NHS budget (Mental Health Taskforce 2016).

4 In Year 5 this would provide at least an extra £4 billion on mental health.
characters, good values and passionate interests. As the evidence shows, happy children also do better in their schoolwork.\textsuperscript{5} So pupil wellbeing should become an explicit goal of schools, alongside academic performance. Schools should be enabled to measure the wellbeing of their children each year, using government-sponsored methods of measurement. All teachers should in the next 5 years receive some training in mental health and all those who teach Relationships and Health Education should have specific training in teaching these difficult subjects. We estimate the annual cost by year 5 at £0.5 billion.

**Entry into skilled employment**

3. The next priority for young people’s wellbeing is their entry into skilled employment. It is crucial that young people feel wanted by society; they need to see a clear pathway to a skill. For those who go down the academic route this pathway is already clear, with automatic progression and funding for all who qualify. For the other 50\% of young people the path is unclear and funding is cash-limited. Instead of this, further education should be funded on a per capita basis like higher education, where any qualified student who is accepted is automatically funded. This high-priority policy could cost £5 billion in the fifth year in gross terms. But rates of return to part-time apprenticeship are currently around 30\% per annum\textsuperscript{6} and much of the cost would return later to the Exchequer in higher taxes.

**Social care and community services**

4. Social care and community services are crucial for the wellbeing of vulnerable children, adolescents, disabled adults, and elderly people (where loneliness and isolation are major sources of low wellbeing). We need better care in the early years (including children’s centres, better child protection,


more youth centres and community facilities) and more old people’s centres. Under austerity such facilities have been closing all over the country, while at the same time social services have had to cut their support both to old people, disabled people and children. At least £5 billion annually will be needed to provide adequately in this area.

**Improved wellbeing at work**

5. We know that having a job, and the quality of that job has an important impact on people’s wellbeing. Employers need to measure worker wellbeing, and publish the results as standard in annual accounts. We know a lot about what can improve wellbeing at work, and employers should put policies and programmes in place, which train line managers in how to promote wellbeing, address the management of mental health problems and give people more control over how they do their jobs. They also need financial support to re-train and re-deploy workers made redundant by technological change. Reducing working hours and matching people to jobs where their wellbeing will be highest can also improve overall wellbeing for employees, whilst in turn offering benefits for employers through higher productivity.

**Other priority areas**

6. Finally, prisons must become places of rehabilitation, skill-acquisition and improved mental health. And family disputes should where possible be settled by mediation rather than in the family courts. Clearly policy on benefits is crucial but beyond the scale of this report.

**The role of the Treasury and other government departments**

7. To bring wellbeing to the fore in policy-making, the Treasury should ask departments to justify their bids in terms of their impact on wellbeing. For this purpose the Treasury needs to provide guidance and support in how to analyse the impact of policy upon wellbeing.
The measures we have proposed would thus cost roughly as follows:

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<tr>
<td>Mental Health</td>
<td>Already in NHS budget</td>
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<tr>
<td>Schools</td>
<td>0.50</td>
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<tr>
<td>Further education</td>
<td>3.00</td>
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<tr>
<td>Community facilities</td>
<td>5.00</td>
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<td>Work</td>
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The net cost would be much less. We believe such measures would have a measurable effect on the nation’s wellbeing.
Introduction

The 2019 spending reviews offer the chance to look in a new way at total government spending across the UK and link spending plans for different government departments to an overall strategic goal for the country. Spending reviews always need to address tough choices and trade-offs between spending in different areas and competing demands between departments. In 2019 these choices are compounded by economic uncertainty around BREXIT.

A spending review focussed on wellbeing will enable the government to explicitly prioritise spending on areas that have the most impact on people’s lives. Since 2011 the ONS have been asking people directly how satisfied they are with their lives, and we know much more about what can improve people’s life satisfaction. This presents us with the opportunity to apply this knowledge to the spending priorities, such that the government achieves the best value for money, in terms of national wellbeing outcomes.

