



Institute for
Sustainable
Futures

Submission on Measuring what matters

Prepared by
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About the Institute for Sustainable Futures

The Institute for Sustainable Futures (ISF) is an interdisciplinary research and consulting organisation at the University of Technology Sydney with over 100 research staff and students. ISF has been working collaboratively since 1997 with governments, businesses, organisations and communities to create change towards sustainable futures. Our work in Australia and around the world aims to protect and enhance the environment, human well-being and social equity. We work with financial system participants to advance sustainability, prosperity and well-being through sustainable finance and investment. We deliver bespoke research and capacity building services with a focus on partnering to establish a sustainable finance learning ecosystem.

Summary

Thank you for the opportunity to make a submission on the important work to progress a well-being framework for Australia.

We support the introduction of a national framework to measure progress and well-being and propose a series of mechanisms with the objective of encouraging the integration of well-being indicators across the Australian economy and society.

The utility and purpose of well-being indicators

There has been considerable international focus on the development of well-being indicators, driven in large part by dissatisfaction with the role of gross domestic product (GDP) as an indicator of national progress.

The criticism of GDP, which we share, is that it does not measure a nation's social and environmental progress/well-being. Indeed, the creator of the GDP indicator, Simon Kuznets, warned against using it as an indicator of a nation's welfare. The establishment of a national set of well-being indicators has the capacity to positively impact on social, environmental, and economic outcomes. As the Stiglitz-Sen-Fitoussi Commission argued, "What we measure affects what we do".ⁱ

GDP as a national indicator of progress developed over an extensive period. It has been argued that the usage of GDP by the United States as a mechanism to manage military planning and production during World War II cemented its importance as a national indicator.ⁱⁱ It became a globally standardized indicator for measuring the size of a company's economy following the Bretton Woods Conference in 1944.

GDP is now used, not only by governments to inform policy, but universally. In particular we note the role that GDP plays in financial markets, the setting of interest rates as well as influencing the actions of banks and investors. GDP is also linked to governance and investment at an international level. The level of a nation's GDP has the capacity to influence inflows of aid, foreign investment and membership of powerful international organisations such as the G20. This is problematic given the narrow scope of what GDP is able to measure.

Our view is that the Australian Government should aspire to well-being indicators that are universally applied across the Australian economy and society. While we note the significant debate on the importance of specific indicators, the focus of this submission is on the overall approach and institutional arrangements that are needed to support the effective integration of well-being indicators.

Australia's history in well-being measures

The Government's Statement 4 Measuring what Matters as part of the 2022-23 Budget Papers, gives an outline of frameworks used by other countries and rightly recognises the OECD's work and Better Life Index as a benchmark for developing Australia's Well-being framework.

While Australia can draw on many documented lessons learned by other countries, it is also important to consider the work done by the Australian Bureau of Statistics, Australian academics, NGOs, State and local governments over the past 20 years, when developing Australia's Measuring what Matters framework:

- An initiative to develop the Australian National Development Index (ANDI) in the early part of the 2010s saw a close collaboration between the Australian Bureau of Statistics and the not-for-profit organisation ANDI. The intention of the collaboration was to augment the ABS's Measures of Australia's Progress (MAP) with additional societal and environmental progress measures. Any new framework for Australia would benefit of a close investigation of the work done by the ABS and ANDI and its citizens consultations in 2013. There is great value in telling a longitudinal story of Australian 'progress' and hence the work done by the ABS and ANDI over the last 15 years seem important context for any new Australian framework.
- The 2013 MAP reportⁱⁱⁱ and the Progress in Australian Regions Yearbook 2017^{iv} offer good examples of indicators that were identified as relevant at the time. They also identified indicator gaps, which would be

important to test during the 2023 consultation whether those indicator gaps are still what matters to people.

- To measure what matters requires clear definitions of what measures matter to whom and why they are an indication of well-being of Australian society and its environment. Any definitions of this kind need to go beyond politics and are best defined by citizens to ensure the longevity of a framework capable of surviving partisan political processes. We would propose that there is an important role for deliberative and inclusive processes, such as citizen assemblies, to involve citizens in decision-making on matters of such national significance.^v

Integration of well-being indicators

Legal force

Legislating a well-being framework would ensure that it is locked into government activities.

A 2020 amendment to New Zealand's Public Finance Act 1989 requires the Government to set well-being objectives for its annual Budget.^{vi}

The Welsh Well-being of Future Generations Act provides a legally binding common purpose for public bodies in Wales and requires public bodies to carry out duties under the Act by law.^{vii}

Goals based

As part of legislating a well-being framework, goals and objectives should be established.

New Zealand has five well-being objectives which are intended to support sustained investment across multiple Budget cycles to address significant challenges.

