

# Stating the obvious?

- The case for integrated public policy

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**September 2007**



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## About Relationships Forum Australia

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Relationships Forum Australia is a not-for-profit organisation that aims to promote the importance of relationships as a fundamental ingredient of individual and community wellbeing. The Forum's activities are governed by an honorary Board, whose participants have had a ten-year association with the Cambridge (UK)-based Relationships Foundation.

Relationship Forum's current work is directed mainly at researching, from a relational perspective, critical issues in the areas of politics, economics, business and society – and to promote its key findings in these spheres. It also aims to provide education and training to advance the understanding and implementation of relational principles in public and private life in Australia and beyond.

[www.relationshipsforum.org.au](http://www.relationshipsforum.org.au)

## About Relationships Foundation

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Relationships Foundation is a think tank based in Cambridge, UK, working for a better connected society. A company limited by guarantee registered in England and Wales, Relationships Foundation believes that a good society is built on good relationships, from family and community to public service and business.

Relationships Foundation studies the effect that culture, business and government have on relationships; creates new ideas for strengthening social connections, and campaigns on issues where relationships are being undermined. Relationships Foundation also trains and equips people to think relationally for themselves.

Relationships Foundation works with a wide range of leaders in business, academia, public services and politics to implement relational ideas. Its approach goes beyond the traditional left-right political distinction and the it works with any party or group that wants to engage with it.

[www.relationshipsfoundation.org](http://www.relationshipsfoundation.org)





# About the Authors

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## Paul Shepanski

Paul is Executive Director of Relationships Forum Australia. He has 18 years of international senior management experience. From 1987 to 1999, he worked with The Boston Consulting Group where his clients included some of the region's most significant consumer businesses, including leaders in the areas of retailing, banking, telecommunications and travel. He served as the managing partner of BCG's Auckland office in 1997 and 1998. From 1999 to 2001, Paul served as Group General Manager e-Commerce for Qantas Airways.

Today, Paul lives in Sydney with his wife, Alison, and two daughters, Rebecca and Natasha. He is an executive director of an Internet-based travel business, Jetabroad, and works in his local community through his church. Paul also enjoys writing, playing and recording music.

## Dr Michael Schluter

Michael is Chief Executive of Relationships Foundation based in Cambridge, UK. He trained as an economist before working as a research fellow with the International Food Policy Research Institute and a consultant for the World Bank in East Africa.

In 1982 Michael established the Jubilee Centre, a Christian think tank focusing on social and economic issues. In 1994, he launched Relationships Foundation, and through this has been instrumental in setting up two further charities, one to tackle urban unemployment (Citylife), and the other for high-level peace initiatives (Concordis International.). He is co-author of *The R Factor* and *The R Option* and has contributed to numerous other books looking at social issues and public policy from a relational perspective.

## John Ashcroft

John Ashcroft is Research Director of Relationships Foundation and specialises in public service reform. He leads the Foundation's work on assessing and developing relationships, and on the development of relational thinking as a policy agenda. He has co-authored and contributed to several books including *Relationships in the NHS* (Royal Society of Medicine Press 2000), *Trust in Experience* (Radcliffe 2001), *The Case for Inter-professional Collaboration* (Blackwell 2005) and *Jubilee Manifesto* (IVP 2006).

## Dr Bill Hurditch

Bill is Vice-Chairman of Relationships Forum Australia, and is a principal and director of The Fifth Estate, a Sydney-based consultancy firm. His business interests include strategic development and issues management for businesses in the natural resources and environmental services sectors. He acts in an advisory role for a number of major Australian companies. In 1990 and 1991, he was a visiting scientist at Oxford University where he taught ecology and resource management. He was Executive Director of the NSW Chamber of Mines from 1993 to 1995, and Executive Director of the NSW Forest Products Association for the 10 years prior to that.

Bill is married with three young-adult children, and lives in Sydney.



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## **Executive Summary**

# Executive Summary

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A perplexing feature of many modern Western democracies is that despite sustained economic growth, people are becoming cynical and jaundiced about the performance of their governments. As national elections approach in both Australia and the UK, there is palpable unease in the electorate. In Australia, despite overseeing an unprecedented period of economic prosperity over the last decade, by its own reckoning the federal government faces the real possibility of defeat in the upcoming poll. In the UK, prolonged growth seems to have served only to heighten concerns about social issues.

This discontent brings into focus the question of whether our governments are effective in serving the interests of those who elect them. More specifically, the suitability of the current policymaking paradigm, centred on *economic* analysis, is brought into question. The potential *social effects* of policies generally are admitted only insofar as the ruling economic assessment framework is able to accommodate them. And it is only recently that policymakers have recognised the vulnerability of the *environment* and sought the tools necessary to address that crucial sphere of life in their assessments.

## The Changing Face of Government

In the late 20<sup>th</sup> Century, pragmatism gained favour in those national political systems dominated by two parties. Progressively, in both Australia and the UK, differentiation along the traditional left-right spectrum has given way to a form of politics where the major parties are no longer so clearly set apart. In this environment, sound economic management has come to the fore as the key defining characteristic of ‘good government’. Today’s ‘left wing’ political leaders are now economic conservatives.

In recent times, economic issues have been decisive in both UK and Australian elections. In the UK, with New Labour, Tony Blair succeeded in dominating national politics for longer than any ‘left wing’ predecessor. In Australia, John Howard’s conservative coalition government has ridden the wave of good economic times for more than a decade, winning four straight elections.

The substantial benefits of economic growth are undisputed. However, there has been a dawning awareness in the Western world of the shortcomings of seeking to govern a country from a predominantly economic perspective. Economic prosperity is no longer viewed as an end in itself, if in fact it ever was.

