



New Economics Foundation (NEF)

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We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.

Endorsing organisations

The endorsing organisations support the call made in this report for five headline indicators of Good Jobs, Wellbeing, Environment, Fairness and Health to be adopted by the Office for National Statistics as new measures of national success:



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Summary

Secure, well-paid work. High levels of life satisfaction.
Effective public services. A fair, prosperous economy.
Most Britons share the same vision of national success
– but why don't our measures of progress?

An economy is only as strong as what it delivers.

The UK public, when asked, is consistent and clear about what that should be: secure, well-paid work; high levels of personal wellbeing; effective public services that guarantee good health and education; low levels of economic inequality, and a healthy environment.

Good economic and social policy would aim to make these priorities a reality. But when it comes to assessing how our nation is performing, such outcomes are not sufficiently taken into account.

This report proposes five new headline indicators of national success for the UK. Our aim is to realign policy priorities with those of the public, building a stronger, more balanced economy.

Drawing from the latest international research on indicator design, and consultation with experts and organisations across the UK, we have identified the following five headline measures:

- 1. Good jobs:** everyone should be able to find secure, stable employment that pays at least enough to provide a decent standard of living.
- 2. Wellbeing:** improving people's lives should be the ultimate aim of public policy, measured at headline level as average reported life satisfaction.
- 3. Environment:** our prosperity and that of future generations depends on a healthy environment. UK carbon emissions must not exceed the set limit if we want to avoid dangerous climate change.
- 4. Fairness:** high levels of inequality, evidenced by a growing gap between the incomes of the top and bottom 10% of households, have been proven to have corrosive effects on both society and economy.
- 5. Health:** good quality healthcare and public health provision, measured by a reduced percentage of deaths considered avoidable, is a pre-requisite for all other social and economic goals.

Such diverse policy goals already exist across individual government departments. But given the dominant role of the Treasury in British political life, its primary policy objective – increasing Gross Domestic Product (GDP) – has become shorthand for national success.

Since the financial crisis GDP has returned to growth, but this single figure does not reflect the performance of the economy as a whole, nor does it reflect the full breadth of economic and social priorities held by the UK public.

Our five indicators provide a clearer picture of the UK's economic, environmental and social health. While there have been improvements in certain sectors since 2009, others have deteriorated.

Wellbeing and health have both seen improvements, but the underlying structure of the UK's economy has allowed inequality to widen. Economic recovery since 2008 has meant a rise in overall employment, but at the same time, the proportion of people in secure, decently-paid jobs has fallen.

The UK's environmental impact also remains cause for concern. Current carbon emissions have left our economy drifting on a fundamentally unsustainable course, at odds with national and global requirements to avert dangerous climate change.

Better headline indicators are essential for better policymaking. By using them to guide policy decisions, rather than assuming economic growth will automatically translate into other benefits, we can build an economy better suited to the needs of the individuals, communities and businesses it serves.

The Office for National Statistics (ONS) has previously acknowledged the need to develop better measures of national success, and began its Measuring National Wellbeing programme in 2010. We now call on the ONS to go further, adopting and refining these new headline indicators, and giving them highest priority in their schedule of regular data releases.

Implementing the five new headline indicators in this way will usher in a new, more rounded, smarter approach to policymaking – one which moves beyond a short-term obsession with narrow economic measures and our current, flawed conception of national success.

With this change of approach we can continue to build a modern, dynamic economy that meets the needs and aspirations of the whole country.

Introducing the five headline indicators of national success

When members of the British public are asked about what really matters to them, and to the success of the nation as a whole, a handful of common features are repeatedly cited.

People say that they want society and the economy to deliver outcomes that are fair; enable public services that support outcomes like good health; allow people to experience their lives as going well, including strong relationships with friends and family; provide satisfying work, economic security, and a decent standard of living; and ensure an environment that is in good condition.¹⁻⁴

But these priorities are not treated as the central focus of UK politics or policy-making. They are not reflected in the headline indicators which emerge from the huge amount of data, statistics, targets, and reports produced each year, which go on to determine the overall success of our society.⁵

That is why we are proposing five new headline indicators of national success for the UK. These indicators aim to realign policy priorities with those of the public, giving a more accurate picture of our national success. And we are delighted to have the support of a range of organisations drawn from across UK civil society and business.

Broadening policy priorities

A range of government departments already exist, charged with overseeing policy in specialised areas, from health to energy.

But in spite of this diversity of interests and expertise, a single measure has come to be treated as shorthand for national success across all policy activity. Gross Domestic Product (GDP) represents the fairly narrow and technical issue of the total amount of the country's economic activity, but it has come to have an overriding impact on the policy process.

Most would agree that growth in GDP – usually referred to as economic growth – is an intermediate means towards achieving a range of social and economic ends. But in practice, it has come to be so synonymous with national success that the rationale for pursuing growth in the first place seems long forgotten.⁶⁻⁸

The UK Treasury's goal of 'working to achieve strong and sustainable economic growth'⁹ has been adopted as the overarching aim of policy-making as a whole. For example, civil servants undergoing induction into the policy profession are instructed to follow principles that 'will help ensure that [your]

policy achieves the outcomes that Ministers want, whilst supporting the Government's broader objectives to support business and growth'.¹⁰

This mindset manifests itself in policy decisions such as increased tax breaks for fossil fuel exploration and reductions in renewable energy subsidies,¹¹ where short-term economic growth is prioritised over long-term environmental sustainability. And it can be seen in the prioritisation of short-run growth over the longer-term consequences of debt. The Chancellor recently heralded predicted growth rates of over 2% a year 'driven by stronger private consumption',¹² despite forecasts from the Office of Budget Responsibility of a considerable increase in the level of household debt – to pre-financial-crisis levels – over the same period.¹³ The quarterly arrival of GDP figures, treated by the media as a crude 'success' or 'fail' judgement on government performance, exacerbates the situation.¹⁴ This media emphasis contributes to the distorting effect of the focus on GDP on political and economic decision-making, obscuring the complexities of our economy and society behind one blunt headline number.

A small number of supporting indicators are used similarly to GDP in terms of directing policy, political and media focus: the inflation rate, the unemployment rate, and since the financial crisis, the government budget deficit. Together with GDP growth, these four indicators are the measures by which the performance of the government is judged at headline level.¹⁵ In particular, they play two important roles that explain why headline indicators are so important to shaping our society and economy. First, they provide strong incentives for the types of political and policy action that are expected to improve performance against the indicators, thereby guiding the sort of action that is regarded as desirable. Second, the indicators shape the way that politicians, the media, and the public think about what it means to be successful,¹⁶ and crowd out space for alternative visions of what success might look like.

If we want to enable policy-making that looks beyond single measures such as GDP, then prioritising a new set of headline indicators – measures that provide new incentives for political action, and a compelling new vision of national success – is crucial.

GDP is a useful measure in its own right, but it does not reflect the full breadth of economic and social priorities held by the UK public. It should be treated as a supporting indicator, supplementing the indicators of the things that really matter to people. This new set of headline indicators will give policymakers a clearer picture of what a successful economy should be delivering, realigning political debate with public interest.

The headline indicators

This report sets out five headline indicators, selected according to evidence-based criteria. These criteria for effective headline indicators have been drawn from the latest research on indicator design, including a major Europe-wide project.¹⁷ We have placed particular focus on the insight that to truly operate at the headline level, and capture public, media and political attention, indicators need to be easily memorable and resonate with everyday concerns.¹⁸ This has led to the criterion that the '[indicator] set as a whole should not exceed five

indicators in order to be clear and memorable', based on the evidence that there are 'severe limits in how much can be kept in mind at once' and that this is between three and five items.¹⁹

We have been guided throughout the process by the results of the three UK consultation exercises which produced the evidence on public priorities cited above – the Office for National Statistics (ONS) national debate on Measuring National Well-being, UK users' rankings of the Organisation for Economic Co-operation and Development (OECD) Better Life Index measurement areas, and the Scottish public consultation informing the development of the Oxfam Humankind Index.²⁰⁻²²

We discuss here the indicator selection criteria. The full methodology by which we selected the indicators is set out in our methodology paper, available at: www.neweconomics.org/headlineindicators

The first part of the set of criteria relates to the broad topics to which the indicators relate. They must:

- *Matter to people* – they should include those topics which have been stated to be of greatest importance to considerable proportions of the public.
- *Be clear and easy to communicate* – the topics themselves must be capable of being discussed clearly and simply by non-experts and the set as a whole should not exceed five indicators in order to be clear and memorable.
- *Be far reaching* – the topics must be broad rather than narrow, and complement the others as part of a small set rather than having too much overlap.
- *Be able to be influenced by policy* – the topics should exclude issues which people care about, but which are not amenable to being strongly affected by policy.
- *Be measurable* – the topics selected must be able to be broadly represented by a single headline indicator.

The second part of the set of criteria relates to the indicators themselves. They must:

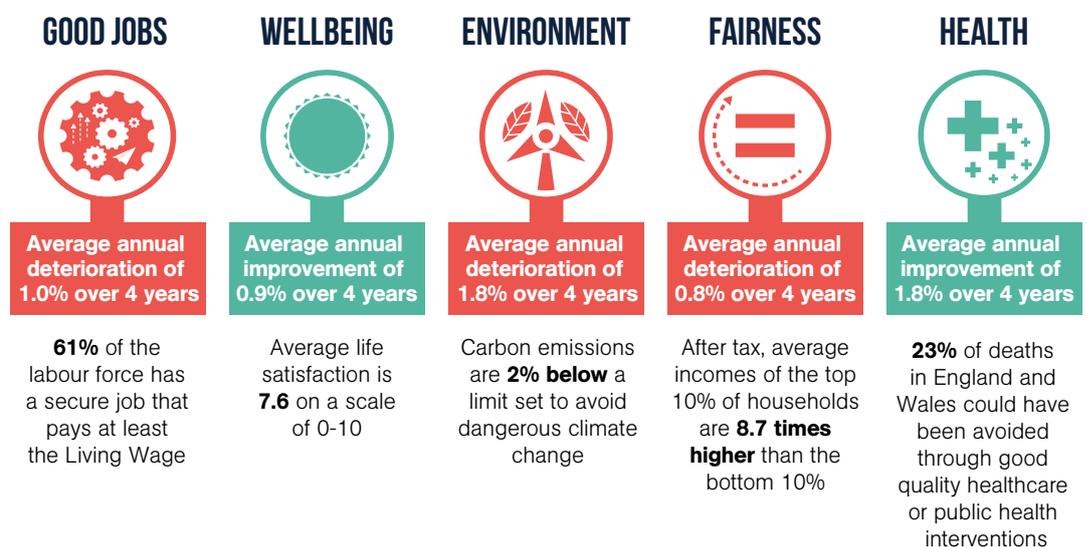
- *Be representative of the overall outcome* – the indicators should avoid having an overly narrow focus and be able to represent the broader topic.
- *Be easy to interpret* – it should be easy to explain how a measure has been constructed, and there should be a clear significance to the movement of the indicator in a particular direction.
- *Be comparable* – it should be possible to compare the indicator over time and ideally between places.

- *Be accurate* – the indicators need to capture their intended subject, and be supported by a robust methodology.
- *Be timely* – the indicators should not pose issues in terms of availability, allowing speedy production following the period they relate to, even if this might require further investment in official statistics.

Using these criteria, in consultation with a range of experts and organisations from across British society, we have developed a set of five headline indicators, which capture the performance of the UK in terms of Good Jobs, Wellbeing, Environment, Fairness, and Health. These indicators represent a balanced headline view of what matters most to the British public, and what economic and social policy should therefore aim to deliver.

The indicator set is presented in Figure 1. It shows current performance on each headline indicator (based on the latest data available), showing whether performance on each indicator has improved (green), or deteriorated (red) over the most recent four years of available data.²³ Figure 2 shows the changes in each indicator between 2009 and 2014 (or years with available data within that period), allowing for comparisons between indicators. Note that here, as in the rest of the report, for simplicity and consistency we refer to data for a financial year by the earlier calendar year, for example 2012–2013 will be referred to as 2012.

