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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: The Economy of Well-Being
- Steering note (for the ministerial debate)

Delegations will find attached the above-mentioned steering note, with a view to the Council (EPSCO) meeting on 8 July 2019.

Economy of Wellbeing

Major challenges and opportunities are emerging on Europe's horizon, linked to changes driven by globalisation, climate change, technological development, new forms of work, and demographic changes due to longer life expectancy and low birth rates. In this context, resilience and the capacity to adapt quickly to changes at every level of society, including government and business, are more important than ever.

In order to respond to these developments and to achieve sustainable and inclusive growth in rapidly changing environment we need to promote our European social model empowering all people. It is our comparative advantage in tightening global competition. The EU should aim to be *the most competitive and socially cohesive economy* in the world.

The debate on the social dimension of the EU has been going on for years. There is a broad consensus among the EPSCO Ministers on the importance of the EU's social dimension and the need to strengthen its role in EU policy discussions, including within the Semester. However, at times, the social dimension still seems to be somewhat subordinate to other EU policy areas.

The European Commission has launched many important initiatives fostering the social dimension, the most important of which is the European Pillar of Social Rights. The latter was an important milestone in raising the social dimension higher on the EU's policy agenda and linking the economic and social dimensions closer together. The Finnish Presidency wants to continue and deepen the discussion launched by the European Pillar on Social Rights and intends to hold in-depth reflections on the *Economy of Wellbeing, and the mutually reinforcing interlinkages between human wellbeing and sustainable economic growth.*

The *raison d'être* of the EU, as enshrined in the Treaty, is to ensure respect for human dignity and promote the wellbeing of its people.

Human wellbeing and sustainable economic growth are not contradictory goals. The OECD has undertaken extensive research on the topic of the Economy of Wellbeing¹, which reveals that human wellbeing and sustainable economic growth are mutually reinforcing. The promotion of wellbeing as well as the prevention of diseases and social exclusion are of major importance from the human perspective, but they are also key aspects in reducing future public expenditure, increasing productivity and extending working life. While human wellbeing is a value in itself, it is also vital for the economy. This is the *primary claim of the Economy of Wellbeing*.

The Economy of Wellbeing is a broad concept covering social, employment, gender-equality, health and education-related policy measures. It underlines the importance of horizontal approach. Overcoming silos through cross-sectoral collaboration is essential for the Economy of Wellbeing to unfold its full potential. Collaboration strengthens the knowledge base and provides synergies and untapped potential that must be utilised in order to maximise positive long-term impacts of policy decisions.

Measures supporting wellbeing and greater socio-economic opportunities may take effect with considerable time lags, and their contribution to the economy is often difficult to estimate with precision. This makes it challenging to include wellbeing investments in fiscal policy, especially during an economic downturn. This can, however, result in severe negative spillover effects and a deterioration of the economic fundamentals.

While GDP is useful for measuring market production and providing an indicative snapshot of an economy at a given time, it does not provide a comprehensive picture of the wellbeing of people. Evidence-based policy-making requires the use of a broad set of indicators and comprehensive impact assessments and a long-term perspective.

¹ OECD Executive Summary in doc. ST 10414/19 and OECD Background Paper in doc. ST 10414/19 ADD 1.

The Economy of Wellbeing is an approach which:

- *increases our understanding of how human wellbeing enhances productivity, generates economic growth, increases employment, and improves fiscal sustainability;*
- *highlights the importance of comprehensive impact assessments, ensuring an evaluation of how legislative and policy measures affect the wellbeing of people;*
- *highlights wellbeing as a value in itself and as a source of societal resilience and stability that also benefits businesses and attracts investments.*

The Economy of Wellbeing does not require new competences nor necessarily new structures for the EU but rather an improved use of existing ones. It underlines the importance of proceeding in the areas where the EU has a mandate, such as occupational safety and health and gender equality.

Besides this direct competence, the EU affects the wellbeing of its people in various ways. It affects it through legislation in other policy sectors, through the European Semester, which involves economic, employment, social and health policies, and through the promotion and exchange of best practices. The wellbeing of people has considerable cross-border spillover effects, not only through growth but also through economic and societal stability, making it of key importance for the EU's future. Indeed, if the EU is not seen to increase wellbeing of its people it will lose public support.

One of the greatest challenges facing the EU is the emerging inequality within the Member States. Inequality causes significant loss of human and economic potential, both nationally and at EU level. More opportunities for upward social mobility support the upward social and economic convergence which the EU needs.

In view of the above, Ministers are invited to address the following questions:

- 1) What are your views on reinforcing the Economy of Wellbeing as a guideline for policy and decision-making?
 - 2) In what way should the EU's policy and decision-making be developed in order to strengthen the link between economic policy and wellbeing policies?
 - 3) Strengthening the Economy of Wellbeing principles throughout the EU is a long-term goal. What should be the first steps?
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