## The Next Step: Governing for True National Wealth

Few would disagree that economic output alone is a poor measure of a nation’s well-being, character or true wealth. Still today, neither the social nor the environmental dimensions of policy are commonly regarded as contributors to growth or wealth.

But the mood is changing. Recently, there has been growing pressure for governments to broaden the agenda, to accommodate more directly the ‘non-economic’ key areas affecting those they represent – specifically, those factors having a negative impact on the environment and social relationships. An approach to public policy that more explicitly integrates social and environmental dimensions is required. Key to achieving such integrated public policy will be the adoption of the appropriate form of assessment of public policies and their outcomes.

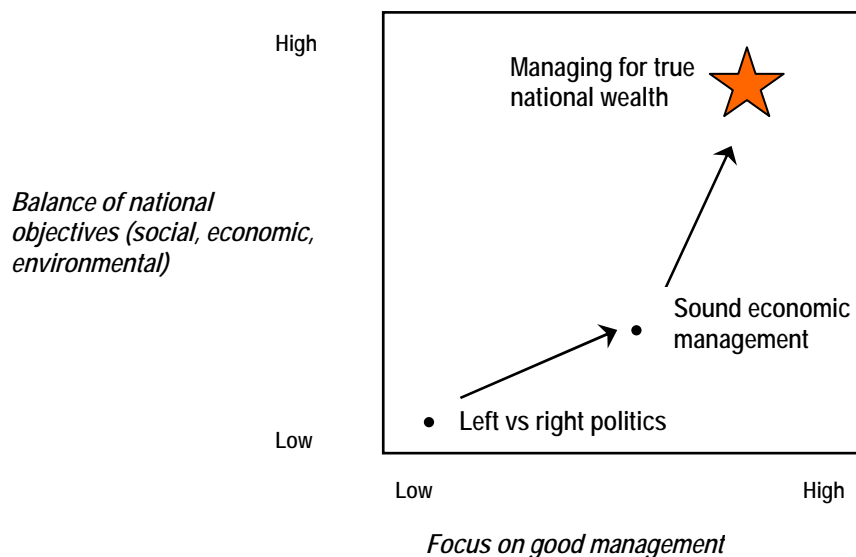
The common approach taken by mainstream economists today is to attempt to accommodate ‘externalities’, such as potential social and environmental outcomes, within an overarching economic construct. Where possible, they use the mechanics of markets to address spheres of activity where markets do not operate or where markets are perceived as ‘failing’. This approach is

unsatisfactory because it tends to force artificial ‘pricing’ of non-economic outcomes or demands a relative weighting of factors that are incommensurable.

We suggest an alternative approach: that all public policies be assessed according to their contribution to *true national wealth*. True national wealth recognises the validity of progress inherent in all three areas of national life – economic, environmental and social – without requiring artificial conformance with an economic construct.

In today’s policymaking context then, having been freed from the restrictive focus of left vs right politics to be able to concentrate on sound economic management, the next step for government is to move to managing for true national wealth (see Exhibit 1). Governing a nation to build its true wealth along the three dimensions – economic, environmental and social – is the appropriate primary role of government, rather than to focus on maximising production and consumption as indicated by measures of economic output such as GDP per capita.

## Exhibit 1 Progress towards good government



## Measuring True National Wealth

‘Wealth’ and ‘progress’ are defined in different ways according to the particular nature of each of the three dimensions. Accordingly, measures pertinent to each dimension must be applied.

Measures of national economic performance and wealth generation have continued to be developed and refined over the last two centuries. Today, measures such as the rate of change in output, measured by growth in *gross domestic product* or *gross national product*, are universally agreed and well understood.

In the field of environmental measurement and assessment, major strides have been made over the last 25 years; a broad consensus has been reached with regards to the aspects of the environment that should be measured and what gauges and methodologies should be employed.

Unlike the economic and environmental dimensions, there is as yet, no broadly agreed, comprehensive model for assessing social progress. This is a serious impediment to the making of informed decisions by government. Whether or not measures are in place, the social impacts of public policy are felt.

In particular, existing measures concerning the way we live together – at home, in the workplace and in the general community – tend to be relatively abstract and distant from the quality of the underlying relationships that are at the core of our social cohesion and wellbeing.

Techniques developed by Relationships Foundation provide a basis for incorporating relational measures in public policy assessment, including:

- Identification of key groups of relationships in the community
- A preliminary set of relational indicators specific to each of the groups
- An understanding of the underlying characteristics of relationships that contribute to social wealth
- Insight as to the mechanisms by which public policy can affect the underlying attitudes and behaviours that determine the quality of relationships.

## Assessing The Contribution Of Policies To Building True National Wealth

Integrated public policy that seeks to build true national wealth requires a two-tiered approach:

- Individual policies must be assessed along all three dimensions: economic, environmental and social
- The complete set of public policies should be considered iteratively, to ensure that the sum of the policies is sufficient to deliver anticipated results on each of the three dimensions.

Only when all three components of true national wealth are considered in concert can assessment of public policies consciously target progress, as defined by those whom those policies are intended to serve.

## Governing for True National Wealth

Successful integration of the three dimensions of public policy, beyond an adapted form of economic assessment, will require a coordinated response across government departments, including:

- *Clearly established economic, environmental and social objectives* relating to all areas of government
- *An agreed framework for policy assessment* that addresses all three dimensions
- *Adoption of language* that effectively communicates economic, environmental and social goals, so as to engage the community and other stakeholder groups
- *Agreement on appropriate measures for the relational aspects of the social dimension.* Relationship Foundation's relational proximity analysis provides a sound starting point
- *An organisational response within government* so that responsibility, accountability and funding are aligned, taking into account departmental boundaries and multiple levels of government
- *Staffing and training within public service departments* to ensure competence in conducting integrated policy assessments
- *Immediate attention to critical pressure points* in people's lives and for our natural environment.