The sections which follow identify areas which have an important impact on people’s wellbeing, but have been relatively neglected. They represent an opportunity for the government to achieve substantial benefits, should they be prioritised in the forthcoming spending review.
1. HEALTH

Scaling up the treatment of mental illness

Context

Mental health is a strong predictor of wellbeing. A person moving from depression or anxiety disorders to full mental health is associated with an increase in life satisfaction of 0.7 points (out of 10) for each year. Effective treatment of mental illness can therefore offer substantial improvements to wellbeing.

About one in five adults and one in ten children is suffering from a diagnosable mental illness but only one third of them are in treatment. These conditions include:

- Anxiety disorder and depression (16% of adults)
- Schizophrenia and bipolar disorder (1% of adults)
- Drug and alcohol dependence and severe personality disorder (2% of adults)

These conditions cause extreme distress to the individual, but they also contribute to many of the most obvious social problems including domestic violence, family break-up, robbery, theft, and loneliness, with spill over effects on the wellbeing of the rest of society.

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7 For useful parallel proposals, see the report of the Mental Health Commission at Birmingham University Investing in a Resilient Generation. (Chair: Paul Burstow).
Recommendations

NICE recommend that the relevant evidence-based psychological therapy should be offered to all who suffer from these conditions, but that is far from the case.

- The path-breaking programme for adults suffering from depression or anxiety disorders known as Improving Access to Psychological Therapy (IAPT) achieves over 50% recovery rates at a cost of under £700 per course of treatment.\(^8\) But the programme only sees around 17% of adults with anxiety disorder and depression. The target for 2022 is 25% and should rise to 35% by 2028. The gross cost of this expansion would be about £0.30 billion in the fifth year but there would no net cost because the gross cost is less than savings on benefits, lost taxes and physical healthcare costs.

- A similar psychological therapy service is needed for children and adolescents who fall below the CAMHS threshold and currently receive no help. On the government's existing plans such "Mental Health Support Teams" will open in one third of the country by 2022. This should be accelerated, and there should be a service in every CCG by 2025. The additional gross cost in 2025 would be about £0.25 million, with substantial savings to follow.\(^9\) A further expansion will be needed in the years 2025-30.

- Evidence-based psychological therapy should become available, as recommended by NICE, for all patients suffering from psychotic conditions, drug and alcohol problems and severe personality disorder. There should also be increased provision of couples' therapy, as recommended by NICE.

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In addition substantial expenditure is needed on crisis teams, inpatient treatment and other facilities where they have been cuts with damaging consequences.

The progress of all patients should be routinely monitored using standard tools of measurement.

All these developments will require major additions to the mental health workforce and adequate support for their training.

Mental health promotion is crucial and is covered in later sections.

In addition the NHS should pioneer the offer of training to parents in the arts of good parenting and harmonious couple relationships. The short course known as Family Foundations is a good example of this.

Affordability

These interventions can be funded from the increase in funding allocations already announced for the NHS. The only way to make sure all this happens is if CCGs are given their funding in two separate packets, one for physical and the other for mental health. We propose that the mental health budget should rise at 6% a year (compared with 3% for physical health).
2. EDUCATION

Tackling children’s wellbeing in schools

Context

The emotional wellbeing of children is an important outcome in and of itself, but is also an important driver of wellbeing in adults. Therefore investing in children’s wellbeing has benefits both now, and for the future. Schools are an appropriate environment for identifying risk factors and tackling some of the main drivers of children’s wellbeing.

- 1 in 8 young people aged 5-19 have a mental health disorder\(^{10}\)
- ¼ of young women aged 17-19 have a mental disorder, about half of these involving self-harm or an attempt at suicide.
- The common thread running through the Good Childhood report is that children’s interactions with those around them – and the way in which children make sense of those interactions – are fundamentally important to how they feel about themselves and their lives.\(^{11}\)

Recommendations

Schools are the government’s single most powerful lever for promoting wellbeing. The wellbeing of the children should be a specific goal for a school.

- Every school should have its own Wellbeing Code to which every teacher, parent and child has given their assent. OFSTED is now giving more weight to wellbeing, but should give even more.