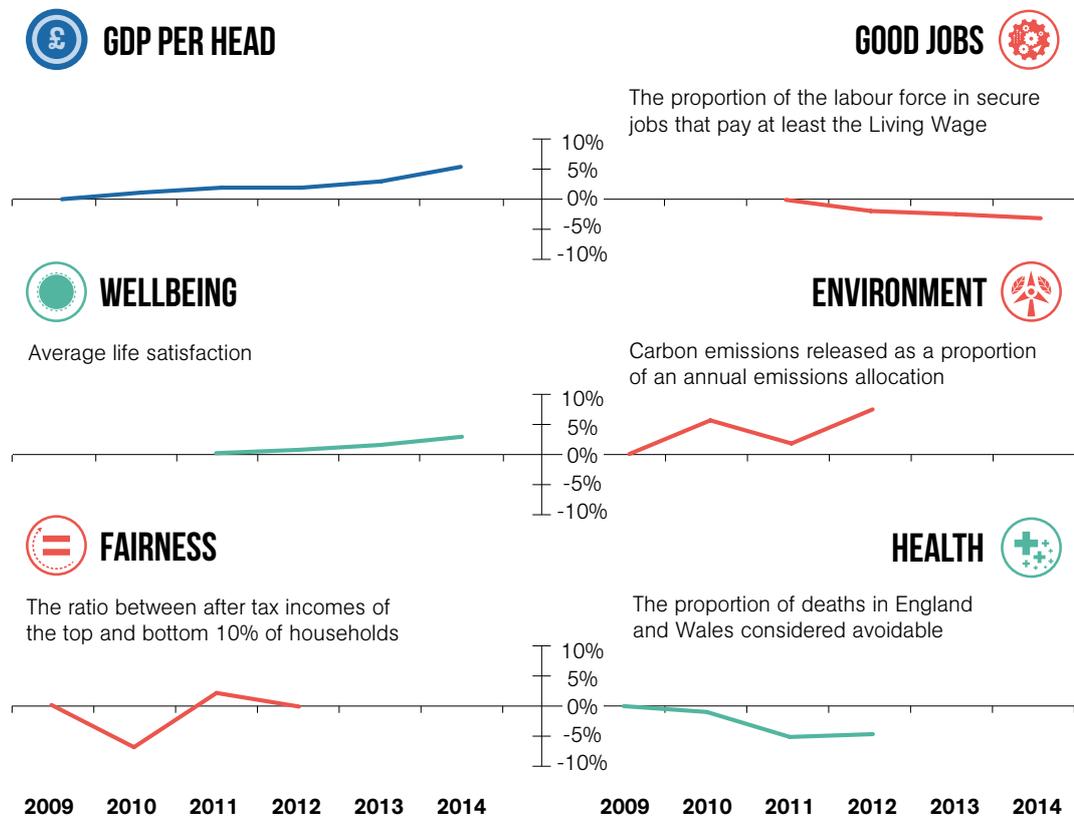
Figure 1. Five headline indicators of national success.



Note: Four-year trends based on the most recent data available as of 23 September 2015. Full calculations explained in our methods paper available at: www.neweconomics.org/headlineindicators

Source: Good jobs figures calculated using Office for National Statistics, Labour Force Survey data 2011–2014 (UK), Department for Work and Pensions, Family Resources Survey 2010–2013 and Living Wage rates (UK & London), 2011–2014. Wellbeing figures published in Office for National Statistics, Measuring National Well-being, 2011–2014 (UK). Environmental impact figures calculated in collaboration with the Tyndall Centre for Climate Change Research, using Department for Environment, Food and Rural Affairs data, 2009–2012 (UK). Inequality figures calculated using Office for National Statistics, The Effects of Taxes and Benefits on Household Income data, 2010–2013 (UK); Health figures calculated using Office for National Statistics, Avoidable Mortality, 2010–2013 (England and Wales only).

Figure 2. Changes in GDP per head and in each of the headline indicators, indexed to the first year of available data between 2009–2014.



Note: The charts are based on the data available for each indicator for the six years from 2009 to 2014, hence missing data points in the charts indicate lack of data availability for the relevant indicator and year. The trend line for each indicator is indexed to 0% for the first year of available data.

Source: See Figure 1.

A return to consistently rising GDP per head since the beginning of 2013 has allowed the Chancellor of the Exchequer to conclude ‘the sun is shining’ on Britain.²⁴ But these headline indicators reveal a different story.

The four-year trends for each of the headline indicators show that while some aspects of society *have* improved in recent years, others have deteriorated. Wellbeing and health have improved, but the underlying structure of our economy is one where, on average, inequality is widening. And while the economic recovery has brought about a recovery in the employment rate, the low quality of many of the jobs that have been created means that, despite the increase in employment overall, the proportion of people in good jobs has fallen.

At the same time, the UK’s environmental impact, captured here in terms of the carbon emissions associated with the lifestyles of people living in the UK, is edging ever closer to a level incompatible with global environmental sustainability.

These trends reveal a fundamental flaw in our current conception of success. Even when things are going well according to standard economic measures, the public's priorities are not being delivered on.

It is clear that a smarter approach to policy-making is needed. Instead of assuming that economic growth will automatically translate into other benefits, using the headline indicators to guide policy decisions, a better set of economic and social outcomes can be achieved. With this change of emphasis we can create an economy that is much more effective at meeting the real goals of the nation.

A place in official statistics

There has been considerable activity in the devolved countries of the UK in exploring better ways of measuring success. The Scottish Government's National Performance Framework sets out headline targets, outcomes and indicators for assessing the progress of government in Scotland. The Welsh Government's Well-being of Future Generations Act will introduce a set of national indicators, informed by the recent national conversation about the 'Wales We Want' to identify the most important issues for the people of Wales. And in Northern Ireland, the Carnegie Roundtable on Wellbeing this year called for a 'Wellbeing Framework' to guide and support the work of the country's public services, with the suggested use of new indicators and scorecards.

The official statistics producer for the UK as a whole, the Office for National Statistics (ONS), has also acknowledged the need to develop a better set of headline measures of national success. Its Measuring National Well-being programme, which began in 2010, aims to provide 'a fuller picture of how society is doing'.²⁵ It was launched by Prime Minister David Cameron with the statement that 'we have got to recognise, officially, that economic growth is a means to an end. If your goal in politics is to help make a better life for people... then you've got to take practical steps to make sure government is properly focused on our quality of life as well as economic growth, and that is what we are trying to do.'²⁶

But the ONS programme has not succeeded in bringing this 'proper focus' to government.

While the programme has produced and collated a wealth of useful data, not least the official measures of people's experienced wellbeing that we draw on in this report, its indicators have not shifted the priorities of mainstream policy-making. And it certainly has not sustained high-profile public political support: following the Prime Ministerial launch there has been a distinct lack of political speeches referring to the programme's indicators. This muted impact is relatively unsurprising in light of the fact that its headline indicator set is built on ten domains and contains no fewer than 41 indicators.²⁷ This is far too many to act as an effective tool to guide media, public, political, and therefore policy attention.

We therefore call on the ONS to make significant revisions to its Measuring National Well-being indicators, to ensure that they fulfil their intended role of shifting policy focus. Specifically the ONS should:

- Adopt the five headline indicators of national success set out in this report as the top layer of headline indicators in the Measuring National Well-being set.
- Produce a secondary layer of indicators within the Measuring National Well-being set that supports these headline indicators, with strong consideration given to the inclusion of the supplementary indicators suggested throughout this report.
- Re-name the indicator set to avoid the confusing title 'Measuring National Well-being' and make clear that its purpose is to measure national success overall, which includes, but goes beyond people's individual wellbeing.
- Re-allocate resources as necessary to ensure timely production of the headline statistics even if this requires cut-backs elsewhere, for example, publishing two rather than three estimates of GDP each quarter.
- Give the publication of the headline indicators highest prominence within the ONS's schedule of data releases – for example, publishing regular updates and briefing papers.

Five headline indicators for better policy-making

If the ONS implements the indicator set in this way, it will have the potential to usher in a much more rounded, smarter approach to policy-making. One effect will likely be a more democratic approach, where a broader set of headline outcomes requires a more diverse range of perspectives and interests to be taken into account, through genuinely joined-up decision-making across existing government silos, involving a wider range of expertise from across civil society, and greater stakeholder involvement in decision-making processes.

Judging success in terms of five, non-hierarchical headline indicators will also require explicit recognition of the multidimensional nature of decision-making processes. This represents an opportunity to make better decisions, explicitly and transparently. Analytical tools such as Multi-Criteria Analysis, which is designed to systematically deal with multiple objectives and the trade-offs between them, can be employed to facilitate more sophisticated policy-making.²⁸

The content of policy is also likely to change, as policy measures which benefit a number of the headline indicators at once will be prioritised, creating 'double-dividend' or win-win scenarios. Such policies might include:

- Initiating a government programme of retrofitting homes to make them more energy efficient, initially targeted at those vulnerable to fuel poverty, which would create skilled jobs, reduce carbon emissions, lead to health benefits arising from better heated homes, and take a step towards more equality in spending power by reducing energy costs for those with the lowest incomes.^{29,30}

- Creating incentives for employers to enable more secure but flexible and part-time jobs, to redistribute working time across the labour force. If those who are currently overworked and time-poor reduce their working hours, making way for those who are unemployed or underemployed to increase their working hours, there stand to be enormous benefits in terms of wellbeing from reduced unemployment, good jobs, and reducing inequality.³¹
- Investing in pedestrian-friendly town planning to create a range of benefits, from reduced mental and physical health problems associated with doing more exercise, to wellbeing gains from increased social contact, and reduced environmental and health impacts from air pollution.³²

This is just a taste of what might be achieved if policy genuinely prioritised the five headline indicators. With this broader focus, the scope to innovate and implement smart new policies which deliver the things that really matter is enormous.

The indicators in depth

In the following sections, we describe each of the five indicators in turn, and make the case for prioritising performance against each indicator; describe performance against the indicator in recent years; and share examples of implemented policies that are likely to lead to improvements against each indicator. The report ends with a call to action so that the vision we have set out – of five headline indicators driving better, smarter policy – can become a reality.

1. Good Jobs



Average annual deterioration of 1.0% over 4 years.

61 % of the labour force has a secure job that pays at least the Living Wage.

“I do not aspire to be wealthy; however I do want to be able to work and earn a fair wage for the work that I do.”

Respondent to the ONS’s public consultation on Measuring National Well-being³³

Good jobs matter

Being able to obtain secure, stable employment that pays at least enough to provide for a decent standard of living is an incredibly important feature of life. It matters not just to the 80%³⁴ of people in the UK who are either in work, or unemployed and actively seeking work. It also matters to the young people aspiring to gain decent employment in the future, and those who now rely on their previous earnings for the comfort of their retirement.

Being in employment is valuable in itself – not least because of the sense of meaning and purpose that it can bring to people’s lives.³⁵ But just being in a job is not enough. The quality of employment also matters. Two particularly important aspects of job quality are decent pay and job security.

Decent pay matters because of the influence it has over our ability to live the kind of life we want to. It has a direct impact on the amount of money we have in our pockets, the quality of the homes we live in, the ease with which we’re able to satisfy our daily needs, cope with unexpected events and save for the future. We know that having enough income to live a life free of material deprivation has a considerable influence on wellbeing.³⁶

Job security matters because of the stability that it brings. We know this, not only because more than half of workers rank job security as ‘very important’,³⁷ but also because studies have found that people on permanent contracts have higher wellbeing than those on temporary contracts.³⁸ At the same time, job insecurity – and especially the fear of job loss – has been found to be linked to dramatically lower wellbeing.³⁹

Why prioritise an indicator of Good Jobs?

Jobs are already treated as a key priority within policy-making, with the official employment and unemployment rates receiving an enormous amount of political and media attention. But using these measures to sum up the state of the labour market is problematic. The trouble with employment figures as currently reported is that they treat all jobs as equal: they don’t distinguish

between the number of people in precarious, low-paid employment, and the number of people with secure jobs and decent pay. In practice, focusing on improving the unemployment rate implies a goal of simply maximising the proportion of the labour force that is in work. And the trend in the employment rate masks reductions in hours and earnings faced by those already in employment, as well as the extent to which people are being forced to accept uncertain zero-hours contracts or involuntarily enter into precarious self-employment. We've chosen a headline indicator that raises the bar, calling for our policymakers to prioritise good jobs, not just any jobs.

The Good Jobs headline indicator

Using data from the ONS's official Labour Force Survey, the Good Jobs indicator captures the proportion of the labour force employed in secure jobs that pay at least enough to allow for an acceptable standard of living. This differs from the standard employment rate, in two ways.

First, the standard employment rate produced by the ONS shows the percentage of people who are employed as a proportion of the entire working-age population of the UK. This means that pensioners, students, and those unable to work due to long-term illness or disability are included within the calculation. In contrast, the Good Jobs indicator shows the percentage of people employed in good jobs as a proportion of those who are either in work, or who are unemployed and actively seeking work. By focusing only on the segment of the population with the capacity to work – those who make up the 'labour market' – the Good Jobs indicator is more sensitive to changes in the number of people who are employed and draws more attention to the extent of unemployment amongst those with the capacity to work.

Second, unlike the employment rate, which shows the proportion of people in any job – the Good Jobs indicator only counts those who are in jobs that pay at least enough to cover the basic cost of living and offer the employee their desired level of job security. We have used the Living Wage rate calculated by the Greater London Authority and the Centre for Research in Social Policy at Loughborough University, as the minimum income that respondents to the Labour Force Survey must have reported earning in order to be counted amongst those in a good job. The Living Wage is an hourly rate, set at a level that is intended to be enough to provide for a basic standard of living – assuming that the person earning the Living Wage works at least 37.5 hours per week and is eligible to receive tax credits.^{40,41} It is worth noting that the Living Wage is considerably higher than the increase to the national minimum wage announced in the 2015 Summer Budget and described as the 'National Living Wage'.⁴²

In addition to meeting the minimum income requirement, to be counted in the Good Jobs indicator, workers must also be employed on a permanent contract or be self-employed in order to meet the criterion of being in secure employment. However, in recognition that the flexibility of being employed on a temporary contract is desirable for some people, workers employed on temporary contracts who say they do not want a permanent contract are counted in the indicator as meeting the criterion for being in secure employment.