Against the backdrop of the centre position now shared by major political parties in Australia and the UK, the adoption of a true national wealth approach opens the way to a political landscape where vision and leadership can come to the fore:

- Integrated public policy lends itself to a longer-term perspective and thereby to focusing on the big decisions that will define the nature of our national communities.

- Approaching national elections, an integrated perspective on public policy provides a framework for each political leader to communicate an alternative vision and how he or she proposes that it may be achieved. Differing philosophies regarding the appropriate role of government will come to the fore as political parties describe the nature and extent of their proposed involvement.
- National governments can play an important role in promoting integrated policy assessment in the realms of state/local government, business and the professions.
- Governments can influence households and individuals to consider how their attitudes and behaviours align with the broader interests of the community.

We live in a world of ever-increasing complexity. The degree to which future governments achieve clarity of purpose, by addressing the three dimensions of true national wealth in an integrated way, will bear critically on the society we leave to our children and grandchildren.





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**Main Report**



# Preface

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Governments should seek to serve the interests of those they represent. This would seem a statement of the obvious. However, policymaking in Australia and the UK remains captive of a paradigm that is centred on economic analysis. Generally the potential social effects of policies are admitted only insofar as the ruling economic assessment framework is able to accommodate them. And it is only recently that policymakers have recognised the vulnerability of the environment and sought the tools necessary to address that crucial sphere of life in their assessments.

In March this year, Relationships Forum Australia released its report, *An Unexpected Tragedy: evidence for the connection between working hours and family breakdown in Australia*. The major findings of the project have been broadly accepted: that over the last 30 years of economic growth, the lives of Australians have become dominated by work and that this has a potential negative impact on social relationships, particularly within families. Similarly, there is widespread acknowledgement of a range of other relational problems within Australian society, including high levels of violence against women, harsh treatment of asylum-seekers, increased levels of racial tension and few signs of progress in the relationship between indigenous and white Australians.

It is not hard to identify a range of policy options that could provide better support for relationships. However, it is difficult to say with certainty what specific actions federal and state governments should take to address these social ills. While it is clearly a key mandate of government to provide the social infrastructure necessary to support relationships and to protect the physical and emotional health of individuals, particularly children, there is lack of an agreed framework to assess the relative merits of policy options and to determine the best means of addressing pressing social issues.

In April, Relationships Foundation in the UK released its report on well-being, *Thriving Lives*<sup>1</sup>, which reviews the rise in interest in concepts of well-being and considers the policy implications of recognising that relationships are key to well-being. An earlier UNICEF report that placed the UK last out of 21 countries in a ranking of children's well-being had touched a raw nerve.<sup>2</sup> Both the content of social progress, and the means of achieving it, have been brought to the fore in UK political debate. The Conservative Party has released a report entitled *Breakdown Britain*, cataloguing the extent and consequences of social fragmentation. Labour's response to this has not been to deny the problems, but rather to claim that they offer better solutions. With the main political parties now agreeing broadly on the basis of economic success, differing views on the nature of social progress – and the best means to achieve it – provide the primary basis for political differentiation.

Given the currency of the topic in Australia and the UK, Relationships Forum Australia and Relationships Foundation have collaborated to survey current thinking on how social concerns can best be incorporated into the public policy agenda and to propose a way forward.

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<sup>1</sup> [www.relationshipsfoundation.org/download.php?id=171](http://www.relationshipsfoundation.org/download.php?id=171)

<sup>2</sup> UNICEF, 2007. *Child Poverty in Perspective: An Overview of Child Well-Being in Rich Countries. Innocenti Report Card 7*, UNICEF and Innocenti Research Centre, Florence.

# 1. Introduction

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As national elections approach in Australia and the UK, there is palpable unease in the electorate. Despite overseeing an unprecedented period of economic prosperity in Australia over the last decade, by its own reckoning the federal government faces the real possibility of defeat in the upcoming poll. In the UK, prolonged growth seems to have served only to heighten concerns about social issues.

Significant new theoretical work on alternative measures of sustainability and well-being is having little influence on policymaking. Non-economic factors are not yet sufficiently integrated into the determination of policy; the social and environmental goals and impact of specific policies typically are inadequately considered of secondary importance. Significant social problems are often left unattended as the dominant economic framework for prioritising and implementing policies fails to acknowledge the legitimate claims of other critical criteria. For example, the Australian Government's recent initiative to address the plight of children in indigenous communities in the Northern Territory has only been taken when the matter was perceived as reaching crisis point.

Commentators have suggested a number of reasons why this situation has arisen and why it has proved so difficult for governments to respond:

- Policymakers are working with the wrong goals and measures – they should therefore focus on alternative measures of progress and well-being that are not confined to economic growth

- A changing political landscape as parties seek to colonise the centre ground but with a consensus on the role of markets as the key to productivity growth
- Changing voter behaviour as interests and identities become more diverse.

In such a context of political uncertainty, this report seeks to do five things:

- To explain why good economic management has become the agreed focus of both governing and opposition parties in Australia, and the UK (Section 2)
- To show why concentrating on outcomes in the economic dimension alone is inadequate, and to examine the forces now compelling policy makers to adopt a framework that encompasses the three dimensions of true national wealth: the economic, the environmental and the social (Section 3)
- To outline the economic, environmental and social measures that must be factored into public policy so as to integrate all three dimensions (Section 4)
- To provide examples of how integrated public policy assessment can work in practice (Section 5)
- To define the challenge for political parties of all persuasions to embrace integrated public policy, and the task for those in government who must evaluate and deliver policy within that new paradigm (Section 6).

