

Measuring what matters

Treasury submission from Ross Wyatt, Think Impact – 31 January 2023

Introduction

Think Impact congratulates Treasury for its commitment to *measuring what matters to improve the lives of all Australians*. Embodied in this important ambition is the notion of using the data to improve the lives of all Australians through the levers available to Government including policy, legislation, regulation, tax structures, information provision and incentives.

As the global human population passes 8 billion (from 3 billion when this author was born) and nears the limits of all reasonably accepted theoretical limits, it is timely (beyond timely many might say) to shift the overriding public dialogue on progress from the narrow perspective of GDP growth. Perhaps 'what matters' has more to do with quality of all Australian's lives, the equity of wellbeing, our role in the region, and the ability of the natural environment to sustain the generations to come. I am reminded of the warning Nobel Prize winning economist, Simon Kuznets, included in his submission to the US Senate in 1932 in which he defined the concept of Gross National Income for the very first time. Kuznets warned:

*'Economic welfare cannot be adequately measured unless **the personal distribution of income is known**. And no income measurement undertakes to estimate the reverse side of income, that is, **the intensity and unpleasantness of effort going into the earning of the income**. **The welfare of a nation can therefore scarcely be inferred from the measurement of national income as defined herein'***

This submission is structured around six perspectives on the application of the *OECD Framework for Measuring Well-being and Progress* to Australia, as follows:

- **Observations on criteria** – a brief observation on the limitations of the criteria set and a recommendation to improve
- **Indicator materiality** – some suggestions for determining which indicators might be more material at a national level
- **Indicator organisation** – some considerations for recognising that these indicators should not be seen as a list, but rather can operate to tell a highly contextualised narrative of wellbeing and progress in a complex system
- **Indicator critiques** – a brief assessment of each individual indicator
- **What's missing** – some recommendations to fill potential gaps
- **Disclosure and action** – some observations on how these indicators might be promulgated to contribute to public discourse on progress and used to drive Government action.

About Think Impact

Think Impact comprises a team of specialists in social impact, social return on investment, sustainability, evaluation, and impact-led design. Think Impact provides industry, government and for-purpose organisations with rigorous, independent analysis and communication of social impact. Our goal is to support organisations to manage for better impact.

Think Impact is a Certified B Corporation, a United Nations Global Compact participant and a GRI Community Member.

Observations on criteria

While there is little question that the six criteria proposed to assess criteria (relevant, complete, measurable, comparable, reliable, understandable) make sense in themselves, they do not ensure that the indicator is linked to a preferred outcome other than 'relevance to a policy priority'. We believe that the criteria should (in addition to the above six) include a further criterion which might best be described as 'veracious' – that is, that the indicator tells the 'truth' about the degree to which *progress* or *wellbeing* is being achieved

A useful example might be found in OECD Indicator 13 – HOUSEHOLD INCOME, *Household net adjusted disposable income per capita*. Such a measure does not take into account the distribution of household income. In other words, an increase in income among already high-income households will increase the mean income per capita but will not result in *progress* or *wellbeing* for the population as a whole. In fact, such a shift (such has been witnessed in recent years) can increase wealth inequality and so represent *negative progress* and *reduced wellbeing* for the majority. A recent study by UNSW and ACOSS suggests that while mean household income has increased in recent decades, this increase has been disproportionately experienced in high-income households meaning that wealth inequality has risen sharply with the top 10 per cent of households by wealth now owning 46 per cent of all wealth and the bottom 60 per cent of households by wealth now owning just 17 per cent.

Household net adjusted disposable income per capita can therefore be considered to have less veracity in measuring progress or wellbeing than a measure which captures distribution of income or wealth.

We recommend that the inclusion of 'veracious' as a criterion will substantially increase the integrity of the resulting indicators.

Indicator materiality

When considering the concept of 'measuring what matters', the notion of 'what matters' cannot be underestimated. Questions such as 'For whom does it matter?', 'Who decides what matters?', and 'What is the process for determining what matters?' become of paramount importance.

We recommend the introduction of a broader national conversation and a transparent process in determining the relative materiality of the indicators contained within the OECD Framework for Progress and Wellbeing to support more informed policy making and improved accountability for actions taken to improve national progress and wellbeing.

Indicator organisation

Wellbeing indicators are often complex and unwieldy. The OECD Framework for Progress and Wellbeing contains 82 indicators covering 15 policy areas. There are 36 headline indicators of which 32 have adequate data. Such a framework's understandability and utility can be improved with useful organisation and an underlying narrative providing a picture of national progress and wellbeing.

The complexity of wellbeing frameworks is compounded by the large numbers of wellbeing frameworks which exist across time and geographies. To stand out and engender serious adoption, the final indicator framework must widely capture the imagination of governments and communities.

We recommend that resulting framework be presented in a way which enables users to 'see' the categorisation, relationships, interactions and interconnectedness of the indicators. The current list of 36 headline indicators presented as an alphabetical list do not tell the deeper story of the systemic move towards (or away from) national progress and wellbeing.