Box 1: Improving data availability for the Good Jobs indicator

The data we have used to create the Good Jobs indicator come from the ONS Labour Force Survey, which is also used to produce official labour force statistics. As official unemployment and employment rates are already treated as headline indicators, the Labour Force Survey is given high priority by the ONS, and data are available on a relatively frequent and timely basis. However the Good Jobs indicator would benefit from better data on income for employees and those who are self-employed:

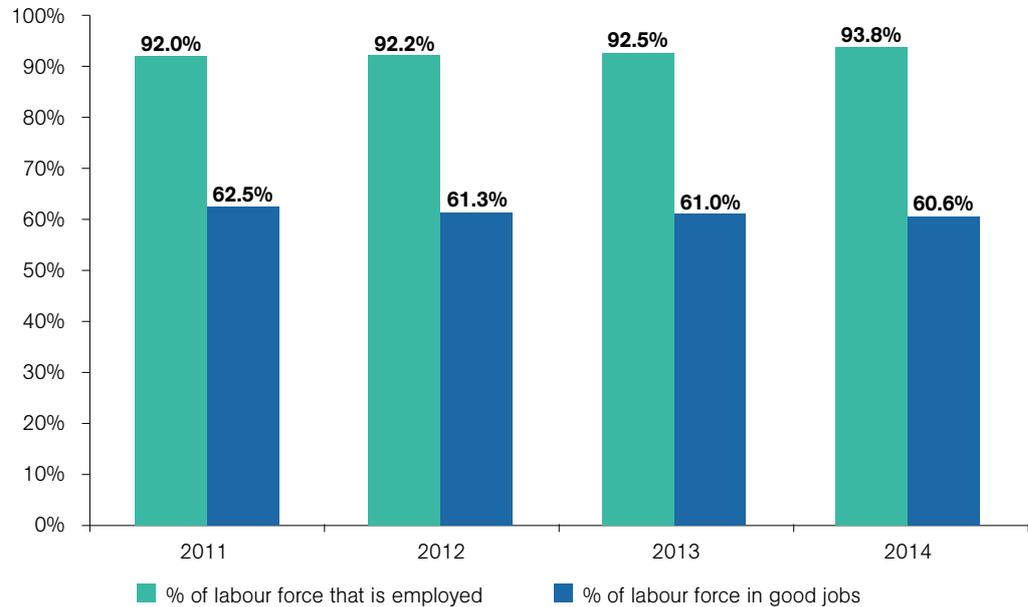
- **Employees:** Many employees who are respondents to the Labour Force Survey do not answer its question about income. This means that, despite drawing on the survey responses of over 240,000 individuals, the data on which we've based the indicator cannot be said to be strictly representative of the whole UK labour force. We therefore recommend developing methodological improvements to the survey to increase the response rate to the income question.
- **Self-employed people:** Self-employed people are currently not asked to report their income from self-employment which means the Labour Force Survey cannot currently be used to estimate employment income for both employees and those who are self-employed. For the Good Jobs indicator this meant we had to use data about incomes of the self-employed from another government source, the Family Resources Survey. We therefore recommend that the Labour Force Survey is amended to include income questions for self-employed people.

The trend in the Good Jobs indicator

It is currently difficult to assess whether or not things are going well for the UK labour market, because of the volatility in employment in recent years. According to our analysis of Labour Force Survey data, in the aftermath of the financial crash, the proportion of the labour force in employment dropped from 94.8% in 2007 to 92.0% in 2011.⁴³ In 2014, this figure was 93.8%, and it seems most accurate to characterise this as a recovery from a low-point, rather than a particularly strong performance in terms of employment.

As Figure 3 illustrates, despite the increase in employment between 2011 and 2014, the proportion of people in Good Jobs decreased in the same period, *in spite* of the increase in overall employment. This suggests that many of the new jobs created in recent years are either low-paid, insecure, or both. This mirrors the finding of the Trades Union Congress (TUC) that 'for those at the bottom end of the labour market, the struggle for a decent day's work in return for decent pay and conditions has intensified',⁴⁴ leaving nearly a third of the labour force either without work, or without good work.

Figure 3. The proportion of the labour force that is employed, compared to the proportion of the labour force that is in good jobs, 2011–2014.



Source: Calculations using data from the Office for National Statistics' Labour Force Survey and the Family Resources Survey.⁴⁵

Box 2: Beyond the Good Jobs headline indicator

The adoption of the Good Jobs indicator as a headline measure of the state of the labour market and its link to living standards would represent a notable improvement on current headline statistics. However, a single headline indicator can't reveal all that is worth knowing about the labour market and living standards. We therefore suggest a number of supplementary, second-level indicators that will provide a more fine-grained understanding to be examined alongside the Good Jobs headline indicator.

- Good Jobs broken down by gender and other protected characteristics:** The labour market is often the locus of discrimination and unequal outcomes for women, people from Black and Minority Ethnic (BME) groups, and other minority groups. Therefore it will be particularly important to examine the Good Jobs indicator for women compared to men, and for other minority groups, to identify unequal outcomes that policymakers will need to address.
- Job satisfaction:** The Good Jobs indicator has been designed to capture adequate income and job security – two of the aspects of employment known to be most influential in terms of people's overall wellbeing.⁴⁶ However, in order to capture the full range of features that contribute to individuals' direct experience of their jobs, we recommend using an indicator of job satisfaction, which allows individuals to consider all the aspects of their working lives that matter to them, and weigh them up according to how important each element is in their own view.
- Median income:** The Good Jobs indicator begins to address the issue of how far people's jobs enable a decent standard of living by counting only those whose income meets the 'basic cost of living in the UK'.⁴⁷ However, this is a fairly low benchmark.

Box 2 continued

Supplementing the Good Jobs indicator with an indicator of median household income would throw light on *typical* household incomes in the UK and allow comparisons to the Living Wage minimum income threshold. Further, median income has the additional benefit of capturing information about income from sources other than earnings, so that insight into the living standards of the wider population, such as those who are retired, can be gained.

- **Housing affordability:** Another useful approach to understanding the extent to which jobs enable decent living standards is through the issue of housing costs, which represent one of the biggest household expenses. The issue of housing is particularly difficult to measure because of the extreme differences in the affordability of housing in different regions of the UK. A measure which compares average earnings to average mortgage repayments and rent costs in different parts of the country would be a useful way of addressing this issue.
- **GDP:** From the point of view of our headline indicator set, GDP will become a supporting indicator, particularly to the issue of Good Jobs, where as a measurement of overall economic activity it will provide a guide to the likely trend in the number of jobs available.

How policy could improve performance on the Good Jobs indicator

Making strong performance against the Good Jobs indicator a priority implies policy intervention which encourages employers to ensure their staff have a decent income, and to offer greater job security, as well as policy measures which seek to increase the overall number of available jobs. Such interventions may well face resistance from some employers, due to the implied increases in operating costs associated with such requirements, but government research has shown that higher employee welfare is good for business performance.⁴⁸ While the UK government's recent commitment to increase the minimum wage, discussed earlier, suggests a growing policy focus on increasing low pay, the increase is below the basic standard of living represented by the Living Wage and is mitigated by accompanying tax credit cuts.

However, there are plenty of examples of forward-thinking businesses – from household names to much smaller organisations – that are ahead of the curve and already providing the sort of good jobs that our indicator captures. For example, the Swedish furniture chain IKEA, has pledged to pay all 9,000 of its UK staff at least the (research-based) Living Wage from April 2016, stating that 'it is not only the right thing to do for our co-workers, but it also makes good business sense. This is a long-term investment in our people based on our values and our belief that a team with good compensation and working conditions is in a position to provide a great experience to our customers.'⁴⁹

Meanwhile in New Zealand, Restaurant Brands (the parent company of Starbucks, KFC, and Pizza Hut) has agreed to do away with zero-hours contracts for all New-Zealand-based staff, with the Chief Executive stating that 'having permanent staff who stay with us, loyal, long tenure, is part of a successful business model for our industry.'⁵⁰ Despite these early movers, there is a much needed role for policy in this area to support those responsible businesses, and level the playing field so that forward-looking employers cannot be undercut by short-sighted and irresponsible competitors.

Another policy area that could help create good jobs is support for trade unions. Evidence shows that unionisation is a strong factor in improving working conditions, particularly pay, with research in the UK and the USA showing that unions raise wages by around 20 to 30%.^{51,52} With recent NEF research showing that unionisation also benefits the strength of the economy overall,⁵³ there is a clear case for structures that support unions in their negotiations over wages. For example, in Finland, wage-bargaining between trades unions and employers happens in a centrally co-ordinated way. While Finnish employers initially withdrew from this arrangement in the mid-2000s, after the financial crisis employers' organisations and trades unions agreed to return to it, making an agreement that covered 93% of the Finnish workforce and stating that 'it would create jobs and boost Finland's competitiveness'.⁵⁴ The Scandinavian view of such arrangements is that stronger collective negotiation positions make it easier to ensure that there are adequate responses to market pressures while maintaining social protection.⁵⁵

2. Wellbeing



Average annual improvement of 0.9% over 4 years.

Average life satisfaction is 7.6 on a scale of 0-10.

“I feel that there should be some method of asking people how they feel, as well as gathering objective statistics, as inevitably different people will be affected to differing degrees by the various factors being measured.”

Respondent to the ONS’s public consultation on Measuring National Well-being⁵⁶

Wellbeing matters

Wellbeing is about our lives overall and how we experience them. It has a number of important components. It is partly reflective – about standing back and evaluating life. It is partly emotional – about experiencing positive emotions and not too many negative ones. And it is partly about good psychological functioning – for example, feeling capable, autonomous, and connected to others.⁵⁷ At the heart of wellbeing lies the following idea: if we don’t *experience* our lives as going well, then – no matter how things might appear from the outside – it is not possible to describe them as truly going well overall.

It is uncontroversial to say that improving people’s lives is the ultimate aim of public policy. But as we saw in the introduction, the assumption that prioritising economic growth will automatically translate into benefits has meant that wellbeing has in fact been side-lined as a policy goal. The result is that the current state of our policy-making is a long way from optimal in terms of the things that would most improve people’s wellbeing.

The last decade has seen a resurgence of interest in the idea that policy should be focused on wellbeing, based on a comprehensive academic evidence-base showing that it is possible to measure wellbeing in a robust way, and that the results are highly relevant to a large number of policy areas.^{58,59} There is considerable support from the British public for a focus on wellbeing, with ‘life satisfaction’ being ranked top of 11 measurement areas by UK users of the OECD Better Life Index,⁶⁰ growing interest in community-focused organisations with a wellbeing approach, such as Action for Happiness, Happy City, and the Network of Wellbeing; and wide use of wellbeing frameworks such as NEF’s Five Ways to Wellbeing.⁶¹ As its name suggests, the entire ONS Measuring National Well-being programme was, at least in part, motivated by an interest in wellbeing and its role in policy-making.⁶²

Why prioritise an indicator of Wellbeing?

Adopting a headline indicator of Wellbeing will provide a new focus on how policy-making translates into better lives for people. This is sorely needed.

While there has been some recent government activity relating to the wellbeing research agenda,⁶³ wellbeing has not featured strongly among policy-making priorities since the launch of the Measuring National Well-being programme in 2010. For example, it seems highly unlikely that the November 2015 spending review will be strongly influenced by the wellbeing evidence, sticking instead to the GDP-above-all approach to headline political decisions. By including a measure of wellbeing in our set of headline indicators, we are sending a strong message to the government that wellbeing isn't an optional extra or a luxury to be prioritised only once economic objectives have been met – it should be prioritised as a key measure used to assess whether policy is improving human lives.

At the same time, a wealth of evidence shows that general measures of wellbeing are sensitive to a broad range of factors in people's lives. Familiar policy concerns, such as physical⁶⁴⁻⁶⁸ and mental health,^{69,70} having a decent income,^{71,72} employment⁷³⁻⁷⁵ and housing conditions^{76,77} have been found to correlate with measures of wellbeing, as well as factors that are often overlooked in policy – in particular, people's relationships⁷⁸⁻⁸⁰ and quality of social connections.^{81,82} This makes prioritising wellbeing extremely important, not only because the measure can be used to pick up performance on these aspects of life, easily neglected in policy-making, but also as a neat way of summarising the impact of the factors in accordance with their importance to each individual. As the *World Happiness Report* contends, such subjective measures 'are arguably the most democratic of well-being measures, since they reflect not what experts or governments think should define a good life, but instead represent a direct personal judgment'.⁸³

Despite being adopted as an official UK statistic, there remains a considerable amount of scepticism about the use of a subjective measure of life satisfaction as a reliable measure of people's experiences of life. This is not surprising, given the relative novelty of this type of measure. However, as subjective measures of wellbeing grow in popularity and become more familiar, and as the evidence-base showing triangulation between subjective and more objective measures of wellbeing improves (such as measurement of stress hormones and brain scans),⁸⁴ we expect this scepticism to begin to dispel.

The Wellbeing headline indicator

The most common single subjective measure of wellbeing – a measure which asks people to report on their experiences of life – is life satisfaction. Life satisfaction is measured by asking people to report how satisfied they feel with their lives overall on a scale from zero to ten. Life satisfaction measures are now firmly established as robust and valid⁸⁵ and in 2011, were deemed to meet the high quality standards required to be accepted as an official statistic by the ONS.

As our headline indicator of wellbeing, we have used the average (mean) UK response to the life satisfaction question included in the ONS's Annual Population Survey. The question asks: *Overall, how satisfied are you with your life nowadays?*, asking respondents to answer on a scale from zero to ten, where zero means 'not at all satisfied' and ten means 'completely satisfied'. Explicitly designed to capture judgements about life overall, this indicator

is particularly well suited to act as a single headline indicator of wellbeing. The OECD's guidelines on subjective wellbeing measurement⁸⁶ and the UK's Expert Commission on Wellbeing and Policy⁸⁷ both endorse life satisfaction as the primary core measure of subjective wellbeing.