## 2. The Changing Face of Government: From Left vs Right Politics to Sound Economic Management

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*There's no black and white, left and right to me anymore; there's only up and down and down is very close to the ground. And I'm trying to go up without thinking about anything trivial such as politics. They has got nothing to do with it. I'm thinking about the general people and when they get hurt.*

Bob Dylan, 1963

*It's the economy, stupid!*

Bill Clinton (after James Carville), 1992

\* \* \*

The critical issues that shape the political agenda shift considerably over time – sometimes quite swiftly.

Philip Bobbitt has traced how the core role of the state has evolved over several centuries from protecting territorial integrity to providing welfare, and from there to enabling citizens to engage in global markets.<sup>3</sup> And, of course, politics has always provided a battleground for competing groups, whether they be landowners and peasants, owners of capital and workers, or social conservatives and liberals.

In the 20<sup>th</sup> Century, it was the “left vs right” divide that dominated politics in the UK and Australia, the Left representing primarily the interest of labour and the Right those of capital. Over the last two decades, the focus of the Left has shifted towards social liberalism, moving from championing the cause of labour to a more general concern that the welfare of communities – including the health of social networks that comprise them and the environments in which they live – be balanced with upholding the rights of individuals within those communities.

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<sup>3</sup> Bobbitt, Philip, 2002. *The Shield of Achilles: War, Peace, and the Course of History*, New York: Alfred A. Knopf.

At the same time, pragmatism has gained favour in those national political systems dominated by two parties. Progressively, in both Australia and the UK, differentiation along the traditional left-right spectrum has given way to a form of politics where the major parties are no longer so clearly differentiated.<sup>4</sup> Today's ‘left wing’ political leaders are now economic conservatives.

The American political duopoly has been in place for many years, with a resulting tendency for both Republicans and Democrats to appeal to the ‘median voter’<sup>5</sup>. However, it was only in 1983 that the Labor Party, under Bob Hawke, managed to capture the middle ground in Australia. In 1997 Tony Blair's ‘New Labour’ followed suit in the United Kingdom. In each instance, a highly charismatic leader defied grass roots trade union support to take up much of the opposing conservative agenda. As a result, both Hawke and Blair succeeded in dominating national politics for longer than any respective ‘left wing’ predecessor.

In 1992, when the United States faced recession, Bill Clinton's successful Democratic election campaign was founded on his recognition of the fundamental requirement of good economic management. Hence his catch-cry: ‘It's the economy, stupid!’

There are powerful reasons why economic outcomes have dominated as the primary yardstick of domestic policy on this shared central ground:

- A strong economy provides opportunities and benefits to a broad cross-section of the population. As the

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<sup>4</sup> See, for example, McKnight, David, 2006. *Beyond Right & Left - New Politics and the Culture Wars*, Allen & Unwin, Sydney

<sup>5</sup> Congleton, Roger, 2002. *The Median Voter Model* in C. K. Rowley and F. Schneider (Ed.s) (2003), *The Encyclopedia of Public Choice*, Kluwer Academic Press; and Arrow, Kenneth J. 1987. Hotelling, Harold, in: *The New Palgrave: A Dictionary of Economics*, v. 2, pp. 670-71.

economic tide has lifted all boats, large and small, the traditional shared interest of the working class has dissipated. In Australia, the divide between capital and labour has been lessened by the move to private superannuation (pension provision), so that all working Australians have some shared interest in the performance of big business. Effective management of growth keeps inflation in check, so that investment decisions can be made in a stable financial environment. This reduces risk, and therefore the cost of capital, for companies and helps individuals to manage their mortgage repayments and other household commitments. Critically, a strong economy provides funding for support of social and environmental initiatives.

- A strong economy helps sustain high levels of employment. There is shared recognition across the political divide that unemployment is a serious social ill, contributing to a range of other problems in society. Managing the economy to sustain a high level of employment, and thereby to minimise unemployment and the fear of unemployment, is one of the highest priorities in the development of public policy.
- Economic gains and losses are readily measured and quickly felt by the electorate, which has shown itself to be quick to punish adverse outcomes.
- It is generally considered that governments now have the tools necessary to manage the economy. Consensus on what constitutes good economic management, availability of timely information regarding inputs and outcomes, and a mix of monetary and fiscal tools to stimulate or dampen the economy, together provide the necessary means for national governments to take action.
- To a degree, 'non-economic' factors can be included in economic assessment. Economic analysts recognise the potential for so-called 'market failure' – non-financial

- negative impacts of public policy.
- To some extent, economic modelling provides the opportunity to accommodate such outcomes, thereby 'internalising the externalities'. Environmental, social and family impact statements are other means of incorporating these elements into a predominantly financially driven methodology.
- Sticking to an economic agenda reduces the risk that government will stray into areas that are the realm of personal responsibility. Maintaining focus on economic, rather than environmental or social, outcomes lessens the likelihood of government 'over-regulating' and moving towards a 'nanny state'. The primacy of economics is reinforced by the highly subjective definitions of 'happiness', difficulty in measuring it and the tendency for individuals' reported happiness to be independent of external factors.<sup>6</sup>

In recent times, economic issues have been decisive in both UK and Australian elections. In the UK, the defeat of Labour under Neil Kinnock in 1992 was attributed significantly to 'tax bombshells', whilst the ejection of the pound from the European Exchange Rate Mechanism later that year cost the Conservatives their lead in reputation for sound economic management. Gordon's Brown emphasis on 'prudence' and sticking to Conservative spending plans alongside pledges not to raise income tax were essential in making Labour 'safe' for middle class voters.

