



## POLICY BRIEF 2022:21

Perspectives into topical issues in society and ways to support political decision making.

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# Paths to a wellbeing economy

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In times of societal realignment, developing the wellbeing of citizens must be a key part of public decision-making. Finland still lacks fixed national tools for a wellbeing economy. The strategy for developing the wellbeing economy merges the green transition with the inclusion of citizens through experimental development.

## Wellbeing must be monitored within societal realignment

The wellbeing economy is an approach to decision-making that is aimed at achieving a sounder balance between social, economic, and ecological sustainability. The wellbeing economy puts the wellbeing of people and the environment at the heart of decision-making.

In Finland, civil society actors brought the perspective of a wellbeing economy into public debate, and in recent years this perspective has also gained traction at the Government level. The programme of Prime Minister Sanna Marin's government outlines that "Finland will promote human rights, the economy of wellbeing, and people's chances for a good life throughout their lifespan". A multidisciplinary steering group coordinated by the Ministry of Social Affairs and Health has been appointed to promote the idea of a wellbeing economy. The steering group is responsible for drawing up an action plan for a wellbeing economy suitable for Finland. The programme involves various measures to make the wellbeing economy a part of informed decision-making within the Government.

As a result of the coronavirus pandemic that began in 2020, societal conditions have further increased the need to develop wellbeing economy-related mechanisms and models of governance. For example, when targeting the EU's joint and national recovery efforts, there is a significant need for monitoring and steering so that investments produce the greatest possible impact on wellbeing. At the moment, as part of the activities of the Sustainable Growth Programme for Finland, Finland is developing the wellbeing economy into a tool for cost-effective and impactful social and health care. Russia's invasion of Ukraine, which began in February 2022, is also forcing a reassessment of the role of the energy economy, particularly with regards to pursuing sustainable wellbeing. The large-scale implications of war for the economy and the energy transition — and thus for wellbeing — can be monitored and measured, while activities to block their negative effects can be steered by a wellbeing economy approach.

It is at such turning points that the wellbeing economy as a governance viewpoint may be a necessary socio-political tool. Until now, the wellbeing economy in Finland has been utilised in separate contexts. In the future, there will be greater demand for a more comprehensive wellbeing economy: in times of social realignment, developing

the wellbeing of citizens must be a key part of public decision-making. However, Finland still lacks fixed national tools for a wellbeing economy to set, monitor, and integrate wellbeing economy-based goals into key governance mechanisms and decision-making processes. At the same time, many countries have already introduced such tools. Finland still has steps to take in order to develop wellbeing economy steering and monitoring into a comprehensive policy governance perspective and operational model.

## Objectives and research questions

The report *Paths to a Wellbeing Economy* created the conditions for comprehensive wellbeing policy steering in public administration and the political decision-making process. This is accomplished by generating new information and engaging in an open dialogue on the assumptions and options related to the implementation of wellbeing policy. At the same time, existing governance and management structures were identified and taken into account.

The research questions were:

- RQ1. What kinds of governance models and monitoring mechanisms are used in different countries?
- RQ2. What processes were used to set wellbeing economy indicators in different countries?
- RQ3. What are the wellbeing economy-related indicators of operational efficiency and cost-effectiveness in different countries?
- RQ4. What complementary indicators and concepts, which are suitable for social security monitoring, can be found in the relevant literature?
- RQ5. Which indicators are the most useful and best suited for use in Finland?
- RQ6. What kind of governance model would be best suited for use in Finland?

## Material and methods used in the study

Several sources of qualitative data were used in the study. In the comparison of international wellbeing economy governance models and collections of indicators, the main sources were bibliographic. More than half of the sources selected for the review of international governance models were primary sources, though research literature and study reports were also used. In addition, five interviews with international experts

were conducted to provide basic information on governance models in the Netherlands, Iceland, Italy, Sweden, Scotland, and Wales. Indicators suitable for monitoring social security were developed both on the basis of a literature review produced as part of the comparison of international governance models, and on a co-created model. The coordination group for the wellbeing economy phenomenon within the Finnish Institute for Health and Welfare (THL) participated in the co-development effort, as did invited experts in a series of workshops focused on the development of steering models. The Finnish national wellbeing economy governance model was developed mainly through co-creation. The main material for the development of the steering model proposal came from four workshops organised during the span of the initiative. The project's international advisory group met twice during the initiative. The expertise of consultants helped to create a conceptual understanding of the wellbeing economy, and created insights into the international relevance of the project's outputs.

## Results and conclusions

Finland's starting point in the development of wellbeing economy steering is favourable. The need for wellbeing-based policies has increased during the scope of the study, among other reasons, due to the coronavirus pandemic, the EU's green transition, and the war in Ukraine.

The international comparison within the study provided a broad basis for comparison with the national wellbeing economy goals of different countries, and the governance and monitoring based on them. International examples also offer alternative models for developing wellbeing economy governance in Finland.

