

Guide to assessing wellbeing impacts in the charity sector

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Why does wellbeing matter for the charity sector?

Traditional economic analysis trades-off different interventions by comparing the cost-effectiveness on a monetary basis. However, for many charitable interventions, there is no direct financial outcome to measure on a monetary basis. For example, the benefit to an individual from alleviating anxiety or strengthening relationships in a local neighbourhood is hard to measure. In these cases, the benefits are often imperfectly proxied for or assessed qualitatively, with little reference to robust evidence on outcomes. This can create inconsistencies that makes comparisons between different interventions more difficult and often lead to charity sector interventions being undervalued.

Wellbeing measurement offers a potential way to resolve this challenge – providing a more direct, meaningful and complete indicator of the quality of an individual's life. Using wellbeing to assess different interventions should help to include a greater breadth of benefits to a greater depth, and with increased accuracy in order to help support better decisions in the sector. In 2021, the <u>Treasury published new</u> <u>guidance</u> that not only recommended wellbeing as an effective, more complete, approach to assessing the impact of policies and interventions, but also provides a basis for putting a monetary value on wellbeing outcomes.

This provides a fantastic opportunity to capture and value more of the benefits of charitable interventions. This short guide, produced by Pro Bono Economics in partnership with the What Works Centre for Wellbeing, outlines our approach to assessing wellbeing impacts in the charity sector. "Improving wellbeing is a measure of social progress. Focussing on wellbeing would help people to live more satisfying and healthy lives"

Gus O'Donnell Chair of Pro Bono Economics and former Cabinet Secretary

How can charities measure their impact on wellbeing?

There are two broad approaches to measuring wellbeing impacts:



We would typically recommend that charities take the direct approach and measure the change in wellbeing for their beneficiaries using standardised, validated measures. This is simpler and more likely to capture all of the value that their support provides. However, in some situations this may not be possible due to the need to monitor other outcomes for operational, contractual or historical purposes – in this situation an Indirect approach may be appropriate.

1) Direct approach

How should I measure wellbeing?

The measurement and understanding of wellbeing – particularly subjective wellbeing which refers to how people experience and evaluate their lives - has developed rapidly over the last 20 years. We are now at the point where there is a wealth of high-quality, validated measures of wellbeing with a robust evidence base on what can influence them over time.

When making spending decisions, it is helpful to have an over-arching "umbrella measure" that can proxy for the improvements in quality of life delivered from a wide range of other outcomes. The Treasury guidance recommends the use of the <u>Office of National Statistics Life Satisfaction</u> <u>measure</u> for this purpose:

"On a scale of 0 to 10, where 0 is 'not at all' and 10 is 'completely', overall, how satisfied are you with your life nowadays?"

This is a simple, well tested and validated measure of wellbeing that has been used widely in range of government surveys. This means that results from the measure should be robust and can be compared to national norms. Wherever possible, we would recommend considering the adoption of this measure with no changes to the wording. If you'd like to capture other aspects of Subjective Wellbeing, you can use the complete <u>ONS4 Personal wellbeing</u> <u>measures</u>, which include life satisfaction, alongside happiness, anxiety and a sense of purpose. The <u>What Works</u> <u>Centre for Wellbeing Measures bank</u> contains other validated wellbeing measures from the UK's National Wellbeing framework, which span the key drivers of individual and community wellbeing.

What is a WELLBY?

A WELLBY is a standardised unit of wellbeing known as a Wellbeing Adjusted Life Year.

One WELLBY is equivalent to a one point improvement on the 0-10 Life Satisfaction scale sustained for a year.



improvement in life satisfaction sustained for a year

1) Direct approach

How much of the change in wellbeing is down to my charity?

A key issues in any evaluation is understanding what would have happened without the intervention – how much of an improvement can be attributed to the charity? Would there have been some improvement in wellbeing regardless of whether a beneficiary received support? Without information on this, the quality of an evaluation and the strength of conclusions about the potential impact of a charity will be limited.

Life Satisfaction measures of wellbeing have a significant advantage over many other outcome measures because they are being gathered regularly in a wide variety of national surveys. These surveys can form a pragmatic basis for identifying a comparison group of similar people and comparing how their wellbeing changes relative to those supported by an intervention.