Box 3: Improving data availability for the Wellbeing indicator

There are possible improvements to data availability for the Wellbeing indicator in relation to:

- **Timeliness:** The ONS publishes data on the wellbeing indicator with a six-month lag from the end of the annual period to which it relates, a relatively short delay for a statistic that is not currently treated with headline priority. However, the wellbeing data derive from a very large survey sample, which means that there is scope to investigate whether data could be published more frequently on a quarterly or bi-annual basis.
- **Income data:** A key gap in the ONS wellbeing dataset is the lack of an income measure, which makes it impossible to compare the wellbeing of different income groups, or to control for the effects of income when examining the relationships of other factors with wellbeing. This makes the wellbeing data considerably less useful for detailed analysis than they might otherwise be. Adding income data to the wellbeing dataset should be treated as a high priority by the ONS.

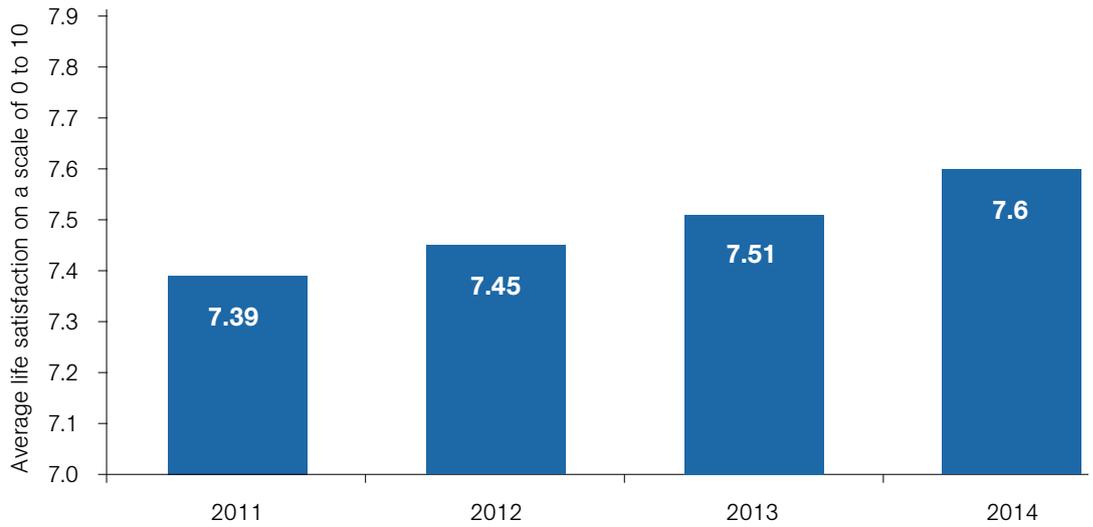
The trend in the Wellbeing indicator

As shown in Figure 4, wellbeing in the UK increased fairly steadily between 2011 and 2014. The trend over this four-year period is one of an average 0.9% annual increase. The ONS only began collecting wellbeing data in 2011, so while it's not possible to say with certainty, it seems likely that this steady rise in wellbeing represents recovery following the financial crisis of 2007–2008 and the recession which followed. During this time, many people either became unemployed or felt at risk of losing their jobs, with a particularly low employment rate in 2011 (as discussed in the Good Jobs section). Since then, there has been increasing economic stability, a recovery in the employment rate, and consistently low interest rates – a boon for those with mortgages – which all seem likely to have played a significant role in this positive trend.

Figure 5 shows the UK's average wellbeing score compared with other OECD member countries. The data come from the Gallup World Poll, which uses a measure known as the Cantril Ladder as an overall life evaluation of survey respondents. The Cantril Ladder measure behaves very similarly to life satisfaction measures in terms of trends and international comparisons, though each measure produces different absolute numbers.⁸⁸ The data show the UK as middling on life evaluation, positioned 18th out of the 34 OECD member countries. Unsurprisingly, the UK ranks lower than the Scandinavian countries, which are renowned for performing well in terms of wellbeing. Perhaps more surprising, is the fact that the UK also performs worse than countries such as Israel and Mexico. This suggests that, despite recent increases in average wellbeing in the UK, room for improvement remains.

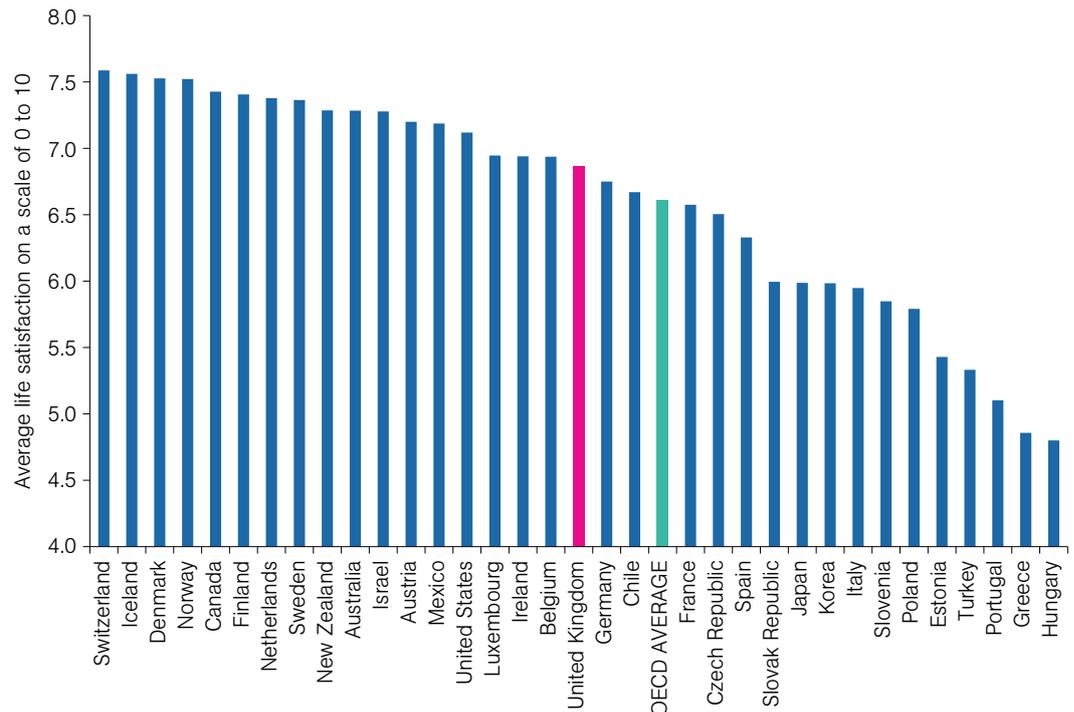
International comparisons of wellbeing are sometimes thought to be impossible to make fairly, because of systematic cultural differences in how people respond to questions about wellbeing. It is therefore worth noting that in statistical models of international wellbeing differences, objective indicators predict most of the variation in life satisfaction, which suggests that the impact of cultural biases is likely to be small.⁸⁹⁻⁹²

Figure 4. Average life satisfaction in the UK, 2011–2014.



Source: Office for National Statistics, Measuring National Wellbeing

Figure 5. Average wellbeing scores of the OECD member countries.



Source: Gallup World Poll Cantril Ladder data collected between 2012 and 2014, reported in the World Happiness Report, 2015.⁹³

How policy could improve performance on the Wellbeing indicator

Despite the UK's position as a world leader in measuring wellbeing, the evidence collected by the ONS is not yet being used to inform policy in a meaningful way. Much of the recent attention on wellbeing from governments around the world has focused on measurement rather than policy action, despite a wealth of academic evidence on wellbeing which suggests a number of clear policy directions. For example, when the All-Party Parliamentary Group on Wellbeing Economics recently reviewed this evidence, it recommended major shifts in economic, labour market, planning, schools, health, and culture policy priorities.⁹⁸

However, there are some examples where a focus on wellbeing has actually led to policy change. One comes from the UK itself. In 2005, the renowned wellbeing advocate, Professor Richard Layard, convinced the UK government to invest in the provision of psychological therapy for people with mental health problems. The identification of this as a priority area came directly from Layard's engagement with the wellbeing evidence.⁹⁹ The Improving Access to Psychological Therapies programme, rolled out as a result, increased access to at least minimal levels of talking therapies, rather than just medication, for those suffering depression and anxiety disorders.¹⁰⁰ This policy is a small example of increased mental health investment within a broader context which has led six of the UK's leading mental health organisations to describe mental health services in England as 'massively underfunded'.¹⁰¹ But it suggests one direction in which the wellbeing evidence could be used to set policy priorities, and demonstrates how a focus on wellbeing would also improve other indicators on our dashboard, in this case the Health indicator.

Box 4: Beyond the Wellbeing headline indicator

While there is a relatively strong consensus that life satisfaction is the best single overall measure of wellbeing, the multifaceted nature of wellbeing and its variation across the population, suggest a number of other measures which should be used as supporting indicators around the headline Wellbeing indicator:

- **Measures of children's wellbeing:** The ONS has recently reported data on children's experienced wellbeing – such measures should be treated as important supplements to the headline Wellbeing indicator of adult wellbeing, as policy legitimately aims to improve both adults' and children's wellbeing.
- **Measures of wellbeing inequalities:** The headline Wellbeing indicator uses the average wellbeing score for the UK population, but wellbeing levels vary markedly between people depending on their circumstances.⁹⁴ Measures of the wellbeing gap between those with highest and lowest wellbeing, and of the wellbeing gaps between other groups, for example those with the highest and lowest incomes, will help highlight these inequalities.

Box 4 continued

- **Other subjective wellbeing indicators:** The other ONS indicators of ‘personal wellbeing’ measure important aspects of wellbeing, including happiness and anxiety, linking to the emotional facet of wellbeing, and the extent to which people feel the things they do are worthwhile, relating what people do to how they feel about their lives.⁹⁵
- **Mental wellbeing scale:** The ONS ‘personal wellbeing’ measures also include population scores on the shortened version of the Warwick-Edinburgh Mental Wellbeing Scale, which provides a robust assessment of a number of aspects of positive psychological functioning across the population.⁹⁶
- **Social trust:** The standard measure of ‘generalised’ social trust, based on a question asking survey respondents how much they feel people in general can be trusted, is not a direct measure of wellbeing, but has been found to be an extremely important driver of wellbeing overall, as an important overall measure of the quality of social relationships in society.⁹⁷

Another example comes from Bhutan, the country which famously adopted a set of Gross National Happiness indicators to guide all of its policy-making, and which screens its policies according to these indicators before implementation. When the issue of whether Bhutan should become part of the World Trade Organization (WTO) came up, 19 of the 24 officers on Bhutan’s decision-making body initially voted in favour of joining. However, after putting the policy through the Gross National Happiness screening tool,¹⁰² officers voted against joining. The government explained the decision by pointing out that free trade may lead to pointless consumerism, with the Prime Minister of Bhutan saying: ‘When you have free trade, then you’ll land up with having a lot of things you don’t require.’¹⁰³ Although debate about whether or not Bhutan should join the WTO continues, this provides an interesting example of how considering policy from a wellbeing perspective can lead to quite different outcomes.

3. Environment



Average annual deterioration of 1.8% over 4 years.

Carbon emissions are 2% below a limit set to avoid dangerous climate change.

“In my view, our impact on the environment – the basis of future wellbeing – is not captured in current measures.”

Respondent to the ONS’s public consultation on Measuring National Wellbeing¹⁰⁴

Environment matters

It’s all too easy to take the condition of our environment for granted. But when environmental turmoil does occur, the effects can be devastating. For example, the storms and flooding that ravaged areas of the UK in the winter of 2013/2014, causing major disruptions, with 11,000 properties flooded, and destruction of homes, businesses and infrastructure,¹⁰⁵ as well as a number of deaths,^{106,107} served as a stark reminder of just how fundamental the environment is to life as we know it in the UK.

The latest research suggests that we have already breached four of nine planetary boundaries.¹⁰⁸ And in particular, the issue of climate change looms large, due to its huge potential impacts and requirement for urgent action. As President Obama recently said: ‘On this issue – of all issues – there is such a thing as being too late.’¹⁰⁹

The world’s leading climate scientists predict that if carbon and other greenhouse gas emissions in our atmosphere exceed a designated threshold, dangerous and potentially irreversible climate change will occur.^{110,111} If triggered, this ‘dangerous climate change’¹¹² is expected to cause the UK to suffer from more frequent extreme weather events such as flooding, heat waves, and drought.¹¹³ At the same time, impacts around the world will have serious repercussions for the UK, such as scarcity of important resources, high volatility in the prices of essential goods like food and fossil fuels, mass migration of climate refugees from devastated countries to wealthy ones, as well as the political challenges and potential international conflict that these circumstances imply.¹¹⁴ This is not some distant dystopia. Many early impacts of climate change are already noticeable.¹¹⁵

As well as undermining the wellbeing of current and future generations, the implications of climate change are also a cruel example of social injustice. People living in low-income countries are the most vulnerable to the impacts of climate change, but in most cases, those same people have contributed very little to the release of emissions which threaten their local environment.¹¹⁶

Why prioritise an indicator of Environment?