In Australia, John Howard's conservative coalition government has ridden the wave of good economic times for longer than a decade, winning four straight elections.

At the same time, there has been a dawning awareness in the Western world of the shortcomings of seeking to govern a country from a predominantly economic perspective. Economic prosperity is no longer viewed as an end in itself, if in fact it ever was.

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<sup>6</sup> Cummins, R.A., Lau, A.L.D. and Davern, M. (forthcoming). Homeostatic Mechanisms and Subjective Wellbeing. In: Land, K.C. (Ed.) *Handbook of Social Indicators and Quality-of-Life Studies*. Springer, New York

### 3. The Next Step: Governing for True National Wealth

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'Wealth': ME *welthe*, from WELL or WEAL (well-being or health) + TH

*Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things... gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile...*

Robert Kennedy, 1968

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Few would disagree with Robert Kennedy's observation made some 40 years ago that economic output alone is a poor measure of a nation's well-being, character or true wealth. Still today, the lack of integration in public policy can be seen in the fact that the language of the economy is the *generation and distribution of material wealth*, while social policy is seen in terms of *public spending to address specific social issues*. And environmental policy is seen in terms of *mitigating damage*: sustainability and the protection of natural resources. Typically, neither the social nor the environmental dimensions of policy are seen as contributors to, or components of, growth or wealth. Yet it is undeniable that watercourses can be cleaned and that relationships can be nurtured and healed.

And the mood is changing. Recently, there has been growing pressure for governments to broaden the agenda, to accommodate more directly the other key areas affecting those they represent – specifically, those factors having a negative impact on the environment and social relationships. This is particularly notable in Australia and the UK where national governments continue to oversee an

unprecedented period of economic prosperity but have, nonetheless, experienced a significant loss of public support.

There appear to be at least three primary reasons for this shift in the interests of the electorate:

- Individuals do not as readily identify with a single political party or perspective. Forty years ago, most people would associate themselves with a political party on the basis of their type of work and social status. In recent times, identity has become more complex: it is increasingly a self-reflexive concept – a project of the individual – with each person, in practice, having multiple identities.<sup>7</sup> For example, the average Australian worker is, at once, a property owner, an employee and a shareholder in big business, through a growing interest in private superannuation (pension provision) if not through direct ownership of shares. The different interests of these multiple identities – many of which are not economic – cannot map simply onto any single political dimension such as left vs right.
- With economic prosperity has come a greater sensitivity, across the broad population, to problems in the environmental and social spheres, and concern that deliberate action be taken to protect these aspects of national life. Of course, social objectives have always been important in politics; over recent decades, issues such as crime, health,

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<sup>7</sup> Abdelal, R., Herrera Y., Johnston A., and McDermott R. 2006. Identity as a Variable, In: *Perspectives on Politics* Vol 4 No. 4 December. The authors suggest that there are four main components to the content of social identity: the constitutive norms (formal and informal rules that govern groups membership), social purposes (goals shared by members of the group), relational comparisons (identities defined by comparison to other groups) and cognitive models (the worldviews or understandings of political and material conditions and interests shaped by particular identities).

education, and immigration have consistently featured as voter concerns and have been major areas of government activity and spending. However, 'quality of life' issues such as air quality and crime levels have moved up the list of priorities as voters seek to benefit from economic prosperity in all areas that affect their lives and the lives of their families and communities.

- With greater job security and higher levels of income, a wide range of other factors influencing whether one is coping or not with life have assumed greater importance. Some examples are: working time hours and flexibility (especially for working mothers); commuting times; sense of connectedness with family, friends and the local community; knowledge that our children and grandchildren will be able to enjoy the natural beauty of their surrounds, and that they will live in a nation where the rights of the weak are adequately protected.

At the same time, there has been growing recognition that the performance of national economies is increasingly independent of the direct control of governments:

- Growth is global, and thus not driven primarily by sound economic management at the domestic level
- Even larger economies such as those of the UK and Australia, find themselves, increasingly, small boats on a big sea. Best-practice economic management is assumed, with recognition that success is as much a product of the workings of the global economy as an outcome of domestic policy formulation.<sup>8</sup>
- Transformation of the global economy has placed downward pressure on wage rates
- A central bank's role in setting interest rates, critical in the determination of monetary policy, has been deliberately separated from government control. Interest rates are now largely set by international trends.

<sup>8</sup> Over the last two decades, Australia has increased markedly its level of participation in the global economy. Although always dependent on foreign demand for agricultural and mining output, today to a greater extent than ever before, Australia's fortunes rise and fall with the health of its trading partners.

So, the global context demands greater emphasis on government's role as a risk manager. As a government is less able to control short-term domestic economic performance, public policy must focus on limiting volatility and providing insulation from potential negative economic and social outcomes that may arise from global factors beyond the direct control of government.

Broadening government's agenda to deal with more than economic growth is essential to avoid a number of threats to social and personal well-being, for example:

- To avoid successive rises in government budget outlays required to meet social and environmental costs, particularly in a competitive international tax environment where business can relocate relatively easily to lower tax regimes
- To minimise the impact of changes in family and community life which impact negatively on the relational skills of workforce or educational attainment
- To ensure negative consequences of 'the market' on social outcomes are addressed, e.g. to address the impact of the labour market on pre-school learning.

These factors combine to build mounting pressure for an approach to public policy that more explicitly integrates social and environmental dimensions. Key to achieving such integrated public policy will be the adoption of the appropriate form of assessment of public policies and their outcomes.