It is likely that most charities will need some support from organisations with analytical expertise in order to make this comparison - please <u>get in touch with Pro Bono Economics</u> if you would like to explore this option in more detail.

An example: Directly measuring wellbeing effects

Our <u>recent report for Walking with the Wounded</u> (WWTW) provides a practical example of how a charity can use wellbeing measures to directly capture the benefits they deliver for their beneficiaries. WWTW started gathering Life Satisfaction data before, after and at follow-up for both employment and mental health interventions targeted at veterans with physical, social and mental health challenges.

The data highlighted that beneficiaries of both programmes start with low levels of wellbeing, scoring on average within the bottom 6% of the adult population in England, suggesting that WWTW are successfully targeting those with the very highest levels of need.

The programme saw large improvements in life satisfaction across both interventions with significant economic value associated with them. Importantly, Pro Bono Economics were able to use publicly available research datasets to explore how much of an improvement in wellbeing people with similar characteristics in the general population experienced. This suggested that a high proportion of the improvements are likely to be down to WWTW's intervention.

What if we haven't directly measured wellbeing outcomes?

In practice, many charities are only just starting to gather data using the ONS4 wellbeing measures, and it will take time for the evidence base to build-up. As such, there is often a need to estimate the wellbeing impacts of an intervention based on data about other drivers of wellbeing such as unemployment or mental health.

The remainder of this guide is targeted at economists and other evaluation professionals operating in the charity sector who are working with charities which have not directly measured wellbeing using the ONS measure of Life Satisfaction but are keen to assess their wellbeing cost effectiveness.

The guide outlines a seven step approach to indirectly assessing the economic benefits of a charitable intervention using wellbeing outcomes, summarised on the right of this page.

Step 1	Develop a logic model of key wellbeing pathways for the intervention
Step 2	Estimate net additional outcomes
Step 3	Assess initial wellbeing impacts
Step 4	Assess wider wellbeing impacts
Step 5	Assess direct costs of the intervention
Step 6	Estimate indirect fiscal cost savings
Step 7	Calculate economic benefit measure

Step 1: Develop a logic model

What is a logic model?

A logic model is a simplified representation of how an intervention drives both wellbeing and costs. It should incorporate both direct effects and indirect effects via intermediate outcomes.

How do I know which intermediate outcomes to include?

The aim is to identify those intermediate consequences of an intervention that are most likely to drive either a significant change in wellbeing or indirectly affect costs (typically to government).

A useful starting place is to consider the following intermediate outcomes that have been identified as having a significant impact on wellbeing:

- Physical and mental health;
- Employment;
- Relationships (personal and social);
- Changes in relative income;
- Involvement in crime;
- Childhood emotional health.

An example: the wellbeing effects of an employment intervention

To illustrate the methodology we have drawn on <u>recent work</u> by Frijters & Krekel (2019) who developed a wellbeing costeffectiveness measure for a charitable intervention to support veterans into employment. The logic model identifies a direct link to improved wellbeing as well as six possible intermediate outcomes that could also improve an individual's wellbeing.



Step 2: Estimate net additional outcomes

Charities will typically maintain some data on some of the key outcomes identified in the logic model developed for Step 1. For some charities, this could be a direct measure of wellbeing. However, for many it will be different outcomes relevant to their cause, such as getting somebody into stable accommodation, supporting them to find employment, or helping them to improve their mental health or achieve academic outcomes.

For most charities, this will be a measure of gross outcomes – the total number of individuals they've worked with who have achieved a particular outcome. However, for the purposes of economic evaluation we need to know what outcomes can be directly **attributed** to the intervention, as opposed to outcomes that might have occurred anyway even in the absence of the intervention (known as the counterfactual).

This is a complex issue and common to any type of impact evaluation so we do not cover in detail here, but there are a number of approaches that can be used to help identify what would have happened in the absence of the intervention.

Attribution of outcomes

There are a number of approaches to assessing a counterfactual - from Randomised Control Trials to matched control groups, and from comparisons against national statistics, to broad-brush assumptions. Any of these approaches can be used but will significantly affect the level of certainty associated with final results.