Protecting our environment is a global challenge, and in particular avoiding dangerous climate change requires all major economies to commit to reducing emissions.¹¹⁷ International negotiations are key to unlocking a global solution, but progress on negotiations has been disappointing to date. With much of the impasse in current negotiations stemming from concern about developed economies losing competitive advantage, and given the UK's status as a historically influential player on the global stage, by leading by example, and then using its moral authority to pressure big emitters like China and the USA to follow suit, the UK could play a momentous role in advancing negotiations.¹¹⁸

But to be able to convincingly demonstrate leadership at climate negotiations, policymakers in the UK must first be prepared to take meaningful action on emissions at home. Although the government has already committed to reducing the greenhouse gas emissions released in the UK to 80% of 1990 levels by 2050, commitment to this level of emissions reduction is problematic. Most notably, because sticking to the current target would represent just a one-in-two likelihood of avoiding dangerous climate change.¹¹⁹ In light of the devastating consequences expected to occur if dangerous climate change is triggered, as well as the concern that once set in motion, reinforcing feedback loops could render the changes to the climate system irreversible, it seems rational to aspire to a level of emissions reduction that offers better odds of success than those associated with the toss of a coin. Further drawbacks of the current emissions commitment include that intermediary targets are set at five-year intervals which don't align with the fixed terms of government,¹²⁰ making it difficult to hold any one political party accountable for performance against the targets. To address these shortcomings and capture a truer picture of the UK's impact on the environment, the headline indicator set includes a new, more meaningful indicator of performance on emissions.

The Environment headline indicator

Using official data from the Department for Environment, Food and Rural Affairs (Defra), and in collaboration with experts from the Tyndall Centre for Climate Change Research,¹²¹ we have developed a headline indicator that tracks the annual release of UK carbon emissions in relation to a global emissions 'budget' set at a level consistent with a two-in-three chance of avoiding dangerous climate change. The indicator is based on a gradually diminishing annual UK allocation of this global carbon budget. The Environment indicator differs from existing indicators used to describe UK emissions in relation to an emissions allowance in two key ways.

First, the indicator uses official consumption-based carbon emissions data, published by Defra, as a measure of carbon emissions attributed to the UK. This differs from the more conventionally used territorial emissions statistic reported by the Department for Energy and Climate Change (DECC).¹²² The consumption-based emissions approach is generally considered to be a fairer method of reporting emissions because it attributes them to countries on the basis of emissions associated with the lifestyles that people lead.¹²³ It also represents a more appropriate approach to reducing environmental impact

(see Box 5). In practice, the UK imports more goods than it exports, which means that using a consumption-based carbon emissions indicator, the UK's annual reported carbon emissions will be higher than if a territorial emissions indicator is used.

Box 5: The case for counting consumption-based emissions rather than territorial emissions

The UK territorial emissions statistic¹²⁴ counts the emissions associated with goods *produced* in the UK each year, irrespective of whether those goods are consumed in the UK or exported to international markets. The consumption-based emissions statistic counts emissions associated with goods *consumed* in the UK each year. Using a consumption-based emissions statistic means that if a good is produced in the UK and then exported to another country, the emissions association with production of the good are attributed to the country where the good is consumed, rather than being counted within the UK's annual emissions. Similarly, where goods are imported into the UK, the emissions associated with production of those goods are attributed to the UK, and not to the producer country.

Targeting performance in terms of territorial emissions can create a perverse incentive to close down industry and manufacturing in the UK, and for the UK to import goods from other countries, while simply shifting the emissions responsibility elsewhere and doing nothing to lower global emissions. Such action may even increase global emissions, by increasing the need for transportation of goods, and potentially shifting production to countries where production practices are more carbon-intensive. Conversely, targeting performance in terms of consumption-based emissions would incentivise policymakers to take action to reduce the emissions associated with consumption in the UK, either by encouraging different consumption patterns, incentivising more efficient production techniques where goods are being produced for the UK market, or putting pressure on international suppliers to meet higher emissions standards.

The second key difference between our indicator and existing emissions indicators is that, rather than a one-in-two chance of avoiding dangerous climate change, as the existing UK emissions budget is designed to offer, the level of emissions considered 'safe' according to the Environment indicator is set in accordance with a UK share of global emissions that corresponds to a two-in-three chance of avoiding dangerous climate change.¹²⁵ Leading environmental organisations including Friends of the Earth¹²⁶ and the Campaign against Climate Change¹²⁷ have identified this as a minimum acceptable level of risk. In practice, this means adopting a lower global emissions budget overall.

As yet, a definitive method has not been agreed as to how the global emissions budget should be shared between countries. Indeed, it is the subject of much debate. Some argue that the global emissions budget should be shared amongst countries in accordance with the size of each country's population. In practice, this population-based method of allocation would benefit countries like India, who currently have very low emissions per head of population, and severely penalise countries like the USA, whose emissions per head are more than ten times that of India's.¹²⁸ Others argue that the global emissions budget should be divided amongst countries based on the existing levels of national emissions. This would imply that countries currently

releasing a lot of emissions would be given a bigger emissions allocation than those countries releasing fewer emissions. Both methods face challenges, with the first approach imposing 'extremely high mitigation demands on many developed countries', and the second leaving 'developing countries with little access to the energy and development opportunities embodied in remaining future carbon emissions'.¹²⁹ In the absence of agreement, we based our emissions allocation on a blended approach (as advocated by several experts in the field¹³⁰⁻¹³³), which takes account of the population of the UK as well as the UK's current level of emissions, in order to define the UK's share of the global emissions budget. Finally, the UK's total emissions allocation has been distributed between 2008 (the base year used to calculate the remaining global emissions allowance) and 2100, to give an annual emissions allocation which decreases year-on-year, until stabilising at a sustainable level.

Prioritising performance against this indicator offers an excellent opportunity for policymakers in the UK to display a reasonable and rational approach to making serious headway on climate change.

Box 6: Improving data availability for the Environment indicator

A number of improvements could be made to official data availability for the Environment indicator.

- **Data timeliness:** The latest official data on consumption-based carbon emissions are more than two years out of date. While calculating the level of consumption-based emissions attributed to the UK is a highly complex task, the data are extremely time critical. Increasing efforts to reduce this lag and allow for more timely policy intervention would represent an excellent investment.
- **Consumption-based emissions data for all greenhouse gases:** The Environment indicator considers UK performance on carbon emissions, which represents around 80% of total greenhouse gas emissions released by the UK. An indicator which takes the full range of greenhouse gas emissions into account would represent a more comprehensive approach; however, official data on consumption-based greenhouse gas emissions are not currently available.
- **Adoption of an official methodology:** While we've drawn on the latest available theory to calculate a fair share of global emissions for the UK, and have used Defra's official statistic on consumption-based carbon emissions, government bodies should agree on and adopt an official methodology for the calculation of an emissions allowance which reflects the principles we have discussed.

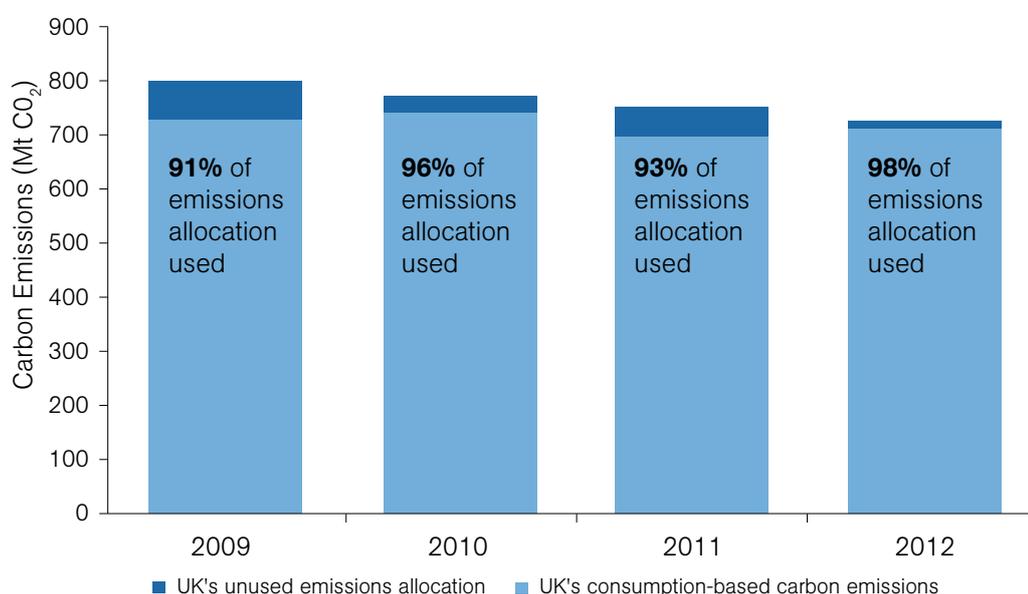
The trend in the Environment indicator

In the UK in 2012, 98% of the annual carbon emissions allocation was used up, with emissions coming to just 2% below the level set to avoid breaching a dangerous threshold. This threshold represents the level of carbon emissions that can be emitted by the UK before risking dangerous climate change being triggered.¹³⁴ As illustrated by the light blue portion of the bars in Figure 6, during the four years from 2009 to 2012, the carbon emissions associated with UK consumption declined very slightly from 725 MtCO₂ in 2009 to 711 MtCO₂ in 2012, at an average rate of 0.5% per year. At the same time, the overall height of the bars in Figure 6 shows the emissions allocation declining by just over 2%

per year. The gradually narrowing gap between emissions and the emissions allocation reveals that the UK is not keeping pace with the level of reductions needed to remain below the dangerous emissions threshold. If the current trajectory continues, it is likely that when data become available for 2013 and/or 2014, we will see that the UK will have begun to exceed its annual emissions allocation.

This lack of significant progress on emissions reductions in recent years underscores the need for policymakers to make this a high-level priority. The first step will be ensuring frequent, clear, and up-to-date monitoring of current emissions levels in relation to a meaningful target.

Figure 6. Annual UK consumption-based carbon emissions and the annual emissions allocation set to avoid breaching a dangerous threshold.



Source: Consumption-based carbon emissions data from Defra.¹³⁵ Emissions allowance calculated by the NEF and the Tyndall Centre for Climate Change Research, using a methodology developed by Raupach et al.¹³⁶

Box 7: Beyond the Environment headline indicator

While the Environment headline indicator represents a considerable improvement on existing headline indicators relating to the UK's performance in terms of carbon emissions, environmental impact more generally is a broad and complex topic. As such, we suggest several additional indicators which should be used to begin to gain a more detailed understanding of UK performance in terms of the environment. These indicators are particularly important to monitor, given that in certain circumstances, an improvement in the headline Environment measure may occur alongside degradation of other aspects of the environment. Our recommended additional indicators are:

- **An indicator of biodiversity**, such as the Living Planet Index,¹³⁷ the International Union for Conservation of Nature (IUCN) Red List of Threatened Species,¹³⁸ bird populations, or the condition of Sites of Special Scientific Interest.
- **Indicators of natural resource use**, such as the Four Footprints¹³⁹ which include land, water, material, and carbon footprints.
- **An indicator of local air quality.**

How policy could improve performance on the Environment indicator

Policy has an integral role to play in assisting or impeding the transition to a low-carbon economy. Examples from around the world demonstrate how policy measures can have significant impacts on carbon emissions.

In 2012, the Australian government introduced carbon pricing for the power generation sector that increased the costs of energy production in line with the carbon intensity of the method of power generation used, before repealing the policy in 2014. It proved to be a valuable experiment. While the carbon price was in place the emissions intensity of the Australian power sector declined steadily and consistently, with emissions from electricity generation reaching a ten-year low.¹⁴⁰ The policy had made carbon-intensive methods of power generation, such as coal power stations, more expensive to run than less carbon-intensive competitors, such as renewables. The result was that cleaner technologies became more competitive and obtained a bigger market share. When the carbon price was removed in favour of a much less stringent emissions trading scheme in the name of 'fiscal responsibility' and reducing costs for consumers,¹⁴¹ the carbon intensity of power generation steadily began to climb again.¹⁴²

As well as incentivising low-carbon energy generation, prioritising performance against the Environment headline indicator might also encourage policymakers to reverse the 'shocking'¹⁴³ global subsidy of fossil fuel companies, which the International Monetary Fund (IMF) recently exposed as being equivalent to £6.5 million *per minute* and greater than the total health spending of all the world's governments combined.¹⁴⁴ The IMF claims that removal of such subsidies would reduce greenhouse gas emissions by 6–13% by 2050 and make renewable energy more cost-competitive than fossil fuels.¹⁴⁵ With almost 30 countries around the world having implemented fossil fuel subsidy reform in 2014,¹⁴⁶ there seems to be much scope for the UK to follow suit.

Another solution implemented in a number of countries – with a leading example being Denmark – is the use of district heating, where homes are heated through a local centralised source of heat generation – often one which simultaneously produces electricity in a combined heat and power (CHP) system. Both district heating and CHP represent considerable increases to energy efficiency and thus reduce carbon emissions.¹⁴⁷

While these examples address the supply-side of how our energy is produced, other policy measures might also seek to reduce demand for energy. Some measures could address direct demand for energy, as in the example of insulation for those at risk of fuel poverty, discussed in our introduction. Others might address energy demand indirectly, by reducing consumption of energy-intensive goods and services. For example, NEF has recently examined the case for taxing the flights of those who fly multiple times a year, finding that it would reduce environmental impact, while avoiding penalising the majority of passengers.¹⁴⁸

4. Fairness



Average annual deterioration of 0.8% over 4 years.