Indicator critiques

In the individual critiques in the following table “No comment” indicates we are supportive of the indicator’s inclusion or have no special knowledge to qualify a critique.

Measuring What Matters – Indicator critiques					
#	Indicator	Definition	OECD Rank	Aus Value	Critique
01	Educational attainment among young adults	Share of young adults (aged 25 to 34) with at least an upper secondary education	13/37	90.9%	This is largely a retrospective indicator, and little can be done to create change in the short/medium-term. Given the extensive data (Heckman 2022) showing early investment in a child’s development leads to lifetime earnings, tax revenue, quality of life, productivity and reducing health, welfare and corrective services costs – an indicator relating to early childhood development should accompany this.
02	Employment rate	Share of the adult population (aged 25 to 64) who report having worked in gainful employment for at least one hour in the past week	18/38	78.2%	The challenge of underemployment is increasingly frequent especially as the workforce experiences increased casualisation. This indicator does little to address this challenge and in fact hides underemployment by setting the bar at ‘one hour in the past week’. Indicator 16 – Labour underutilisation rate, goes some way to answering these questions and should be presented in conjunction with Employment rate.
03	Exposure to outdoor air pollution	Share of the population living in areas with a high degree of air pollution. (Those with annual concentrations of fine particulate matter (less than 2.5 microns in diameter) exceeding 10 micrograms per cubic metre.)	4/38	0.004%	No comment
04	Financial Net worth of General Government	Total value of general government assets minus the total value of its outstanding liabilities, as a percentage of GDP	15/37	-29.8%	There is increasing realisation and debate around the actual nature and (un)importance of national fiscal debt. The debt/surplus debate is largely utilised as a ‘political football’ with little (or poorly understood) connection to national progress and wellbeing. Suggest it is used as a fiscal measure rather than a wellbeing measure.
05	Gender Gap in Feeling Safe	Gender gap in the share of people declaring that they feel safe when walking alone at night in the city or area where they live	37/37	30.1%	No comment

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06	Gender Gap in Hours Worked	Minutes of paid and unpaid work per day that women work in excess of men among the working age population.	9/24	15 mins	No comment
07	Gender Parity in Politics	Number of women parliamentarians as a share of total filled seats (lower/single house of parliament)	20/38	31.1%	This should be extended to include the proportion of women/gender-diverse people who hold ministerial portfolios and leadership positions. This is important because it is the public who elect representatives but the parties who select portfolio-holders and leadership roles.
08	Gender wage gap	Difference between male and female median wages as a share (%) of the male median wage (for full-time employees)	23/38	12.3%	No comment
09	Greenhouse Gas Emissions	Tonnes of CO2 equivalent per capita	38/38	20.5t	This measure does not include emissions from land use, land-use change and forestry (LULUCF). LULUCF emissions are likely to be a material issue in Australia and should be included.
10	Having a say in government	Share of people who feel that they have a say in what the government does	16/29	67.7%	No comment
11	Homicides	Number of deaths due to assault per 100,000 people	22/38	0.9	No comment
12	Household debt	Total outstanding debt of households as a share of household net disposable income	30/34	203.0%	No comment
13	Household Income	Household net adjusted disposable income per capita (USD 2015 PPP)	4/32	\$37,656	<p>This indicator does not take into account the distribution of household income. <i>Indicator 25 – S80/S20 Income share ratio</i> goes some way to answering this question but the quintile approach is too ‘blunt’ not indicate where the opportunity to improve really exists – in the top 5 per cent.</p> <p>An increase in income among already high-income households will increase the mean income per capita but will not result in progress or wellbeing for the population as a whole. In fact, such a shift (such has been witnessed in recent</p>

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					<p>years) can increase wealth inequality and so represent negative progress and reduced wellbeing for the majority. A recent study by UNSW and ACOSS suggests that while mean household income has increased in recent decades, this increase has been disproportionately experienced in high-income households meaning that wealth inequality has risen sharply with the top 10 per cent of households by wealth now owning 46 per cent of all wealth and the bottom 60 per cent of households by wealth now owning just 17 per cent.</p> <p>Household net adjusted disposable income per capita can therefore be considered to have less veracity in measuring progress or wellbeing that a measure which captures distribution of income or wealth.</p>
14	Household Wealth	The difference between all financial and nonfinancial assets owned by households and all their financial liabilities	2/29	\$277,824	Similar to critique of indicator 13 above, mean household wealth is only meaningful when coupled with the degree of equity in the distribution of that wealth. Household wealth by decile would make a useful starting point.
15	Housing Affordability	Share of household gross adjusted disposable income that remains available to the household after deducting housing costs.	11/35	81.3%	This is a highly material topic for Australia and worthy of a closer examination. We suggest inclusion of an indicator demonstrating the proportion of housing stock in Australia that is deemed 'affordable housing'
16	Labour underutilisation rate	Share of the labour force that is either unemployed, underemployed, or discouraged	28/34	20.8%	An important measure in an increasingly casualised workforce.
17	Life Expectancy	Number of years a child born today could expect to live based on currently prevailing age-specific death rates	5/38	83.2 yrs	No comment
18	Life Satisfaction	Summary measure of life satisfaction based on survey responses against a scale from 0 to 10, where 0 means 'not at all	18/33	7.5	No comment