An example: the wellbeing effects of an employment intervention

In our example, the charity had data suggesting that they had helped 291 individuals into jobs over the period 2014-2017. In order to identify how many of these could be attributed to the activity of the charity, we assumed that beneficiaries would have taken part in the Work Programme, the main government employment initiative at the time. Using data on employment outcomes of 'hard-to-'reach' individuals on the Work Programme allowed us to estimate that around 196 of these could be attributed to the activity of the charity.

Step 3: Assess initial wellbeing effects

For many outcomes, we can estimate their impact on wellbeing by drawing on pre-existing evidence. We take the assessments of net additional impact derived from step 2 and apply wellbeing conversions found in the literature.

Annex A provides a some examples of the key relationships between typical outcomes and Life Satisfaction based on research collated by the What Works Centre for Wellbeing. Our worked example demonstrates this approach in practice for employment outcomes.

Assessing evidence linking outcomes to wellbeing If the outcome of interest is not included in the table in Annex A, then you will have to complete a rapid evidence review to identify evidence of the potential relationship. It is important to consider what other factors have been controlled for in any study and the strength of evidence it provides.



An example: the wellbeing effects of an employment intervention

In our example, the intervention did not directly measure wellbeing so we need to link the measured outcomes to wellbeing evidence.

The table in Annex A reports that moving from unemployment to employment increases life satisfaction by 0.46 points on average (with a high level of confidence).

Once the duration of additional employment is taken into account, this implies that the 196 additional employment outcomes could directly contribute a 55 WELLBY improvement in wellbeing.

Step 4: Assess wider wellbeing effects

To assess the wider effects we must identify evidence on two key relationships:

- What impact does the intervention have on the intermediate outcomes?
- What impact do intermediate outcomes have on wellbeing?

The process of identifying and reviewing evidence is iterative and may involve revising the original logic model. Quality considerations for the evidence include:

- The source of variation in studies and what other factors the estimated relationship is conditional on;
- The match with the target groups for the intervention;
- The age of the evidence.



Adding direct and indirect effects together To be able to sum the initial and wider impacts together, the estimates of wellbeing impacts taken from existing research must properly isolate the particular impact pathway in question. Check which variables have been controlled for in any studies used.

An example: the wellbeing effects of an employment intervention

Step1 identified six possible intermediate outcomes that could have an additional indirect impact on life satisfaction. Research suggests that just two of these have sufficiently robust evidence to support an estimate of the magnitude of indirect effects:

- Wellbeing impacts of reduced crime: this includes the direct impact on victims as well as the impact on the fear of crime.
- Wellbeing impacts from increased income: the individuals that enter employment benefit from the higher levels of income. However, adjustments need to be made for the knock-on negative impacts on others who comparatively lose out.

Step 5: Assess direct costs of the intervention

In order to complete a robust economic evaluation it is important to capture the full costs of an intervention, this should typically include all of the following types of cost.

- Service costs, e.g. the cost of the direct service delivery;
- Overheads, e.g. allocation of rent or management costs;
- **Opportunity costs,** e.g. volunteer time, donated goods or time of participants.

Charities will typically already report data on these costs. However, it may sometimes be necessary to make an assumption for overhead or value of donated inputs on a cost replacement basis (i.e. how much would it cost to replace the donated inputs if they were purchased on the open market).

Counterfactual costs

In some circumstances, it may be important to consider direct costs avoided in the counterfactual scenario and deduct these from the direct cost estimates for the intervention.

An example: the wellbeing effects of an employment intervention

In our example, the charity estimated that they had incurred costs of £1.4 million in delivering the programme (including overheads). However, as our counterfactual scenario assumed that beneficiaries would have taken part in the Work Programme, the cost of this programme was deducted from these direct costs (this was estimated at £0.8 million for a similar number of participants). The direct cost of the intervention was therefore assessed as £0.6 million.