After tax, average incomes of the top 10% of households are 8.7 times higher than the bottom 10%.

"[We need] an economy that supports everyone."

Participant in Oxfam Humankind Index public consultation¹⁴⁹

Fairness matters

In 2012, 82% of people surveyed in the UK agreed that the income gap between rich and poor was too wide.¹⁵⁰ At the same time, the international Occupy movement was gathering momentum, highlighting the need to take action on economic inequality and focusing attention on the extreme wealth of 'the top 1%'. A campaign by Oxfam later expanded on this, and captured the public's attention, reporting that by 2016, the world's richest 1% look set to own more than 50% of all global wealth.¹⁵¹ Our Fairness indicator therefore encapsulates the idea that we must avoid too much inequality between richest and poorest.

High levels of income inequality are increasingly being found to be associated with negative consequences for society as a whole. Inequality has been found to undermine many of the things that people said matter most, as represented by the other headline indicators. Inequality has become locked in to the labour market with Britain experiencing a lack of job creation in the medium-skilled occupations, so that career ladders from low-skilled jobs into well-paid, high-quality work are increasingly rare.¹⁵² Much of the evidence at national, regional, and city level shows that higher income inequality is associated with lower average wellbeing.¹⁵³ As a source of stress and insecurity, income inequality has been found to be harmful to health.¹⁵⁴ And among developed countries, those with the highest levels of income inequality tend to have more materialistic populations, who demonstrate less regard for the environment.¹⁵⁵ Indeed, some experts suggest that 'governments may be unable to make big enough cuts to carbon emissions without also reducing inequality'.¹⁵⁶

At the same time, traditional arguments which make the case for differences of many magnitudes between top and bottom incomes, as a means of encouraging entrepreneurialism, innovation, and as a result, job creation, are increasingly being questioned, with critics pointing to the strong economic performance of the more equal economies of Scandinavia and East Asia as a case in point.¹⁵⁷ Even those who advocate a standard growth-led approach to policy-making acknowledge the harm caused by economic inequality. Christine Lagarde, Managing Director of the IMF, recently said that 'reducing excessive inequality... is not just morally and politically correct, but it is good economics'.¹⁵⁸

Why prioritise an indicator of Fairness?

The Fairness indicator represents a policy priority of reducing economic inequality, which has been found to create a self-perpetuating cycle.¹⁵⁹ Children born into the richest families tend to have access to better education and opportunities and go on to become significantly richer adults than their counterparts from less affluent backgrounds.¹⁶⁰ Evidence suggests that such advantage persists *even* when children from less affluent backgrounds display higher academic abilities.¹⁶¹ And, as this seems to be becoming more pronounced over time,¹⁶² it is critical that policymakers intervene to interrupt the self-enforcing cycle of growing economic inequality.

And yet, the issue of economic inequality has gone virtually unheeded by successive governments since Margaret Thatcher's appointment as Prime Minister in 1979.¹⁶³ In the decade following Thatcher's election, inequality escalated dramatically, and the UK has gone from one of the most equal of all the industrialised countries in 1979, to one of the most unequal today.¹⁶⁴ However, the growing appetite that is emerging for action on inequality makes now an opportune moment to focus policymakers' attention on the need to break the perpetual cycle.

Of course, people care about fair outcomes beyond economic inequality. Other inequalities, such as those between men and women, between people of different ethnicities, and between different groups in our society in terms of their health outcomes also merit attention. But it is striking to note the fingerprint of income inequality on each of these other inequalities – in the 19% lower pay of women than men per hour worked,¹⁶⁵ in the fact that 36% of people of ethnic minority origin live in low-income households (i.e., in the bottom fifth of households by income), which is twice the rate for White people,¹⁶⁶ and in the finding that in England, people living in the neighbourhoods with the greatest income deprivation will, on average, die seven years earlier than people living in neighbourhoods with the least.¹⁶⁷ We have therefore focused on fair outcomes in terms of income in the headline Fairness indicator.

The Fairness headline indicator

The Fairness headline indicator uses data from the ONS's Effects of Taxes and Benefits on Household Income to compare how after-tax incomes differ between the richest and poorest households in the UK.

We have used after-tax income data so that the effects of the UK's progressive income tax system, and any changes made to it, will be reflected in the indicator. In practice, this means that the inequality between households appears *lower* than it would if pre-tax income data had been used, because higher earners pay a higher rate of income tax. However, it is worth noting that if taxes such as the UK's flat-rate Value Added Tax, and non-income-dependent Council Tax had been factored into the indicator, we would see higher levels of inequality in the results. However, the lack of an established and robust methodology for doing this prevented us from including these other taxes in the data.

The data are presented at the household level, which means that the incomes of families or other groups who live together within a single household have been added together. Using data about household incomes, rather than individuals' incomes, acknowledges that people living within a single household usually benefit from pooling at least some of their living costs. The income of each household is adjusted to take account of the make-up of that household, so that different households, with different numbers of adults and children in them, are made comparable with one another.¹⁶⁸ This is a standard technique widely used by statisticians. Households are then arranged in order of this adjusted income measure, from lowest to highest, and a ratio of the average income of the lowest 10% of households and the highest 10% of households is created (known by researchers as the S90/10 ratio). This ratio offers a single number with which to compare the scale of inequality between the top and bottom tenths of the income spectrum.

It is worth noting that our measure does not capture the most extreme income inequality, because it uses the *average* income of the top and bottom 10% of the income distribution. As the Institute for Fiscal Studies has recently pointed out, even figures relating to the top 10% can mask the extreme inequality not only within the top 10% but also within the top 1% of the distribution. Commenting on the ONS's Households Below Average Income data for 2013, it observes that '[w]hile income at the 90th percentile is twice that at the median, income at the 98th percentile is nearly four times median income, and income at the 99th percentile is more than five times median income. In addition, there is huge inequality within the top 1%, which [the income dataset] does not capture'.¹⁶⁹ However, our view is that a measure broadly focused the top and bottom of the income distribution, rather than a measure focused on the very extremes, is more appropriate for use as a headline indicator about the state of the country overall.

In terms of data availability, there is currently a lag of over a year between the end of the financial year to which the income inequality data relate and their publication, which offers considerable scope for improvement.

The trend in the Fairness indicator

The trend in the Fairness indicator shown in Figure 7 shows the dramatic increase in inequality between the late 1970s, when the incomes of the richest tenth of households were between five and six times higher than the incomes of the poorest tenth, to a near doubling of inequality at its peak in 2001, when the incomes of the richest tenth of households were more than ten times greater than the incomes of the poorest tenth.

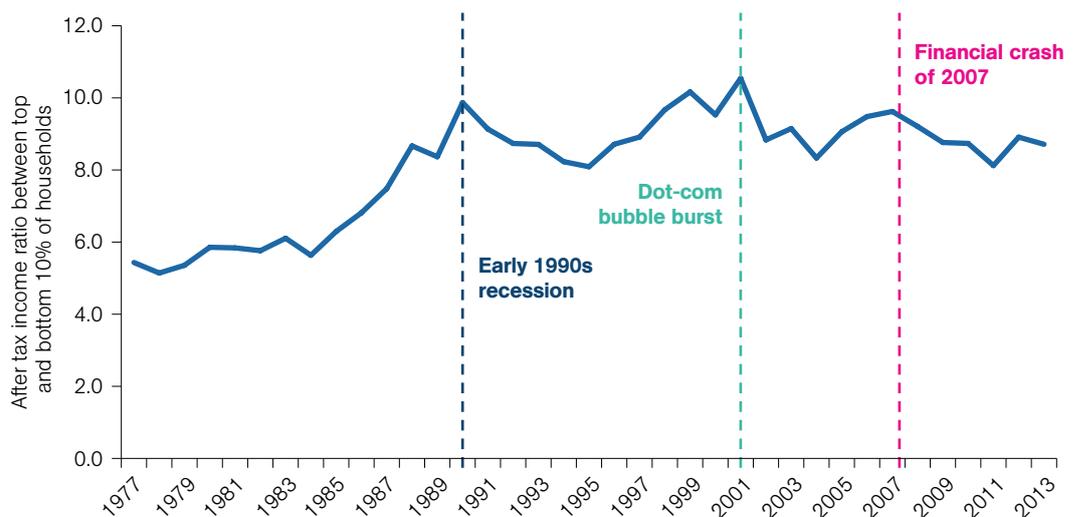
Figure 7 clearly illustrates that the only sustained reductions in inequality seen in the UK during the last four decades have followed times of significant economic downturn, such as the global recession that hit in 1990, the bursting of the dot-com bubble in 2001, and the financial crash of 2007. During these periods, the richest segment of society tends to initially lose most, as bonuses are cut and asset prices drop. At the same time, those at the bottom end of the income spectrum, whose incomes have less far to fall, and whose losses

are partially compensated for as the stabilising role of the welfare state kicks in, are affected less in absolute terms. As a result, inequality decreases. While the richest in society may suffer the greatest absolute loss, it is those at the bottom end of the income distribution who are most likely to feel the squeeze, because they spend the highest proportion of their income on immediate living costs. In the aftermath of such crashes, all too often policies aimed at spurring growth, such as tax breaks for businesses, help the rich to recover more quickly, while austerity exacerbates the suffering of those who have the least, and inequality begins climbing again.¹⁷⁰

In 2013, the latest year for which data is available, the richest tenth of households had incomes that were on average 8.7 times as much as the poorest tenth. Over the most recent four years of data, there has been an average year-on-year increase in inequality of 0.8%, as inequality begins climbing again after the decline induced by the financial crisis. In absolute terms, 2013 saw an average after-tax income of £73,726 being collected by the top 10% of households, compared to £8,462 by the bottom 10%.

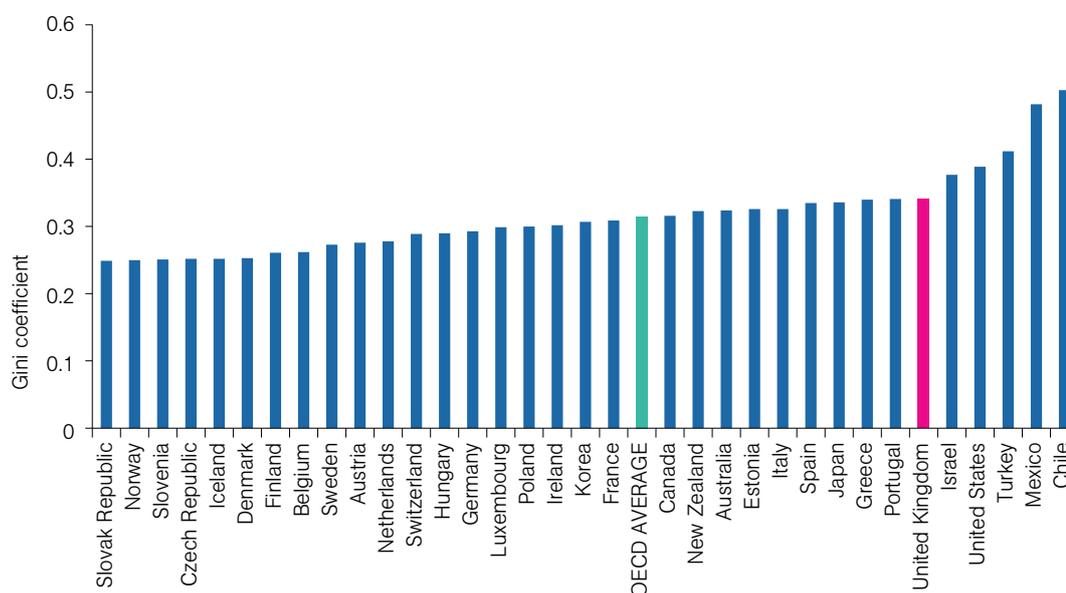
Comparing the UK's performance on income inequality to that of other countries suggests there is much we could do to ensure fairer economic outcomes. Figure 8 shows income inequality in 34 high-income countries (those who are members of the OECD). Here, income inequality is measured by the Gini coefficient (the most common measure of inequality in international comparison contexts), where a value close to 0 signifies low inequality and a value close to 1 shows high inequality. This shows the UK as the sixth most unequal of these rich countries, and the most unequal of the EU member states in the OECD comparison group.

Figure 7. The trend in the Fairness indicator, 1977–2014.



Source: Calculated using data from the Office for National Statistics' Effects of Taxes and Benefits on Household Income.

Figure 8. Income inequality in OECD countries – Gini coefficient for 2012 or most recent previous year (lower values indicate lower inequality)



Source: OECD Income distribution database

Box 8: Beyond the headline Fairness indicator

In order to get a fuller picture both of the extent of fairness and unfairness economically, and also in the range of other outcomes discussed earlier, we recommend that a number of supplementary indicators are examined in addition to the headline Fairness indicator.

- **Summary statistics of income inequality:** Statistics such as the Gini coefficient which summarises the full income distribution and the Palma ratio which summarises the share of total income which goes to the richest 10% compared to the share of the poorest 40%.
- **A measure of wealth inequality:** Wealth inequalities, while based on accumulation and therefore slow to respond to policy action, determine people's unequal starting points in life, on which so many further inequalities then build.¹⁷¹ A measure of the ratio of wealth at the top and bottom of the distribution should therefore be included among the supplementary indicators.
- **A measure of gender inequalities,** for example the difference in median hourly pay between women and men.
- **A measure of inequalities between ethnic groups,** for example the wellbeing inequality between those from BME groups and White people.
- **An indicator highlighting the extent of health inequalities,** for example the difference in disability-free life expectancy between the top and bottom of the income spectrum.