## Alternative Measures

There are four identifiable approaches to including assessment of 'non-economic' elements (protecting the environment and the promotion of social objectives) in the assessment of public policies:

1. Recognising the economic contribution of 'non-economic' factors
2. Seeking to incorporate 'non-economic' factors in economic analysis
3. Attempting to develop a single index of national progress that integrates the various dimensions of progress



4. Undertaking a discrete assessment of the dimensions of progress.

*methods of welfare economics and the related philosophical tradition of utilitarianism.”<sup>9</sup>*

1. Recognising the economic contribution of ‘non-economic’ factors

Economists generally agree that there is more to a government’s role in maintaining and building a country’s well-being (quality of life or welfare) than the straightforward promotion of material prosperity. The first classical economist, Adam Smith, saw the ‘invisible hand’ of the market operating for the public good. Nonetheless, he saw benefit in a government intervention to ensure that its people were well educated. But his intention in this regard was ultimately economically motivated: to ensure that an appropriately skilled labour force could deliver maximum value for society.

Today, it is broadly agreed that such an approach is inadequate because it fails to recognise the *intrinsic* value of aspects of well-being beyond their contribution to economic wealth. So education is more than increasing the value of ‘human capital’; it is about personal development and the ability to contribute to social life in the community.

2. Seeking to incorporate ‘non-economic’ factors in economic analysis

The common approach taken today by mainstream economists is to attempt to ‘internalise externalities’ by including factors such as environmental and social outcomes into economic analysis. The UK Treasury’s *Green Book* and the Australian Treasury’s *Wellbeing Framework* demonstrate how these core government departments seek to take non-economic aspects of progress into account. So, the Australian Treasury writes:

*“Treasury has developed a wellbeing framework to underpin analysis and advice across the full range of our public policy responsibilities. The framework is drawn from broadly applicable economic principles, which are Treasury’s comparative advantage in the provision of policy analysis and advice to Government...”*

*...Consistent with Treasury’s grounding in the intellectual history of economics, the Treasury wellbeing framework draws primarily on the*

This approach seeks, where possible, to use the mechanics of markets to address spheres of activity where markets do not operate or where markets are perceived as ‘failing’. At the project level, non-economic factors are often transformed into financial data so as to contribute to a single criterion for project evaluation. Techniques to establish the monetary values of potential social or environmental impacts generally involve the inference of a price ‘through either a revealed preference or stated preference approach’<sup>10</sup> To give just one example, the monetary value of an amenity such as peace and quiet may be analysed by comparing the price of two houses in contrasting locations – one with peace and quiet and one without. Of course, in practice it is impossible to identify identical houses in different locations, and the values of homes in different localities will vary according to other factors, so that the difference in house prices due to the environmental amenity is, at best, a rough estimate.

Traditional cost-benefit analysis and its derivatives are also often used to evaluate the desirability of governments intervening in markets. The costs and benefits are evaluated in terms of the public’s willingness to pay for them (benefits) or willingness to pay to avoid them (costs). The guiding principle is to list all the parties affected by an intervention and place a monetary value on the effect the intervention has on their welfare, *as they would value it*. However, there is no easy way to compute the value of such factors as loss of reputation, risks of project failure, the value of human life and various forms of property damage. And how a person feels today about an intervention may not be the same as how he or she may feel tomorrow.

John Kay has made a strong case against valuing the social and environmental dimensions as simply ‘economic externalities’ and highlights the risks of pushing the agenda back towards the primacy of economic goals. In his essay, *The Failure of Market Failure*<sup>11</sup>, he asserts that:

<sup>9</sup> [www.treasury.gov.au/documents/876/HTML/docshell.asp?URL=Policy advice Treasury wellbeing framework.htm](http://www.treasury.gov.au/documents/876/HTML/docshell.asp?URL=Policy%20advice%20Treasury%20wellbeing%20framework.htm)

<sup>10</sup> [www.greenbook.treasury.gov.uk/annex02.htm](http://www.greenbook.treasury.gov.uk/annex02.htm)

<sup>11</sup> [www.prospect-magazine.co.uk/article\\_details.php?id=9709](http://www.prospect-magazine.co.uk/article_details.php?id=9709)

*'The market failure model supposes that a social welfare function can be defined, and that it should be the basis of policy decisions. The existence of such a function requires that not just for individuals, but for society as a whole, there exists a coherent, consistent preference ordering that politicians must first divine and then maximise. But this formulation is a misunderstanding of the nature of choice in a democratic society. There is no plausible means of constructing such a preference ordering - not by the aggregation of individual preference, nor by the imposition of some idea of a general will - only a process of mediation between often compatible but sometimes conflicting views on specific policies.'*

E.F. Schumacher put, at an elementary level, the case against reducing all policy to economic or financial considerations:

*"To press non-economic values into the framework of the economic calculus...is a procedure by which the higher is reduced to the level of the lower and the priceless given a price".*

### 3. Attempting to develop a single index of national progress that integrates the various dimensions of progress.

Recognising the appeal of having a single indicator as an alternative to Gross Domestic Product, some economists and philosophers have attempted to formulate all-encompassing measures of national wellbeing. Examples include the Human Development Index (HDI) and the Genuine Progress Indicator (GPI).

Amartya Sen and Martha Nussbaum have proposed that capabilities and freedoms provide a unifying principle under which all aspects of the human condition may be gathered. Unlike the measurement of GDP, such an approach is not prescriptive; it does not assume that *more is more*. Although economic output is recognised as important and necessary to provide the capacity for individuals to buy goods and services, by including capabilities that encompass the whole of life, such a model admits the value of non-economic motives and outcomes.