Step 6: Calculate indirect fiscal savings

Typically when we are assessing wellbeing cost-effectiveness, we are reviewing from the perspective of government expenditure. If this is the case, then impacts on a limited government budget are important, including changes in 'transfers' such as benefit payments. To calculate these, consider whether the direct or intermediate impacts of the intervention would also lead to fiscal savings. There are three types of fiscal savings that may be relevant:

- Tax receipt increases, e.g. an increase in incometax;
- Welfare payment savings, e.g. a reduction in unemployment benefits;
- Resource cost savings, e.g. reduced health or criminal justice costs.

There are a number of sources that can be helpful in assessing the impact of changed outcomes on government finances such as the PSSRU Unit Costs of Health and Social Care publication or the Unit Cost Database maintained by Greater Manchester Combined Authority.

Avoiding double counting

Care must be taken to avoid double counting when including both fiscal savings and private consumption increases as a result of higher income. For example, post-tax income should be

used to estimate wellbeing impact, whilst income tax is to be assigned as a fiscal saving.

An example: the wellbeing effects of an employment intervention

By helping individuals in to employment, the intervention will have led to additional tax receipts and reduced unemployment benefit payments for the government. Data from the Unit Cost Database suggests that moving an individual from Job Seekers Allowance to employment leads to fiscal savings of around £10,500 per year (in 2017/18 prices).

We combined this figure with the estimates of net additional employment, and adjusted for duration of employment, to estimate fiscal savings of just under £1.2 million.

Step 6: Calculate economic benefit measure

There are two broad approaches used to calculate the economic cost-effectiveness of interventions:

Social Cost-Benefit Analysis

In this approach, the wellbeing benefits are converted to monetary values using the HM Treasury guidance and compared to the benefits using a Benefit-Cost Ratio. This tells us the value of benefits for each £1 spent.

 $Benefit Cost Ratio = \frac{Net \ additional \ benefits}{Cost} = \frac{\sum_{t} (1 - \rho^{c})^{t} \sum_{i} V_{t} (W_{it}^{Policy} - W_{it}^{0})}{\sum_{t} (1 - \rho^{c})^{t} \sum_{i} (C_{it}^{Policy} - C_{it}^{0})}$

Discounting

It is standard practice to discount future benefits and costs of an initiative to reflect the preferences of society to consume benefits sooner rather than later. For monetary flows it is good practice to follow standard HM Treasury Green Book advice. However, for flows of wellbeing it is appropriate to use an alternative discount rate of 1.5%. This reflects:

- A pure rate of time preference of 0.5%
- A catastrophic risk rate of 1%

However it excludes the component of the standard Green Book rate relating to wealth effects as this relates to income equivalents rather than direct measures of wellbeing.

Wellbeing cost-effectiveness analysis

In this approach, we measure all the impacts in terms of WELLBYs and assess the cost required to deliver a one WELLBY improvement in Life Satisfaction.

 $Cost \ Effectiveness = \frac{Net \ additional \ costs}{Net \ additional \ wellbeing} = \frac{\sum_{t} (1 - \rho^{c})^{t} \sum_{i} (C_{it}^{Policy} - C_{it}^{0})}{\sum_{t} (1 - \rho^{W})^{t} \sum_{i} (W_{it}^{Policy} - W_{it}^{0})}$



- C_{it} = cost for individual i at time t
- V_t = value of wellbeing at time t
- p^{W} = wellbeing discount rate
- p^{C} = monetary flow discount rate





Results from our employment example

An example: the wellbeing effects of an employment intervention

Wellbeing cost-effectiveness

Our analysis suggests that the direct impacts of the employment intervention improve wellbeing by around 55 Life Satisfaction points at a cost of £600,000. However, the intervention also has indirect impacts, both in terms of cost savings to society through reduced demands on public expenditure and higher taxation, as well as improved wellbeing through reduced crime and increased income for participants. Once these indirect effects are incorporated, then we find that the intervention actually reduces costs on society whilst generating wellbeing with a wellbeing costeffectiveness of around -£8,000 per life satisfaction point. This suggests it is a very good investment for society.