How policy could improve performance on the Fairness indicator

While some people think that, in practice, there is very little that policymakers can do to reduce economic inequality,¹⁷² there is now a growing public appetite for action on inequality, discussed at the outset of this section. The significantly better performance of other countries on income inequality strongly suggests that as long as there is a will to act to improve the fairness of how incomes are distributed, then meaningful change can certainly be achieved.

There is no single policy route to reducing economic inequality. Some countries or regions, such as Sweden and the US state of Vermont, achieve low income inequality by focusing on the redistribution of income and provision of public services, whereas others, such as Japan and the US state of New Hampshire, legislate in favour of greater equality of earnings and incomes, reducing the need for redistribution.¹⁷³ Usually, policymakers will need to use elements of both these approaches in order to achieve lower inequality. But top-down redistributive policies which rely too heavily on taxing the rich are unlikely to be effective on their own.¹⁷⁴

One part of the solution may be to implement policy which makes affordable, high-quality childcare available to all parents in the UK. In the Nordic countries, universal childcare with a strong focus on education is provided by the state, 'to enable everyone to live a relatively high-quality life regardless of their labour market attachment'.¹⁷⁵ As well as increasing quality of life, making childcare available to all families has also been found to reduce economic inequality. Not only has it been found to support more mothers in two-parent or single-parent households into employment, it also helps close the income gap between households.¹⁷⁶ The associated reduction in child poverty and increased cultural capital of mothers has been found to be beneficial in terms of educational attainment of the children, who become more likely to go on to better paid employment in adulthood,¹⁷⁷ breaking the reinforcing cycle of inequality.¹⁷⁸

A policy which would address inequality more directly would be to ensure that companies set a maximum pay ratio – so the highest earners can earn only so many times more than the lowest paid members of staff. A number of UK businesses, such as John Lewis and TSB, have already implemented these sorts of policies, as has the American supermarket chain Whole Foods Market.¹⁷⁹ France has a rule of a maximum 20:1 pay ratio for public sector organisations – this had led to falling pay for a number of chief executives, including of the energy firm EDF.¹⁸⁰

5. Health



Average annual improvement of 1.8% over 4 years.

23% of deaths in England and Wales could have been avoided through good quality healthcare or public health interventions.

“Without good health you cannot work and [you cannot] help your family and community. Without health you cannot be positive or achieve your dreams.”
Participant in Oxfam Humankind Index public consultation¹⁸¹

Health matters

Everyone aspires to lead a healthy life. Being healthy is also a pre-requisite for achieving many other goals in life. While those of us with good health may not always appreciate it, a brush with illness often reminds us how fundamental health is to our lives. It is fundamental to government, too: the role of policy in producing good health goes far beyond the running of the healthcare system, to policy areas linked to the all the other indicators in our headline set.

Evidence from the consultations with the UK public which we have used as a key reference point shows that health is an absolute priority. Health came top in the two consultation surveys that asked the UK public about what is most important to measure (by the ONS and Oxfam),^{182,183} and second in the OECD's Better Life Index exercise that asked people to rate elements in order of importance to them.¹⁸⁴ In these consultations health was usually framed or measured in terms of health outcomes – for example, length of life and the degree of prevalence of illnesses. But the UK public also cares deeply about the healthcare system, particularly in the form of the National Health Service (NHS). Between January and June 2015, the NHS came top in 4 out of 6 monthly polls that asked people what they see as the most important issue facing Britain today.¹⁸⁵ The NHS is rarely out of the headlines, with recent warnings about rising diabetes,¹⁸⁶ obesity,¹⁸⁷ and the ageing population¹⁸⁸ putting unmanageable strains on the NHS, the likelihood that over-worked GPs may cause harm to patients,¹⁸⁹ the risk changes to legislation have created of the loss of universal NHS provision,¹⁹⁰ and the possibility of the current funding crisis requiring patients to be charged for use of NHS services.¹⁹¹ The sense that there is indeed an NHS funding crisis is almost universally shared: in 2014, 92% of British people believed that the NHS is facing a funding problem.¹⁹²

Why prioritise an indicator of Health?

We care about the NHS because we care about health. We also care because it seems to represent the best of the UK's public services more generally. While evidence suggests that concerns about the NHS are greater than those

about other public services,¹⁹³ the inclusion of Health among the headline indicators aims to acknowledge the importance that people attribute to public services as a whole, as well as to services supporting health specifically.

Of course, the role of protecting and promoting the nation's health is a matter for policy that goes far beyond the running of the NHS. The landmark Marmot Review into the UK's stark health inequalities between socio-economic groups – which present a key barrier to better health outcomes overall¹⁹⁴ – provided copious evidence of the social determinants of physical and mental health. Based on the evidence reviewed, it recommended policies to: address low incomes; promote early years development, school-based education and lifelong learning; improve access to good jobs; and create local communities with healthy, low-cost food readily available as well as good facilities for walking and cycling. It also recommended more traditional health behaviour policies to address obesity, smoking, and excessive alcohol consumption.¹⁹⁵ Health is therefore an issue that is sensitive to policy decisions across a very broad range of areas, which gives it a claim to particular, cross-cutting importance in policy-making overall.

Adding this importance within policy-making to the importance the public gives to health outcomes and to the NHS, creates an extremely strong case for the inclusion of a Health measure within the headline set.

The Health headline indicator

Our headline measure of Health uses the ONS statistic on avoidable deaths. This measures the proportion of deaths in England and Wales which were from causes considered avoidable through good quality healthcare or wider public health interventions. The list of avoidable causes of death was created through an expert review and consultation, and includes diseases such as tuberculosis; HIV/AIDS; a number of cancers including of the breast, skin, and lungs; diabetes; heart disease; diseases relating to alcohol and drug use; as well as deaths from transport accidents, other accidents, suicide, and homicide. The ONS explains that 'the basic concept of avoidable mortality is that deaths caused by certain conditions, for which effective public health and medical interventions are available, should be rare and ideally, should not occur.'¹⁹⁶

Our view is that this statistic succeeds in reflecting the different aspects of interest in health: in health outcomes, in the NHS, and in the extent to which other policy measures succeed in improving health. On the one hand, the improvement in the number of deaths from avoidable causes since 2001 (when records began) reflects a similar long-term trend in health *outcomes* such as life expectancy. On the other hand, the concept of avoidable deaths creates a strong link between health outcomes and health-related *policy*, including the NHS, because it includes deaths 'amenable' to healthcare treatment, and deaths 'preventable' by wider public health interventions.

We have chosen to base our indicator on avoidable deaths as a percentage of all deaths, a measure that is included as the leading statistic in the ONS's bulletin on avoidable mortality.¹⁹⁷ We regard this as the most easily communicable and understandable form of data on avoidable deaths, although for in-depth research purposes the closely related indicator of

avoidable mortality rate – which makes adjustments for the age structure and size of the population – is more likely to be used.

The indicator requires some care in its interpretation. It is not realistic to expect ever being able to eliminate ‘avoidable’ deaths entirely – there will always be some accidental deaths, for example. Deaths are counted as avoidable based on classifying *causes* of death into the amenable to healthcare and preventable categories, rather than being based on the individual circumstances of each death. For example, all deaths from pneumonia are regarded as avoidable, but of course, complexities of individual cases mean we should not expect even the best possible future healthcare to avoid all deaths from pneumonia. In addition, deaths treated as amenable to healthcare do not include deaths of those aged 75 and over, whose health needs are regarded as too complex to reliably assign to a single cause.¹⁹⁸ This means that the indicator may risk missing the effect of changes in health provision for older people.

Box 9: Improving data availability for the Health indicator

Two key improvements could be made to improve official data availability for the Health indicator.

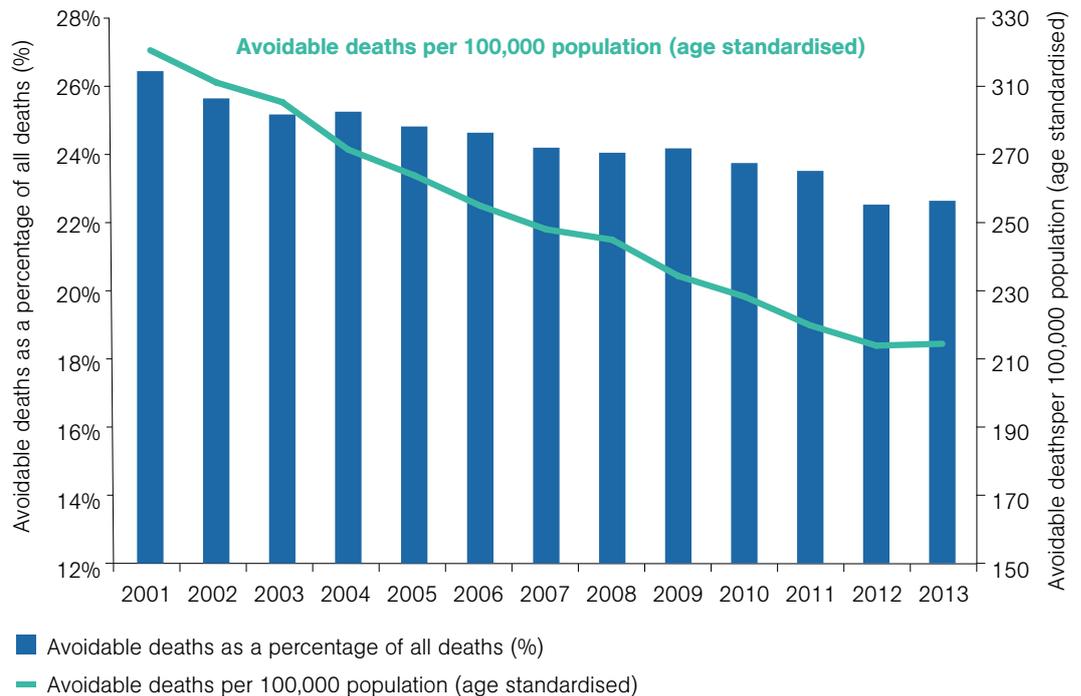
- **Coverage across the UK:** Like many health statistics currently produced by the ONS, the Health indicator applies only to England and Wales rather than to the whole of the UK. While this reflects the separately operating health services in the devolved administrations of Scotland and Northern Ireland, it seems that it should be possible for the countries of the UK to agree a common statistical framework to allow the measure to be produced for the UK as a whole. While no comparable official statistic is produced for Scotland, academic research has compared amenable mortality rates – for deaths considered avoidable through good quality healthcare – and found that they are lowest in England and Wales, higher in Northern Ireland, and even higher in Scotland, with Scottish men having a particularly high rate of amenable mortality.¹⁹⁹
- **Timeliness:** There is currently a lag of over a year between the end of the calendar year in which the deaths are registered and publication of the avoidable deaths figures, which offers considerable scope to be improved.

The trend in the Health indicator

Figure 9 shows the improving trend in avoidable deaths since 2001. In 2001, 26% of all deaths in England and Wales were from causes considered avoidable, compared to 23% in 2013, the most recent year for which data are available. While this is a clear improvement, the fact that over 1 in 5 deaths is considered avoidable suggests that much more could still be done by our healthcare system and through wider public health interventions.

The avoidable mortality rate – calculated as avoidable deaths per 100,000 people, adjusted to a standardised European population age structure – has fallen from 317 to 222 over the same period.²⁰⁰ It is interesting to note that the long-term drop in both statistics did not continue between 2012 and 2013, the latest available years of data, when in fact there was a small (but statistically insignificant) rise in the percentage of avoidable deaths. Further data will be needed before we can tell whether this is a lasting change in the trend.

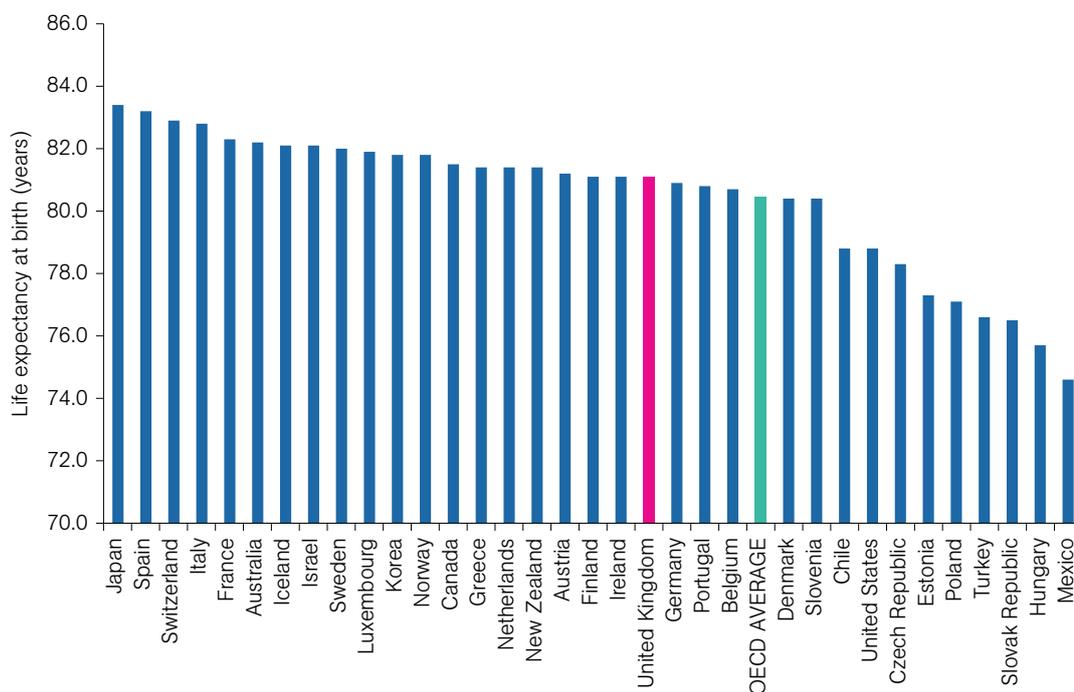
Figure 9. Avoidable deaths in England and Wales as a percentage of all deaths, and avoidable deaths per 100,000 population, 2001–2013.



