



## Happiness and Profit- Well-being as alternative function for business?

**First panel:** Happiness, Economics and Policy

**Speakers:**

- Stephan Klein: *sustainable happiness*
- Prof. Dr. Mathias Binnschwager: *Well being: insights from economics*
- Romina Boarini, OECD initiative on Subjective Well Being: *The subjective well being index-enlightening policies*
- Nic Marks, New Economics Foundation: *The happy planet index*
- Faciliator: Michael Pirson, Humanistic Management Network

**Speaker: Stephan Klein**

Fifteen years ago Klein partly agreed with people who objected happiness cannot be measured and thus cannot be a science. Consequently he asked himself if it even makes sense to write something about happiness. Today however science is able to measure happiness and what triggers it by measuring brain activity. There is even a happiness researcher who has received a nobel prize for his work. Klein reminded us that happiness is a feeling not a mental construction. Happiness is about the maximisation of our utilities. Ultimately businesses provide goods to increase utilities. Therefore, happiness should be made a business objective, as it does not exclude profits. In fact happiness boosts profits. At the end of his discourse Klein summed up first happiness is a social phenomena so it is better to reward a team as whole and not individually, second empower your employees and customers and third provide employees with purposeful work. Happiness is a revolution. Everybody will support this revolution as everybody strives for happiness. However, Klein warned us to mind the gap between what science knows and what business actually does.

**Speaker: Mathias Binnschwanger**

In Mathias Binnschwanger's panel we learned that the relation of income and happiness could be represented by the metaphor of a treadmill. You can earn money and get happier but after a certain income you don't get happier by adding more income. He then presented 4 different types of treadmills: a Positional treadmill, a Hedonic treadmill, a Multi Option treadmill and a time saving treadmill.

Binnschwanger asked: What can we actually buy from money? We can buy books (means) but no intelligence (end); we can buy a bed (means) but no sleep (end). In recent years we learned to integrate some ends into the market. We managed to actually buy sleep (sleeping pills) or control hunger (pharmaceuticals). So the next question was: What is the purpose of the whole economic process? The ones who have studied economics know it is not about money but about utility. Households maximise utility and that corresponds to happiness and satisfaction. So actually happiness is subject of economic theory. If you take that into account new efficiencies appear. Next Binnschwanger highlighted that Switzerland is supposed to have the highest value of happiness in Europe. He then asked the audience if the people they saw on the street appeared to be especially happy? The answer was of course No! This phenomenon is called social desirability bias, you say you are happier than you actually are. If you ask in a scale from 1-4 how happy are you? Most people will reply 3. Binnschwanger showed a graph that compares the happiness level of different nations. The graph demonstrated people are happier in richer countries than in poorer countries but this is only true for an income around 15-20000 \$. Last but not least people think in relative terms, if people are asked would you be happier in a world in which you earn 100000 \$ whereas the rest earns 90000\$ or in a world where you earn 120000\$ and everybody else earns 130000\$. Even though people could earn more money they would prefer to live in a world in which they earn more than the rest.

**Speaker: Romina Boarini**

Until two or three years ago the OECD solely used traditional economic measures like the GDP to evaluate OECD nation's economic situations. However, the GDP does not take people's well being into account. To go beyond the GDP the OECD launched the "Better Life Initiative" last year. An initiative that gives information on people's well-being and produces indicators of what matters most in people's life. The initiative is based on two components: the OECD "How's Life" report launched last October, which investigates well being patterns around the world, does cross country comparisons of well-being and analyses well being over time. The second component is the "Your better Life index" an interactive web tool. You rate your own economy according to the importance of the 11 following dimensions: Housing, Income, Jobs, Community, Education, Environment, Civic Engagement, Health, Life Satisfaction, Safety and Work-Life Balance rate they have for you. Hence

the OECD tries to provide better measures and policies by focusing on households, outcomes, assessing inequalities and by using both subjective and objective aspects. The report shows the average living standards and quality of life increased during the past 15 years in the large majority of OECD countries. There are however significant inequalities (e.g. life expectancy) in all well-being dimensions and the largest inequalities are the socio-economic ones. Friends, good health and not being unemployed are the most important factors behind people's life satisfaction. The OECD also uses a wiki technology (Wikipedia), a platform for sharing initiatives for measuring well-being. Furthermore it provides information on progress, gender and children. In the end Boarini highlighted the fact that according to the answers people have given so far it can be deduced: life satisfaction, education and health are the most important indicators for well-being.

**Speaker: Nic Marks**

Nic Marks presented the new economics foundation (NEF), which is a London based think tank inspired by three guiding principles: sustainability, social justice and people's well being. The NEF asks: What would policy look like if it would focus on improving well-being? The NEF strives to make systems more aware of themselves. In 2010 the UK government launched the UK happiness gauge. The NEF is not convinced of the indicators the government uses to measure happiness, as it does not differentiate between means and ends. According to Marks the government invests enough money but not enough to make it work.

Marks stated that we are emotional beings but often happiness is reduced to well-being and quality of life. Furthermore, in psychology a lot of attention has been given on negative emotions. So up until recently we believed happiness is an outcome telling us, life is going well. Barbara Fredrickson however discovered the importance of positive emotions. Positive emotions broaden our actions and make us more flexible. We also have to place happiness in context. Today we struggle with immense problems like climate change and world hunger. Rich countries are putting more pressure on the planet. So the only solution is to degrow. The plan to increase happiness has been forgotten. The Happy Planet Index however shows happiness is important. Finally Marks introduced "Happiness at work" using the example of Zappos, a business that makes happiness their business model. Zappos is among the top ten places to work in US. They do not use any kind of marketing but their consumer's recommendations. NEF created an Internet site where you can measure happiness at work. Marks concluded the session by stating that happiness works.

## Q&A

### **Q: What is the difference between the Happy Planet Index (HPI) and the Better Life Index (BLI)? What are the merits of those indexes and why should we look at those?**

Romina Boarini: The BLI does not include sustainability. Sustainability is not included as it is hard to measure it without concepts and indicators. If you base yourself on studies you have to evaluate why you chose that indicator. So the question is who defines the quality of an indicator. Furthermore, sustainability is not included as the BLI does not use combined numbers. However the BLI covers more dimensions than the HPI but of course it cannot compete with the HPI with respect to country coverage.

Also Boarini defended the BLI for not mixing up means and ends it is simply the case that happiness is only one important end.

Nic Marks: Does not want to bash the BLI. The HPI has to be provocative to get attention, as NEF is just a small think tank. However he criticises the BLI for not including sustainability. It is easy to simply include CO2 emissions as an indicator. However, he thinks CO2 emissions are not included as climate change is too politically significant and too sensitive of a topic. He sees a couple of problems surrounding the BLI as education for example is measured by enrolment of pupil, which is not a good indicator for education. Generally OECD has eleven indicators whereas HPI has three: health wealth education. That makes the indicator simpler and simplicity is needed to make a change.

Mathias Binnschwanger: concludes that his book and the panels provide parameters to enable people to lead a happy life and challenges the economic concept of growth but sees its attractiveness, as everybody wants a bigger piece of the cake but if the cake stops growing there is a lot of work that has to be put into the division of equal pieces. If the economy continues growing there is always the probability to get a bigger piece of cake.