- Schools should be enabled to measure the wellbeing of their children on an annual basis and the government should pilot a common measure that

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\(^{10}\) NHS Digital, *Mental Health of Children and Young People in England*, 2017 [PAS]

\(^{11}\) The Children’s Society, *The Good Childhood Report*, 2018
could be used. Schools using it could receive extra funding to cover the cost of administering and processing the questionnaire.\textsuperscript{12} This would cost about £0.10 billion a year.

- All schools should provide a weekly lesson on Relationship and Health Education. This should be evidence-based (using materials such as Healthy Minds) and every teacher who teaches it should have received special training to teach the subject by the end of the Parliament. This would cost about £0.25 billion a year by the final year.\textsuperscript{13}

- All teachers should have a short course on mental health by the end of the Parliament. This should cover not only the mental health of children but also of teachers (including the avoidance of burnout). This could cost about £0.10 billion.

**Cost**

The costs of about £0.5 billion need to be included in the Spending Review.


\textsuperscript{13} There would be some 100,000 teachers at £2,500 per course. https://cep.lse.ac.uk/conference_papers/2018_11_30healthyminds_06.pdf
3. FURTHER EDUCATION

Ensuring a proper start to working life

Context

If young people can see no prospect in life, they turn to despair and may cause havoc to others. Yet for the 50% of young people not going to university, we currently offer no clear pathway to a skill. The key need in the next five years is to build such a pathway. There needs to be a system of automatic progression whereby anyone who qualifies at one level can expect a place at the next higher level with automatic funding (as exists along the university route). This sequence will involve for those who need them: pre-apprenticeship courses, then apprenticeships at level 2 right up to level 5.

Recommendations

3 main changes are needed:

• A revolution in the finance of further education. Since 2010, this has been fiercely cut. While academic education is automatically financed on a per student basis, further education is strictly cash-limited. We should liberate the sector by providing automatic funding for further education on a per student basis.

• A major drive to find apprenticeships. The government should take responsibility for ensuring that every young person who qualifies for an apprenticeship receives at least one offer (as happens with academic education)
• A change in governance. This revolution in opportunities will only occur with strong leadership. We recommend that all funding of further education at level 3 or below is routed through a powerful Further Education Funding Council, as happened under previous governments. This would also have responsibility for generating enough apprenticeship places.

Cost

The cost of this would be about £3 billion by the final year.\textsuperscript{14} Some of this can come from the Apprentice Levy but most should be routed through the Council.

\textsuperscript{14} An additional 0.6 million students X £5,000 per annum.
4. SOCIAL CARE AND COMMUNITY SERVICES

Investing in social support networks

Context

We are social animals. Mental wellbeing depends on continuous social interaction in meaningful activities. Without this, loneliness and purposelessness result. Thus community facilities such as children’s centres, youth clubs, and old people’s centres are vital. In addition there is the huge need for better social care of the elderly and the disabled, and for the protection and support of vulnerable children and disabled people.

- Over 9 million people in the UK say they are often or always lonely\(^{15}\)
- 2.2 million people over the age of 75 live alone\(^{16}\)
- 16% of people have no one to rely on, if they have a serious problem\(^{17}\)

We need good social services for children not only to protect the vulnerable but also to promote healthy child development at the earliest possible ages. Children’s Centres need much better funding. There is also a critical need for good youth centres and meaningful activities for young adolescents. And finally there are the needs of the elderly. In all these areas there have been counter-productive cuts.

\(^{15}\) Co-op & British Red Cross (2016). *Trapped in a bubble: An investigation into triggers for loneliness in the UK*, Technical appendix
\(^{16}\) ONS, *Families and Households: 2017*
\(^{17}\) ONS, *Measures of National Well-being Dashboard*
Recommendations

- Social care of the elderly and disabled. It is estimated that at least £4 billion a year is needed if the standards that prevailed in 2010 are to be re-established.

- Children’s centres, youth clubs and centres for the elderly. At least £1 billion a year is needed if these are to perform the important functions they once did.