The overarching objective of the Welsh Well-being of Future Generations Act is to improve "the social, economic, environmental and cultural well-being of Wales." This objective is supported by seven well-being goals. The goals provide a shared vision for public bodies and they are required to work to achieve all of the goals.^{viii}

A common agenda

If broader indicators of well-being are to gradually replace the universal use of GDP, it is important to work towards a common global well-being agenda. While national indicators should always consider the unique circumstances of each nation, there are opportunities to work towards standard categories of well-being indicators across nations. This requires intergovernmental collaboration. The OECD has been a leader in this space but other initiatives such as the Wellbeing Economy Governments partnership (WEGo) are also emerging (<https://weall.org/wego>). We encourage learning from the experiences of other governments and working with them towards consistent frameworks for measuring well-being.

Integration into public body processes.

Well-being indicators should be integrated into the processes of public bodies such as the Reserve Bank of Australia.

New Zealand has embedded its well-being approach into its annual Budget process and in the wider public finance system.^{ix} It requires that policies consider impacts across the well-being dimensions.

The Welsh Well-being of Future Generations Act applies to national and local government, local health authorities and other public bodies. These bodies are required by law to carry out sustainable development. This includes requirements to publish well-being objectives to contribute to achievement of the well-being goals and to take steps to meet the objectives they have set.

Regular progress reporting

Regular reporting is important for accountability and to build user confidence. We propose annual progress reporting.

New Zealand publishes an annual Wellbeing Outlook in its annual Budget Policy Statement, based on the Living Standards Framework. Treasury is required to produce a well-being report at least once every four years to describe the state of well-being in New Zealand and how this has changed over time, and the sustainability or risks to New Zealand's well-being.^x

Welsh Ministers are required to set national indicators and progress milestones, which are the basis of an annual progress report. Ministers also publish a Future Trends Report within the 12 months after an election.^{xi} Welsh public bodies are required to publish an annual report showing the progress they have made in meeting their well-being objectives.

Institutional engagement and oversight

There are a range of mechanisms that the Australian Government could resource to support integration of a well-being framework across the Australian economy and society. In the first instance we support the proposal of the Stiglitz-Sen-Fitoussi Commission to establish a series of national roundtables to consult on institutional structures that can support the integration into a broad range of activities.

Wales has appointed a Future Generations Commissioner to act as “the guardian of future generations.”^{xii} The Commissioner oversees the long-term impacts of the decisions made by policy-makers and public bodies. The Commissioner monitors progress against well-being objectives and, every five years, publishes the Future Generations report which includes advice to public bodies on setting and meeting well-being objectives. Public bodies must publish their responses to recommendations made by the Future Generations Commissioner.

Bhutan case study

In addition to the well-being frameworks outlined in the Budget Statement, we suggest it is worth considering Bhutan as a case study for how to consider national well-being. Bhutan's Gross National Happiness Index, (GNH) although originating from a ‘least developed country’, offers valuable insights for Australia's framework. The Index itself emerged from a strong philosophy and vision of what matters to the people of Bhutan. This vision was expressed by the 4th King in his now famous statement “Gross National Happiness is more important than Gross National Product”.^{xiii} Happiness in this context does not refer to fleeting moments of pleasurable feelings or emotions but to a deep sense of contentment derived from multidimensional well-being.

A multidimensional Index was developed with support from Oxford University's Poverty and Human Development Initiative and includes 9 key pillars: Good governance, Living standard, Education, Health, Cultural diversity and resilience, Community vitality, Time-use, Psychological Wellbeing, and Ecological diversity and resilience. A set of 33 indicators inform these domains which are used in government reporting. Most importantly though, the vision of GNH is enshrined in Bhutan's Constitution and places the responsibility with each government for creating the conditions for GNH.

“The State shall strive to promote those conditions that will enable the pursuit of Gross National Happiness”^{xiv}.

Through this development philosophy, Bhutan's government takes a multi-dimensional view of what matters in life beyond material wealth. It puts the well-being and happiness of its people as the ultimate goal.

GNH as an overarching development philosophy was operationalised in Bhutan through a number of tools:

- the GNH Index as an alternative progress measurement tool
- the GNH policy screening tool to guide balanced and holistic policy decisions
- GNH initiatives applied in the education system.

The Bhutanese government used the policy-screening tool to ensure only policies, which enhance, or at least do not weaken, the GNH Index are implemented. The use of this tool for example led to the government decision not to join the World Trade Organisation as it considered this decision to weaken GNH. In Bhutan, GNH tools are actively being used by the government as a compass for decision-making on policies, budget allocations and programs.