**Table 1. Summary of wellbeing economy governance models in international comparison.**

Country	Scope of governance	Strength of governance/steering	The main tools of the steering model	Number of themes and indicators	Governance levels	Participation (civil society)
Netherlands	Fairly wide	Political commitment	Indicators, reports, budget discussion	3 (15) and 54	State, regions	Minor
Italy	Comprehensive	Political commitment, law	Indicators, reports, economic discussion	12 and 152	State, regions, municipalities	Moderate

Iceland	Comprehensive	Strong political commitment	Indicators, government programme	7 and 39	State	Minor
Sweden	Limited	Weak political commitment	Indicators, budget discussion	3 and 15	State	Minor
Scotland	Comprehensive	Strong political commitment	Strategy, indicators, designated responsible party	11 and 83	Central government, regions, municipalities	Increased, moderate
New Zealand	Comprehensive	Strong political commitment	Indicators, budgeting, cost-benefit analysis	12 + 4 and 67	State, local government	Moderate
Wales	Comprehensive	Strong political commitment, law	Strategy (law), indicators, responsible party	3 (13) and 39	Central government, local government	Increased, moderate

In international examples, collections of indicators were key tools in the pursuit of a wellbeing economy. The choice of indicators makes concrete the comprehensive perspective of wellbeing that is involved when considering a wellbeing economy.

In the context of Finland, indicators in the project were considered with a focus on monitoring the social security reform in accordance with the task of the study. The project created a proposal based on the theory of sustainable wellbeing for an indicator tool suitable to the economic monitoring of the social security reform. For each dimension of sustainable wellbeing – having, doing, loving, being – two wellbeing indicators related to the social security system were presented. Selection criteria included a description of residents' wellbeing, the connection between the indicators, and the objectives of the Social Security Committee, and the possibility of influencing the indicators by means of social security. More broadly, this development work serves as an example of how indicators for wellbeing economy can be designed and linked to different objectives, and how indicators can be selected so that the changes they describe can be influenced by distinct and identifiable policy actions.

At a general level, the study mapped the current state and conditions of wellbeing economy steering in Finland. As a result of the analysis, four different development trends suitable for the Finnish context are described, on the basis of which the steering model can be further developed. Identifying trends is important for a more precise definition of the steering model and the related prioritisation.

### **The development trends of wellbeing economy steering are:**

**Steering within existing structures.** The starting point of the steering model embedded in current decision-making structures is that wellbeing economy steering can already be implemented in Finland through existing governance structures. However, this requires defining the wellbeing economy at the level of the Government, strengthening the perspective of the wellbeing economy in the work of the Government, and discussing both the promotion of the involvement of civil society, and the consideration of ecological sustainability in the steering model of the wellbeing economy.

**Centralised model.** In the centralised steering model of the wellbeing economy, the responsibility and mandate for steering wellbeing-based policies falls to a designated area of government that oversees and promotes the use of the steering model. The strengths of the centralised management model are a clear division of responsibilities and the monitoring of results, which together improve the coordination of steering. The application areas of centralised management are, for example, the economic monitoring of the government programme and / or phenomenon-based budgeting.

**Parliamentary mechanisms.** The parliamentary steering model emphasises the long-term development of the wellbeing economy and monitoring across parliamentary terms. The strength of this steering model is its inherent ability to address the value choices associated with the wellbeing economy as part of the parliamentary debate. The examination of the wellbeing economy could be included in the work of parliamentary committees, for example by including it in the deliberations of the Committee for the Future, or by setting up a separate wellbeing economy committee.

**A model of humble governance.** The aim of the humble governance model is to help solve complex societal challenges, such as proposing solutions to social security problems or promoting a green transition in a socially sustainable way. Also in the steering of the wellbeing economy, the humble governance model means that policy preparation is carried out in accordance with the principles of continuous learning. This model requires experimentation and significant dialogue between different levels of government and key stakeholders. Different types of steering, policy instruments, and incentives are tested and reinforced to promote wellbeing. The model of humble governance could be applied, for example, in the monitoring and steering of social security reform, or in the development of wellbeing economy steering in wellbeing services counties.

According to the study, wellbeing economy steering can thus be built into existing structures of governance and decision-making, but the perspective of the wellbeing economy must at least be clarified and strengthened within existing structures. This requires a solid definition of the wellbeing economy at the Government level and the

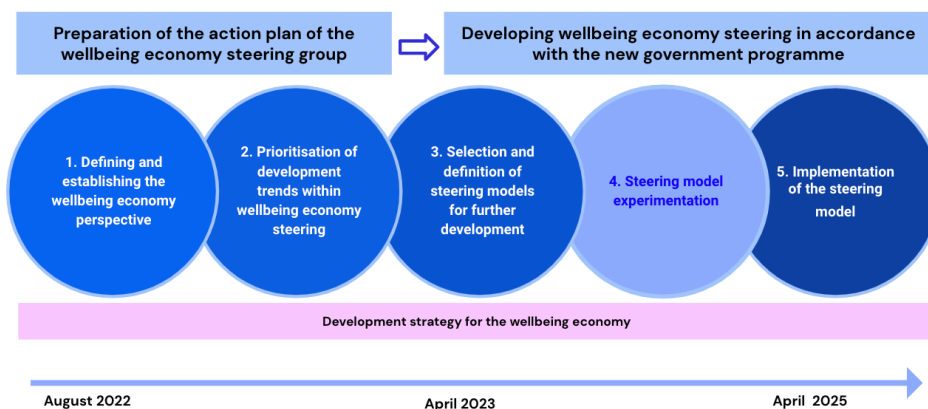
strengthening of the wellbeing economy perspective in the work of the Government. In addition, the development of the wellbeing economy requires a debate on the involvement of civil society and the consideration of ecological sustainability.