Social Cost-Benefit Analysis

If these benefits were monetised using the Treasury valuation of £13,000 per WELLBY then 70 life satisfaction points would be equivalent of £0.9 million in wellbeing benefits. In addition to the £1.2 million in fiscal savings gives total monetised benefits £2.1 million meaning it generates £3.50 in benefits for every £1 spent. Summary of key results from analysis of wellbeing effects of a charitable employment intervention

	Life Satisfaction points	Cost	Wellbeing cost effectiveness
Direct wellbeing effects	55		
Direct costs		£0.6m	
Indirect Crime effects	9	-	
Indirect income effect	5		
Indirect fiscal savings		-£1.2m	
Total cost effectiveness	70	-£0.6m	-£8,000

Full details of this analysis are available on <u>PBE's website</u>.

Annex A: Examples of effect sizes

Domain	Change	Effect on 0-10 life satisfaction	Dynamics	Reference	Confidence in effect and causality?
Work	From employment to unemployment	-0.46 (UK) -0.71 (Ger)	Immediate effect higher, then reducing, no long term adaptation	Clark et al (2017)	High. Large effects found in longitudinal studies, cross- sections, recession related, and employment shock related (plant closures)
	From unemployment to out-of- labour force	+ 0.32 (UK) + 0.57 (Ger)	Unknown	Clark et al (2017)	Effect very robust in cross-section and panels, but causality unclear
	Being in a white collar job (e.g. managers, officials, clerical or office workers) versus a blue collar job (e.g. construction, transport, farming)	Approx. +0.80 (worldwide)	Unknown	De Neve and Ward (2017)	Effect very robust in cross-section and panels, but causality unclear.
Income	Doubling of household income	+ 0.16 (UK) + 0.5 (E-Ger)	Persistent effect, with elation peak	Clark et al (2017) and Frijters et al (2004)	High. Effect found in panels, crosssections, and shock-related (lotteries). Height disputed and income measurement problematic.
Relationships	From single to partnered/married	+ 0.28 (UK) + 0.1 (Ger)	Permanent effect with initial peak	Clark et al (2017) and Ferrer-i-Carbonell and Frijters (2004)	High. Ubiquitous finding from around the world
	Loneliness – moving from moderate to mild	+0.7	No current evidence on duration or adaption	(Peytrignet, et al., 2020)	Effect significant in crosssection and panels, but causality unclear.
Health	From healthy to poor physical health	-1.08 (UK) -0.96 (Ger)	Permanent effect but initial peak as well	Frijters et al (2014)	High as found everywhere, including due to health shocks.
	From depression to full mental health (4 points on a 0-12 scale)	+ 0.71	Permanent, little evidence of a peak	Clark et al (2017)	High as found everywhere, including large clinical trials.
Crime	A doubling of fear of crime	~-0.30 (Europe)	Unknown	Hanslmaier (2013)	Medium: panel-data based, often replicated, but drivers of fear not exogenous
Environment	Increase of 1 hectare of green space within 1 kilometre around household	+0.0066 (Ger) ~ +0.0031 (UK)	Seems permanent	Krekel et al (2016), White et al (2013), Alcock et al (2014)	Medium to high: panel-data based but no clear-cut exogenous variation, similar results by studies in UK

Annex B: Wellbeing exchange rates

The following table has been developed by the What Works Centre for Wellbeing and shows the relationship between changes in common outcome metrics and changes in wellbeing:

	Range of metric	Change in life satisfaction for a 1 unit change in outcome metric
General Health Questionnaire	0-36	- 0.21
General Health Questionnaire - positive	0-18	- 0.42
General Health Questionnaire - negative	0-18	- 0.3
Short Form 6 Dimensions (SF-6D) – general health	0.3 - 1	+ 5.86
Shortened Warwick Edinburgh Mental Well-Being Scale (SWEMWBS)	7 – 35	+ 0.25
Satisfaction with social life	0 - 10	+ 0.194
Satisfaction with health	0 – 10	+ 0.172
Satisfaction with use of leisure	0 – 10	+ 0.174
Satisfaction with household income	0 – 10	+ 0.11
Satisfaction with job	0 - 10	+ 0.086

The dependent variable is Life Satisfaction (0-10). Data from Understanding Society and fixed effects multiple regression from BHPS 1996 – 2009). Source: Layard R (2016): <u>Measuring wellbeing and cost-effectiveness analysis – using subjective wellbeing</u>, What Works Centre for Wellbeing