Economic growth is recognised as one of many criteria for achieving happiness for Bhutanese citizens. The following statement from one of Bhutan's National Human Development Reports describes the government's approach as deliberate and balanced, recognising economic growth as one means among many rather than a goal in itself:

"Economic growth has never been regarded in the Bhutanese development philosophy as an end in itself nor viewed as a panacea to the holistic socio-economic progress of the country and well-being of its people. It is nevertheless deemed essential for furthering human development progress and for attaining GNH, the ultimate goal of the development process."^{xv}

The key lesson from Bhutan's approach is that indicators, supported by a strong vision, policy screening tools and reporting requirements provide for a holistic approach to building the conditions for well-being. A range of indicators will be useful, not necessarily condensed into a single index.

Skills and capabilities

Well-being indicators by their nature are complex and impacted by a range of factors. There is a need to develop skills and competencies at multiple levels, including educational curricula and private sector engagement, to ensure that there is an understanding of the implications of particular indicators. Noting that GDP as a concept has been integrated into economics curricula for decades.

If the Australian workforce is not appropriately skilled to support achievement of well-being objectives, it could delay achievement of objectives. We propose that there is a need to assess the knowledge, skills, expertise and competencies required to achieve well-being objectives and to develop a comprehensive approach to address the skill needs. **Skills identification and development should be an integral consideration in development of a well-being framework.**

Full and effective implementation of a well-being framework is likely to involve new ways of thinking and doing across the public and private sector in Australia and changes to traditional roles. Skills requirements are likely to evolve. Skills will need to be constantly updated to reflect evolving management and regulatory practices, the continued evolution of scientific knowledge and the need to reallocate capital to transition-supporting activities.

Australia's education and research sectors have an important role to play building the sustainability and well-being-related skills for Australia's future. A Skills Partnership is proposed as a mechanism to institutionalise coordination and collaboration on skills development across Australia's education and research sectors, government, corporates, the finance sector and regulators.

Challenges

Martine Durand, OECD Chief Statistician, noted at a 2019 OECD event on integrating well-being metrics into Policy,^{xvi} that developing a well-being framework and measuring and publishing indicators results is the easy part. Embedding them into policy is the challenge. Durand argued that the barriers to successful uptake are political, technical and practical including:

- Political resistance
- Lack of clarity on how a wellbeing approach would create change in policy making and outcomes-analytical research is required to show that adopting a well-being approach actually makes a difference
- The need to change tools and models to provide a more integrated and holistic approach
- The need to measure better and collect better evidence

According to Durand, successful integration therefore requires strong political support and leadership, mindset change and engagement with the whole machinery of public service. Analysis is needed to identify the gaps in technical expertise. Importantly, frameworks and indicators must be used as tools to prioritise policy to actually create change and a combination of mechanisms is required to really embed well-being policy. Collaboration and engagement are essential.

Endnotes

- ⁱ Stiglitz, J.E., Sen, A. and Fitoussi, J.P., 2009. Report by the commission on the measurement of economic performance and social progress, p7.
- ⁱⁱ Lorenzo Fioramonti, The world after GDP, Economics, Politics, and International Relations in the Post-Growth Era, 2017
- ⁱⁱⁱ <https://www.abs.gov.au/ausstats/abs@.nsf/mf/1370.0>
- ^{iv} <https://www.bitre.gov.au/publications/2017/regional-yearbook-2017>
- ^v For an overview of citizen assemblies and related methods, see Participedia: <https://participedia.net/method/4258>.
- ^{vi} <https://budget.govt.nz/budget/2022/wellbeing/approach/objectives.htm>
- ^{vii} [Well-being of Future Generations \(Wales\) Act 2015, Essentials Guide](#)
- ^{viii} <https://www.futuregenerations.wales/about-us/future-generations-act/>
- ^{ix} <https://budget.govt.nz/budget/2022/wellbeing/approach/index.htm>
- ^x <https://www.treasury.govt.nz/publications/strategies-and-plans/wellbeing-report>
- ^{xi} [Well-being of Future Generations \(Wales\) Act 2015, Essentials Guide](#)
- ^{xii} <https://www.futuregenerations.wales/about-us/future-generations-commissioner/>
- ^{xiii} <https://ophi.org.uk/policy/gross-national-happiness-index/>
- ^{xiv} Bhutan's Constitution of 2008, p10, https://www.constituteproject.org/constitution/Bhutan_2008.pdf?lang=en
- ^{xv} Royal Government of Bhutan, 2005. Bhutan National Development Report 2005, p22. https://www.undp.org/sites/g/files/zskgke326/files/migration/bt/Bhutan_NHDR_2005.pdf
- ^{xvi} Remarks from Martine Durand OECD Chief Statistician and Director of the Statistics and Data Directorate at the OECD event Putting Well-being Metrics Into Policy Action, 3-4 October 2019, Paris. <https://www.oecd.org/statistics/Well-being-metrics-into-policy-action-october-2019-programme.pdf>