However, single index measures such as GPI remain fraught with difficulty. Given the very different nature of economic, social and environmental outcomes, it is practically impossible to achieve consensus of the relative weighting of outcomes. Moreover, a

single measure presumes the possibility of a simple answer to a very complex set of questions, with the inevitable consequence of providing misleading signals<sup>12</sup>

### 4. A fourth approach: discrete assessment of the dimensions of progress

Separate assessment of the dimensions of progress is desirable because it recognises that the dimensions are "interdependent and mutually reinforcing"<sup>13</sup> but that it is impractical and ultimately unhelpful to distil a single measure. In the UK and Australia, this is the means used by the Office for National Statistics (ONS) and the Australian Bureau of Statistics (ABS), respectively, to assess the progress of society. However, such a framework is yet to be adopted in either country as the standard means of assessing public policy.

Within this fourth approach, there are two closely associated ways of stating the national goal: *sustainable development* and *national progress*.

#### *Sustainable Development*

The school of thinking around sustainable development looks at the different fields of development – economic, environmental, and social – and assesses the extent to which development in each sphere is sustainable.

Since 1999, the Office for National Statistics in the UK has reported a set of 147 'sustainable development indicators'.  
[Reference?]

*This approach is attractive inasmuch as it gives clear recognition to the environmental and social dimensions. However, it remains restricted by the primacy of economic concepts and language. The concept of sustainable development carries the implication that other factors, environmental and social, are necessary but limiting factors to progress. In this realm, development is easily understood as growing income per capita rather than progress as gauged by 'non-economic' measures.*

<sup>12</sup> [www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/3B12C5B1BD7F6434CA256BDC001223F0?opendocument](http://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/3B12C5B1BD7F6434CA256BDC001223F0?opendocument)

<sup>13</sup> United Nations General Assembly, 2005. Resolution 48. *2005 World Summit Outcome*, UN

## National Progress

The ABS has extended the UK model of reporting through its *Measures of Australia's Progress*, which encompasses three 'domains of progress' (the economic, environmental and social) categorised into four 'areas of progress':

- Individuals
- The economy and economic resources
- The environment
- Living together.

Helpfully, the social domain is divided into two areas: *Individuals* and *Living together*. This approach recognises that the outcomes of factors such as education and health are intrinsic to the individual, even though the benefits of those aspects of well-being are only fully experienced in connection with others. A range of other social factors such as social attachment and crime are relevant only in the context of relationships, hence their separate grouping under *Living together*.

The ABS has adopted a 'neutral' perspective on progress, not placing weight, explicitly or implicitly, on one dimension over another. The concept of national progress is attractive,

because it recognises the environmental and social spheres unambiguously as aspects of our nations' wealth, not simply as factors to be protected as we pursue the greater goal of economic development.

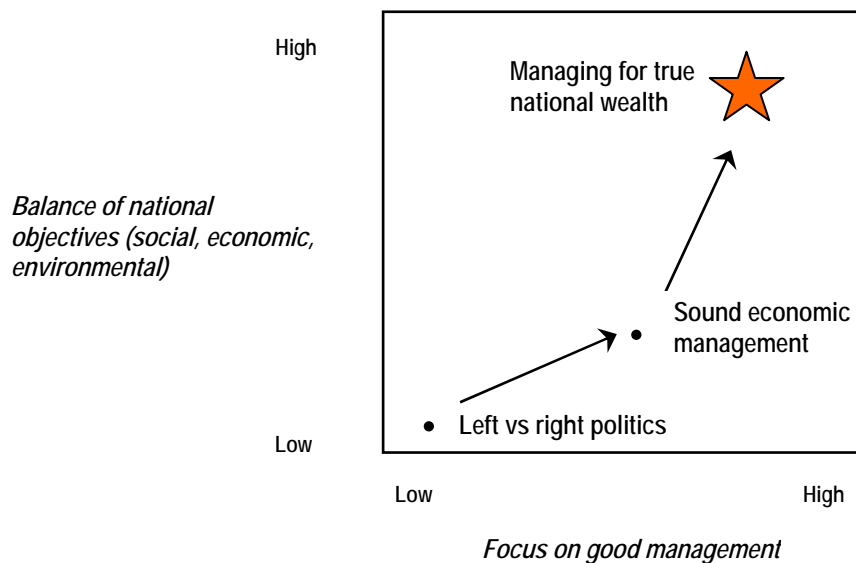
*Measures of Australia's Progress* examines indicators in retrospect (*ex post*). However, for effective integrated public policy, economic, environmental and social aspects of policy options must be assessed in prospect (*ex ante*). Hence, we suggest that all public policies should be assessed according to their contribution to *true national wealth*, that is an assessment of wealth that recognises the validity of progress in all three areas of national life.

So, in today's policymaking context, having been freed from the restrictive focus of left vs right politics to be able to concentrate on sound economic management, the next step for government is to move to managing for true national wealth (see Exhibit 1).

Governing a nation to build its true wealth – economic, environmental and social – is the appropriate primary role of government, rather than to focus on maximising production and consumption as indicated by measures of economic output such as GDP per capita.

## Exhibit 1

### Progress towards good government



## 4. Measuring True National Wealth

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*What gets measured gets done*

Anon.

\* \* \*

‘Wealth’ and ‘progress’ are defined in different ways according to the particular nature of each of the three dimensions. Accordingly, measures pertinent to each dimension must be applied.

### Economic and Environmental Measures

Measures of national economic performance and wealth generation have continued to be developed and refined over the last two centuries. Today, measures such as the rate of change in output, measured by growth in *gross domestic product* or *gross national product*, are universally agreed and well understood. Over the course of the economic cycle, the primary macroeconomic measure in most or all high-income countries is *trend productivity growth*, which is the estimated underlying growth in productivity over the economic cycle.