- Social services work on the protection of vulnerable children also require some additional funding.

Cost

So total gross additional expenditure in these areas needs to increase by over £5 billion, but significant savings in the NHS and criminal justice will result.
5. WORK

Better wellbeing leads to better productivity

Work is a hugely important part of most people’s lives. If we want to enhance the nation’s wellbeing we need to understand what makes for satisfying and fulfilling jobs. And there is a large body of evidence showing the association between happiness at work and higher productivity.18

The evidence from asking people what activities most damage their wellbeing suggests that being at work ranks near the bottom of all possible activities, with only being sick in bed scoring any lower.19 With less than 20% of employees reporting being actively engaged while at work, there is an important challenge and opportunity to do much better. On the job, a bad being in the same room as your boss that is one of the worst experiences people endure.20 This reflects on the quality of management: too often managers see their role as criticising staff for not delivering enough when they should be asking them what would make their work both more productive and more enjoyable. The two go together: a happy workplace raises overall performance because it helps attract talent, raises productivity, and reduces employee churn.

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20 Artz, Goodall, and Oswald (2016) Boss competence and worker well-being, ILR Review.
So what should BEIS do to improve matters?

The first priority is to learn more about the wellbeing of employees. This would entail making it really easy for firms to measure wellbeing in a comparable way so they could understand how they were doing. The obvious place to start is by asking all employees the 4 standard ONS questions as well as any others felt to be particularly important in each firm. The vast majority of firms already run staff surveys so this would not be difficult. Small firms would be exempt for obvious reasons. If there is only a handful of workers, something is terribly wrong if you need a written survey rather than a chat to discover what is working and what isn’t.

These results would be published in annual accounts, allowing investors to analyse them. The departments of work and pensions and health and social care have put out joint guidance on how best to measure wellbeing in the workplace. It would be worth exploring with firms, starting with the largest employers, what the obstacles are preventing them from undertaking what looks to be a relatively simple and useful exercise.

We already know a lot about how to enhance wellbeing, and hence productivity, at work. Giving people more control over how they do their jobs, being clear about what is expected of them, ensuring variety in what they do and creating a positive environment based on good relationships between managers, co-workers and customers all help. The proportion of people saying they have a lot of discretion over how they do their job has dropped from 62% in 1992 to 38% in 2017. In addition it helps if employers believe their workplace and pay is fair and they have opportunities to use and develop their skills. Overall, developing a sense of purpose and a feeling that your work is appreciated and valued by others help enormously.

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21 Department for Work and Pensions and Department of Health and Social Care, Guidance: Voluntary reporting on disability, mental health and wellbeing, 2018
With the best will in the world there will still be times when some employees face mental health problems either to do with work or not. Whatever the cause, it is likely that their work will suffer. Good employers will put in place confidential ways in which workers with mental health problems can get help.

Of course developments in technology are changing the nature of work in good and bad ways. Robots are increasingly taking over the dirty, dangerous and monotonous tasks which has to be a step in the right direction. But what of those displaced by machines and increasingly by Smart machines driven by artificial intelligence? The tragedy here is that some people will find their hard-earned skills becoming unneeded. It is imperative that governments help such individuals to reskill themselves in ways that enhance their employability and that they enjoy. This will not be easy because it will involve encouraging people who felt their training days were long gone to return to learning new skills. So governments need to make such schemes attractive and effective. That takes resources and should be the core of the spending review case for more money. Employers should play their part, funding training for skills in short supply and, as part of severance schemes, giving resources to leavers to help them get back into work. BEIS will also want to build on its industrial strategy. The department identified a number of priority areas: putting more money into training and R&D for skills in these areas would make obvious sense.