Source: ONS, Office for National Statistics, *Avoidable Mortality* bulletin and *Vital Statistics* release

Avoidable death statistics still have 'experimental' status in the UK, and are not consistently produced by other countries. But comparing another statistic which is also based on the underlying mortality rate, life expectancy at birth, with that of other OECD countries shows the UK's performance is middling. As we can see in Figure 10, life expectancy in the UK is 81 years, while the most successful countries on this measure achieve more than two additional years of life beyond this. This result again points to considerable room for additional improvement on the UK's health outcomes, despite the improving trend on avoidable deaths.

Figure 10. Life expectancy at birth in OECD countries, 2013 or latest available data.



Source: Organisations for Economic Cooperation and Development, Key indicators, 2015

Box 10: Beyond the headline Health indicator

To get a more complete overview of the intersecting issues of health outcomes, the NHS, and public health policy than is possible from the single headline indicator of Health, we recommend a number of supporting indicators:

- **An indicator of overall health outcomes**, such as a measure of disability-free life expectancy (where disability includes long-term illnesses).
- **An indicator more directly focused on the quality of the health service**, such as the proportion of NHS staff who say they are satisfied with the quality of care they are able to give patients.
- **An indicator of the quality of health provision for the over-75s (who are not counted within many causes of death in the headline indicator)**, such as proportion of over-75s who say they are satisfied with their health care.
- **An indicator highlighting the extent of health inequalities between socio-economic groups**, such as the difference in disability-free life expectancy between the top and bottom of the income spectrum (which we have also recommended as a supporting indicator to the headline Fairness indicator).

How policy could improve performance on the Health indicator

Given its importance to the public, the NHS is already treated as a political priority, for example, being protected in recent years from the severe austerity policies imposed on other parts of the public sector.²⁰¹ But an approach to policy that really prioritised health outcomes would look considerably different to today. It would put into practice the wealth of recent insights generated by research about the way the structure of society affects health, prioritising the prevention of ill health, rather than waiting to treat it once it arises.²⁰²

This research suggests that many policy measures aimed towards improving the other indicators in our headline set would also contribute to improving performance on the Health indicator. As we saw earlier, improving health outcomes by reducing inequalities between social groups suggests the need for a policy focus on raising low incomes, which would also improve performance on the Fairness indicator; on improving access to Good Jobs; on promoting walking and cycling, which would improve the Environment indicator; and on strengthening communities, which would likely improve the Wellbeing indicator.²⁰³ Focusing on these indicators rather than on growth in GDP means it is likely to become much more straightforward to implement policies that may improve health while reducing profits for some businesses. Such policies might include anti-obesity taxes on junk food and sugary drinks, as implemented in Denmark, Hungary, and France,²⁰⁴ and as UK doctors have recommended;²⁰⁵ or a restriction on advertising targeted at children, as implemented in Quebec until the early 1990s, which research found reduced the likelihood of purchasing fast food by 13% a week in affected households.²⁰⁶

However, addressing healthcare expenditure and the NHS funding crisis discussed earlier may well have a role to play in improving performance on the Health indicator. OECD research has found a positive relationship between life expectancy and health expenditure per capita across OECD countries, with up to 40% of the increase in life expectancy since the early 1990s attributable to total health spending.²⁰⁷ Its figures show that, like its life expectancy performance, the UK's health expenditure is decidedly middling, at US \$3,235 per head, just below the OECD average of US \$3,453.²⁰⁸ Together, these results strongly suggest that additional expenditure on health could improve the UK's health outcomes. The question usually raised in response to this suggestion – How do we pay for it? – has a potential answer in the context of the headline indicator set, where revenue from redistributive policies used to address the Fairness indicator could be used to invest in health and other public services.

What next for the headline indicators?

For the headline indicators to achieve their aim of improving our social and economic policy-making, we will need to see a sustained push for their adoption from across British society. Fortunately, there are many signs that the movement for a broader vision of success, based on the things that people say really matter, is gaining momentum among governments, statistical offices, civil society organisations, and business.

Action to date

In 2008, the nascent 'Beyond GDP' movement received a significant boost, when the then President of France, Nicolas Sarkozy, set up a commission, headed by leading economist Professor Joseph Stiglitz, to examine the measurement of economic performance and social progress. Its report, published the following year, found that 'it has long been clear that GDP is an inadequate metric to gauge well-being over time, particularly in its economic, environmental, and social dimensions.'²⁰⁹ The report has proved extremely influential, with a number of national governments taking action in response. Examples include:

- The ONS's Measuring National Well-being programme, launched in 2010.²¹⁰
- The Welfare Compass – a relatively large set of indicators of population health and welfare and social and health services – produced by the Finnish government's National Institute for Health and Welfare.²¹¹
- The Italian national statistics office's *Benessere Equo Sostenibile* initiative to measure 'equitable and sustainable well-being' in 12 dimensions.²¹²
- The German government's citizens' dialogue initiative, reporting in October 2015, on 'Living Well in Germany', designed 'to identify yardsticks that can be used to pinpoint the many different facets of the quality of life'.²¹³

With somewhat separate origins, recent years have also seen the spread of the *buen vivir* (living well) development framework in Latin American countries, where it has been incorporated into the constitutions of Ecuador and Bolivia. It has been described as a development approach where the 'wellbeing of the people is a central concern... and it is not expected to result merely from the wealth spill over of economic growth'.²¹⁴

There has also been considerable action at inter-governmental level. A UN General Assembly resolution in 2011 recognised 'that the gross domestic product indicator by nature was not designed to and does not adequately

reflect the happiness and well-being of people in a country'.²¹⁵ In the same year the OECD launched its Better Life Index, measuring national success over 11 dimensions, and allowing website users to rank the dimensions according to their own preferences.²¹⁶ And the European Commission's European Statistical System recognises that 'GDP alone does not tell how well (or bad) people and our environment are doing', and is undertaking a pan-European programme of work to fill the statistical gaps 'in order to complement GDP with indicators that monitor social and environmental progress'.²¹⁷

Our view is that none of these initiatives has yet produced a succinct set of headline indicators that is resonant enough to genuinely capture headline media, political, and policy attention – hence our proposal. But this upsurge of interest in defining and measuring national success differently at government level will be a crucial ingredient if our proposal is to succeed.

Box 11: The Sustainable Development Goals

The recent adoption in September 2015 of the Sustainable Development Goals (SDGs) by UN Member States garnered worldwide attention.²¹⁸ These goals have their origin in the effort to renew the Millennium Development Goals (MDGs) which focused on improving conditions in developing countries. Unlike the MDGs however, SDGs apply to all countries, including the UK and other rich countries, as the goals aim to define the '2030 Agenda for Sustainable Development' which 'is a plan of action for people, planet and prosperity'.^{219, 220} Like all other signed-up countries, the UK will therefore be required to report its progress using indicators attached to the goals. The challenge faced by the UK will be maintaining political focus on the 17 headline goals, 169 related targets and more than 200 currently proposed (but not yet confirmed) indicators²²¹ during the coming 15 years. The adoption of a set of headline indicators, which draws attention to the aspects of the SDGs most pertinent for the UK context could be a crucial first step in cementing this focus. With a set of headline indicators embedded at the high-level of UK policy-making, the system of SDGs will have a much clearer and closer relationship to policy priorities than under our current, growth-dominated system of measurement.

It is also crucial that there is a much broader base of support if our headline indicator set is to have a highly influential role in the policy process. We start in the UK from an enviable position, with considerable civil society activity around the issue of developing new headline indicators, notably by Oxfam, the Carnegie UK Trust, Action for Happiness, the Fabian Society, the Legatum Institute, the Green Economy Coalition, the Young Foundation, and the Institute of Chartered Accountants in England and Wales.

Some forward-thinking British businesses are also rethinking what counts as success. Paul Polman, CEO of Unilever, has said that 'Business is here to serve society. We need to find a way to do so in a sustainable and more equitable way not only with resources but also with business models that are sustainable and generate reasonable returns.'²²² Similarly, Steve Waygood, Chief Responsible Investment Officer of insurance and pensions giant Aviva, has acknowledged the need for 'societal' and not just financial returns to be considered in business decisions: 'How do you stop the markets financing things that have negative long-term societal returns and should not be capitalised? For example, how do you stop the markets financing the companies that are causing problems like climate change?'²²³ Waygood

steered Aviva's efforts to convene the Corporate Sustainability Reporting Coalition of large financial companies, which acknowledged the importance of businesses measuring and reporting on non-financial outcomes if they are to be genuinely prioritised, and called for an international framework on non-financial company reporting to be developed.²²⁴

The relationship of the British political mainstream to the issue of new headline indicators has been mixed, but there are signs that the agenda has laid down important roots. Prime Minister David Cameron has expressed clear interest in the issue, speaking about 'General Well-Being' as Leader of the Opposition in 2006²²⁵ before returning to the subject as Prime Minister in 2010 to launch the ONS's Measuring National Well-being programme. Shortly afterwards Conservative Minister David Willets said that policymakers had become 'trapped in the model of GDP'.²²⁶

Since then the agenda has been side-lined by the Conservatives' overriding political focus on deficit reduction. Nor has the Labour Party been seen to regularly address the idea of new headline measures, but it is interesting to note that influential Labour MP Jon Cruddas has recently become co-chair of the All-Party Parliamentary Group on Wellbeing Economics.²²⁷ In 2014, this Group proposed a shift away from a standard growth-led approach, with the recommendation that 'Stable and secure employment for all should be the primary objective of economic policy. Steady and sustainable growth should be prioritised over absolute levels of national income as a means to this end, and policy should address work insecurity as a priority.'²²⁸

In Scotland, while the SNP has implemented the National Performance Framework of headline targets and indicators, the Scottish Government continues to cite delivering sustainable economic growth as its key purpose.²²⁹

Polling data suggest that it would certainly benefit politicians to pursue the agenda. In a recent international survey of members of the public in 11 countries, only 23% favoured the statement that governments 'should measure national progress using money-based, economic statistics because economic growth is the most important thing for a country to focus on', while 68% of respondents favoured the statement that 'Health, social and environmental statistics are as important as economic ones and the government should also use these for measuring national progress.' Support for broader indicators was highest in the UK and Australia, with 81% of respondents in both countries favouring this option.²³⁰

Next steps

For our headline indicators to improve public, media and political focus, the ONS's role is crucial. Box 12 recaps our call on the ONS from the first section of this report. But action by the ONS will not, on its own, be enough. For the indicators to be regarded as highlighting credible policy priorities there will need to be a demonstrable demand for them to be used as such from across British society.

While changes to official statistics can be slow, fortunately, much can be made of the indicators before they are officially adopted as headline statistics. Civil society organisations, the media, business, and academia can start using the indicators to:

- Hold government to account for its performance on the things that matter most to people.
- Place policy issues in a bigger picture context, for example by relating particular topics or campaigns to the indicator set in reports and public communications.
- Provide a means for collaboration with other organisations, by helping to identify how different specific aims contribute to shared overall goals.
- Help amplify and strengthen calls for government action, by making demands within a common framework.

Even after the incorporation of the headline set into official statistics, it will be necessary to sustain these kinds of society-led actions to ensure concerted political and policy focus on the indicators.

While this report has focused on the UK, we hope and expect that UK policy leadership on headline indicators will lead to similar efforts elsewhere. We therefore encourage those in other countries to adapt our proposal for their own contexts, and for similar society-led action to create momentum behind succinct headline indicator sets of their own.

As a starting point, we hope that everyone who shares our vision of the UK measuring its success with five headline indicators of Good Jobs, Wellbeing, Environment, Fairness, and Health – to ensure policy reflects what really matters to people – will sign up to show their support at www.neweconomics.org/headlineindicators

Box 12: Our ask of the ONS

We call on the ONS to make significant revisions to its Measuring National Well-being indicators, to ensure that they fulfil their intended role of shifting policy focus. Specifically it should:

- Adopt the five headline indicators of national success set out in this report as the top layer of headline indicators in the Measuring National Well-being set.
- Produce a secondary layer of indicators within the Measuring National Well-being set that supports these headline indicators, with strong consideration given to the inclusion of the supplementary indicators suggested throughout this report.
- Re-name the indicator set to avoid the confusing title 'Measuring National Well-being' and make clear that its purpose is to measure national success overall, which includes, but goes beyond people's individual wellbeing.
- Re-allocate resources as necessary to ensure timely production of the headline statistics even if this requires cut-backs elsewhere, for example, publishing two rather than three estimates of GDP each quarter.
- Give the publication of the headline indicators highest prominence within the ONS's schedule of data releases – for example, publishing regular updates and briefing papers.

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