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		satisfied' and 10 means 'completely satisfied'			
19	Long hours in paid work	Share of employees whose usual working hours are 50 or more per week	30/36	12.5%	No comment
20	Material Footprint	Tonnes per capita, the global allocation of used raw material extracted to meet the final demand of an economy, including materials used in the production of imported products	36/38	46.8t	No comment
21	Negative affect balance	Share of people with more negative feelings than positive feelings	17/38	11.6%	A somewhat blunt instrument but important to maintain consistency of methodology.
22	Premature mortality	Potential years of life lost due to a range of medical conditions and fatal accidents, per 100,000 population	11/38	3408.8	No comment
23	Produced fixed assets	Value of a country's stock of produced economic assets, per capita at 2020 PPP	9/33	\$155,840	No comment
24	Red List Index of threatened species	Index of the overall extinction risk of species within a country. (A value of 1 on the Index implies that all species qualify as "least concern" and 0 implies that all species have gone extinct.)	30/38	0.816	No comment
25	S80/S20 income share ratio	Ratio of the average (equivalised) household disposable income of the top 20% to that of the bottom 20%.	24/37	5.6	A potentially valuable indicator of income equity but the quintile approach (top and bottom 20%) obscures the real challenge. Suggest closer examination of top and bottom 5%.

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#	Indicator	Definition	OECD Rank	Aus Value	Critique
		(Higher ratio implies greater income inequality).			
26	Social Interactions	Number of hours spent per week interacting with friends and family as a primary activity	4/24	8.0	It is not known if this interaction includes virtual/on-line interaction as social. This shift would be useful to understand as digital adoption increases.
27	Social support	Share of people surveyed that report having friends or relatives that can assist them when needed	19/38	91.7%	No comment
28	Student skills in science	Average (mean) score per country on Programme for International Student Assessment (PISA) tests that are conducted every three years for 15-year-old students in OECD countries	12/37	503.0	No comment
29	Students with Low Skills (science)	Share of 15- year-old students below OECD Programme on International Students Assessment (PISA) level 2 in science. There are 6 levels in the PISA tests.	15/37	18.9%	No comment
29	Students with Low Skills (maths)	Share of 15- year-old students below OECD Programme on International Students Assessment (PISA) level 2 in maths. There are 6 levels in the PISA tests.	23/37	22.4%	No comment
29	Students with Low Skills (reading)	Share of 15- year-old students below OECD Programme on International Students Assessment (PISA) level 2 in reading. There are 6 levels in the PISA tests.	15/36	19.6%	No comment

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#	Indicator	Definition	OECD Rank	Aus Value	Critique
30	Time Off	Time allocated to leisure and personal care per day among people in full-time employment.	19/20	14.3 hrs	No comment
31	Trust in government	The share of the population that express confidence in the national government	16/38	51.9%	No comment
32	Voter Turnout	Number of votes cast in major national elections, as a share of the population registered to vote	1/38	89.8%	No comment
33	Access to Green Space	The share of the urban population with access to recreational green space within 10 minutes' walking distance from their home	N/A	N/A	Suggest inclusion in the OECD How's Life? Or ABS Time Use Survey (TUS). "How easy is it for you to access public parks and gardens?" (scaled)
34	Gap in Life Expectancy by education	The gap in life expectancy among people with low (no schooling, primary and lower secondary educational attainment) and high (tertiary) education at age 25	N/A	N/A	Very important to measure to support certainty of early childhood education.
35	Trust in Others	The average on a normalised scale of whether people feel they can trust others	N/A	N/A	Scanlon Institute have been mapping social cohesion consistently since 2007 across 5 dimensions: Belonging, Worth, Social inclusion and justice, Participation and Acceptance and rejection. This would provide a useful picture of an important aspect of national progress.
36	Overcrowding Rate	The share of households living in overcrowded conditions.	N/A	N/A	No comment

What's missing

The current set of OECD indicators provide a relatively comprehensive picture from an individualist perspective. The question of how we exist relative to others is largely missing from the framework and provides a clear opportunity for improved measurement. This could include:

- Greater focus on the underlying principle of equity in income, wealth, service access, housing, education and health. How equitably are these distributed is a key determinant of progress and national wellbeing. As the old adage goes – *Equity is not like pie. Just because I have more does not mean you get less.*
- A greater focus on how we exist and mutually support each. This could include better measurement of social cohesion, social participation and access to social infrastructure.

Disclosure and action

Finally, all of this measurement means little if it is not widely disclosed, discussed and acted upon. This will require Treasury to publish results in formats that are digestible for many audiences, especially the wider public. It will also require governments to formalise their policy development processes in direct response to national wellbeing data.

It is our fervent hope that one day soon, our progress and wellbeing as a nation will be discussed, understood and actively shaping public policy in the way the pursuit of GDP growth has in the past. Perhaps we can heed Kuznet's warning from 90 years ago and recognise *'the welfare of a nation can therefore scarcely be inferred from the measurement of national income as defined herein'*

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