Of course we should also look at this from the point of view of the employee. How can we improve their wellbeing and hence their productivity. The first point is to help them get into the right job in the first place. We have a history in careers advice of concentrating on future earnings potential yet surely a crucial factor is how happy people are in their jobs. The chart below shows life satisfaction scores plotted against earnings.\(^2\) For those leaving education this is really useful information that can help get the right people into the right jobs. Those who believe that work will be their main source of satisfaction in life can make appropriate choices, perhaps accepting that this may involve accepting a lower income. However society has a number of what Paul Dolan calls narratives that

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predispose us towards certain careers. For example most would argue that being a lawyer gives you more status than being a florist, with the assumption being that you should aspire to be a lawyer. But 87% of florists say they are happy compared to only 64% of lawyers. Of course happier people may be more likely to become florists so we cannot use these results to imply causation. But florists have more control of their hours, work more with people and directly meet the desires of their customers. So perhaps lawyers are paid more in part to compensate for the intrinsic downsides of the job.

There is also the question of how many hours we work, whatever our job. Back in 1930 John Maynard Keynes, perhaps the most famous British economist, believed we would have vastly more leisure time and that this would make people happier. Remember work in those days was nasty, brutish and long for many people. He quotes a wonderful rhyme by “an old chairwoman”:

Don’t mourn for me friends, don’t weep for me never,

In fact, as wages rise, we become more aware of the money foregone by not working longer. And society praises those, from Mrs Thatcher when she was Prime Minister to the Apple CEO Tim Cook, who delight in explaining the length of their typical working day. From the evidence provided by American time use data it seems that working between 21 and 30 hours a week generates the most happiness and purpose. In the U.K. working long hours is a predictor of being in the most miserable 1% of the population. But this group are typically also very poor so they may have little choice as they desperately need the money.

There is an additional problem if you simply don’t know how many hours you are going to work. In the U.K. in 2016 there were 1 million people on zero hours contracts who have few benefits and very little job security. It is very difficult to build a productive, engaged workforce in these circumstances and it is clear that many such workers would prefer more stable contracts. Matthew Taylor’s excellent report (Good Work, BEIS, 2018) analyses the case for promoting good work and suggests a number of ideas for bringing this about.

Having said all this, we should always bear in mind that unemployment is very bad for wellbeing, not just because of the loss of income. We should help and incentivise people to get jobs through our welfare system. This is an area where the spending review could make a big difference. We are already at unusually high levels of employment so we know that those out of work may need considerable help to re-join the workforce. They may have disabilities that need extra spending by employers to allow them to fulfil their potential. Policies to make this more affordable should be explored.

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6. OTHER PRIORITY AREAS

There is a crisis in our prisons and detention centres. Too many people are in prison who should receive community sentences, and with available resources it is often not possible to achieve the rehabilitation which is needed, leading to high rates of reoffending and ongoing ill-being. Better staffing is needed, together with better facilities for education, meaningful work and mental healthcare.

In addition we need a massive improvement in our approach to family conflict. We have already discussed how the NHS can help. But, if separation has to happen, it should happen smoothly and with the minimum of conflict. This requires more use of mediation and less use of the family courts.
7. THE ROLE OF THE TREASURY AND OTHER GOVERNMENT DEPARTMENTS

If subjective wellbeing is to become the overriding priority of government, this will require a strong lead from the Treasury and Cabinet Office.

- It should be made clear that the goal of policy is the wellbeing of the people. All expenditure should be judged by the impact on wellbeing per pound of net cost.

- Savings accruing in different departments should be taken into account in evaluating net cost.

- Departments should systematically be asked to justify their spending bids in terms of their impact on population wellbeing relative to their cost.

- They should use whatever evidence they have.

- The Treasury itself should develop its own capacity to analyse proposals in terms of their impact on wellbeing. This would require the establishment of a small Wellbeing Evaluation Group in the Treasury. The revised Green Book provides a good basis of their work.

- During the period 2020-25 major efforts should be made to develop the capacity of the government machine to estimate effects on wellbeing. This will require large-scale training effort within national and local government, led by the Government Economic Service. Government departments should also evaluate all new interventions in terms of their wellbeing effects, and there should be many more controlled trials of policy changes than up to now. Funding of such wellbeing research could become a standard use of government departmental research budgets.
UKRI should take a lead in funding inter-disciplinary research on wellbeing and in helping to develop the analytical workforce needed to address the issue of wellbeing.
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