The models of centralised, parliamentary and humble governance represent alternative developments that differ from the current structures of decision-making and governance. The wellbeing economy perspective can also be strengthened in Finnish public administration by consciously choosing these trends. At the heart of alternative steering models are characteristics that complement or challenge their current decision-making structure: centralised ownership of the wellbeing economy, the use of wellbeing economy information in parliamentary decision-making, and the need to develop governance through decentralised implementation by means of experimentation and continuous learning.

## Summary of the proposed measures

On the basis of the study, the following strategy for the development of wellbeing economy governance is proposed. It can be embedded in, for example, the programme of measures currently prepared by the wellbeing economy steering group and the composition of the next government programme. The strategy for the development of the wellbeing economy utilises the information produced in the initiative on the development trends of wellbeing economy steering, the indicator tool, and international experiences, and helps to specify the steering model through experimentation.

Figure 1. Wellbeing economy development strategy for Finland.



The strategy for the development of the wellbeing economy involves five tasks.

**Task 1: Defining and strengthening the wellbeing economy perspective within the government and, more broadly, in public administration**

- The wellbeing economy steering group, headed by the Ministry of Social Affairs and Health, will define the features of the wellbeing economy in consultation with various administrative sectors when needed. The steering group takes a position on e.g. ecological sustainability and the involvement of civil society in the wellbeing economy. The aim is to create coherence in wellbeing-driven governance.
- Decision-makers will reinforce the wellbeing economy perspective as part of key preparatory processes, such as ministerial legislative preparation and legislative impact assessments.

**Task 2: Evaluation of trends in wellbeing economy governance and selection of trends with most potential**

- Under the leadership of the wellbeing economy steering group, four ideals for a steering model are studied, and the trends with the most potential in the context of Finland are identified.
- Key governance processes related to these developments are identified. The work of the wellbeing economy steering group, and the division that supports it, are leveraged in defining key governance processes.
- Identifying the systemic challenges that need to be addressed in order to promote a wellbeing economy, and that need to be solved through strong dialogue between different administrative branches and sectors. Such themes may include, for example, social security and the fulfilment of social justice within a green transition, or developing the governance of Finland's wellbeing services counties based on the principles of the wellbeing economy. The need for humble governance based on a model of continuous learning will be explored.

**Task 3: More precise definition of the wellbeing economy steering model in the chosen trends**

Defining the steering of the wellbeing economy in those developmental trends of the steering model that are considered the most promising of all.

For example:

- Describing how wellbeing economy steering can be realised by fortifying the perspective within the government programme and its monitoring.



The ownership of the task is determined as belonging to the Prime Minister's Office.

- Describing how the monitoring of the wellbeing economy would become part of the state budget process and the discussion of the budget. The ownership of the task is determined as belonging to the Ministry of Finance or the Parliament.
- Defining a theme around which the process of humble governance could be initiated. Identifying responsibilities for advancing the process, the schedule of the process, and the stakeholders involved.
- The proposals will take into account the available knowledge base and any necessary further development of indicators.

#### **Task 4: Experimenting with a wellbeing economy steering model as part of key policy and administrative governance**

Based on the study, the following pilot proposals are to be included in this phase:

- a phenomenon-based budgeting experiment for the wellbeing economy
- monitoring of the government programme informed by the wellbeing economy
- a model of humble governance for the development of wellbeing economy steering in wellbeing services counties
- monitoring of social security reform informed by the wellbeing economy
- financial reporting informed by the wellbeing economy to the Committee for the Future

#### **Task 5: Selection and launch of flagship projects towards a wellbeing economy**

Utilising information from experiments and deciding on the introduction of the best performing and most interesting model(s) for wellbeing economy steering.

## **Further reading**

Korhonen, S., Alanko, L., Jalonen, K., Hiilamo, H., Ahokas, J. (2022) Kohti hyvinvointitalouden ohjausmallia - Hyvinvointilähtöisen politiikkaohjauksen ja hallinnan näkökulmia sosiaaliturvan kehittämisessä sekä yhteiskuntapolitiikassa. Finnish Government and Prime Minister's Office Publication Series 2022:49. <https://urn.fi/URN:ISBN:978-952-383-305-0>

Hirvelä, A. (2021). Hyvinvointitaloudelliset ohjausmallit hallinnan välineinä. SOSTE Finnish Federation for Social Affairs and Health. <https://www.soste.fi/wp-content/uploads/2021/10/SOSTE-julkaisu-2021-10-8-Hyvinvointitaloudelliset-ohjausmallit-hallinnan-valineina.pdf> [Read: 22.5.2022]

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