In the field of environmental measurement and assessment, major strides have been made since 1983 when the findings of the Brundtland Commission<sup>14</sup> were released. Of course research continues, but a broad consensus has been reached with regards to the aspects of the environment that should be measured and what gauges and methodologies should be employed.

Environmental theory holds that, in sum, it is impossible for human activity to have a net positive impact on the natural environment.<sup>15</sup> Therefore, appropriate measures for this dimension reflect the need to protect the environment and allow for sustainable

development on the economic and social dimensions. The Brundtland Commission focussed on a definition of *sustainable development*: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>16</sup> Subsequent work in this area, such as the Global Reporting Initiative, have continued in this vein.

At the same time, it is fitting to speak of our environmental assets in terms of natural or environmental wealth, thereby contributing to our shared stock of true national wealth.

There are now many sets of environmental indicators available to gauge the various aspects of environmental wealth. In Australia, the New South Wales Government’s *State of the Environment Report*<sup>17</sup> provides a list of 70 indicators in six groupings:

- Toward Environmental Stability
- Human Settlement
- Atmosphere
- Land
- Water
- Biodiversity

Importantly, the first of these groupings, Toward Environmental Stability, assesses *resource consumption*, *community attitudes* and *community action*. In so doing, this reporting system addresses critical underlying attitudes and behaviours on which many of the other environmental outcomes rely. Therefore, policymakers looking to this set of indicators are encouraged to ask questions such as:

- Does this policy encourage the valuing of the environment?
- Does this policy enable people to act in ways that improve the environment?
- Are protective and supportive measures in place if the environment is placed under threat?

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<sup>14</sup> World Commission on Environment and Development. 1987. *Our Common Future*. Oxford University Press. Oxford

<sup>15</sup> See, for example, Hardin, G, 1968. The Tragedy of the Commons. *Science*, 162:1243-1248

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<sup>16</sup> World Commission on Environment and Development, 1987. *Op. cit.*

<sup>17</sup> [www.epa.nsw.gov.au/soe/soe2006/index.htm](http://www.epa.nsw.gov.au/soe/soe2006/index.htm)

## Social Measures

Unlike the economic and environmental dimensions, there is as yet no broadly agreed, comprehensive model for assessing social progress. There are no equivalent overarching concepts in the social sphere that mirror economic principles such as efficiency, productivity and freedom from market distortion that are the mechanisms of economic growth. This is a serious impediment to the making of informed decisions by government. Whether or not the government recognises the social impact of its policies, that impact will be felt.

The Australian Bureau of Statistics' division of progress along the social dimension into two areas, *Individuals* and *Living Together*, is insightful. It recognises that there are social aspects that relate inherently to the individual (albeit that they have value for relationships between individuals) such as health and education, and that there are other aspects that can only be understood in the context of relationships.

A variety of measures for assessing the impact of policies on individuals is readily available. These include levels of educational attainment, health indicators of various kinds and indicators concerning attitudes and behaviours that promote these aspects of wellbeing. However, existing measures concerning living together tend to be relatively abstract and distant from the quality of the underlying relationships that are at the core of social cohesion and wellbeing. Those who seek to measure social *sustainability* within organisations recognise the gap in the *relational* sphere:

*'In contrast to GRI environmental indicators... reporting on social performance occurs infrequently and inconsistently across organisations.'*<sup>18</sup>

Several reasons for the lag in the development of relational measures can be identified:

- Social objectives involve contested value judgements. Concepts such as growth (for the economy) and sustainability (for the environment) are not easily transferred to the social realm. As Stephen McKenzie has argued: *'The goal*

*of work towards social sustainability [is not] to maintain our current society just as it is, but to alter it so that it may become worth sustaining and so that it takes on a form that may be sustained.'*<sup>19</sup> Inherent in this observation is the challenge of defining 'healthy and liveable communities' as described by the Western Australian Council on Social Services:

*'Social sustainability occurs when the formal and informal processes, systems, structures and relationships actively support the capacity of current and future generations to create healthy and liveable communities. Socially sustainable communities are equitable, diverse, connected and democratic and provide a good quality of life.'*<sup>20</sup>

- Social inputs and outcomes are not as readily given to quantitative assessment as are economic and environmental factors.
- Behavioural outcomes can be difficult to predict.
- The lack of an agreed model for evaluating social progress means that those seeking to develop metrics do so in isolation from a solid, tested framework.

Relational analysis<sup>21</sup> provides a means to move forward by pointing towards:

- Identification of key groups of relationships in the community
- A preliminary set of relational indicators specific to each of the groups

<sup>18</sup> *GRI Sustainability Reporting Guidelines*, June 2000, p.33

<sup>19</sup> McKenzie, Stephen, 2005. *Social Sustainability, Religious Belief and Global Ethics: Outlines for Research*, p.3, available at:

[www.sapo.org.au/binary2901/Social.pdf](http://www.sapo.org.au/binary2901/Social.pdf)

<sup>20</sup> Western Australian Council of Social Service Inc, 2002. *Submission to the State Sustainability Strategy Consultation Paper*, p.7, available at:

[www.wacoss.org.au/images/assets/publications\\_submissions/state\\_sustainability\\_strategy\\_april2002.pdf](http://www.wacoss.org.au/images/assets/publications_submissions/state_sustainability_strategy_april2002.pdf)

<sup>21</sup> Detailed discussion of the Relationships Foundations' approach to relational analysis is beyond the scope of this document. It is described in greater detail in Meads, G. and Ashcroft, J., 2000. *Relationships in the NHS*, Royal Society of Medicine Press - Chapter 8, which can be downloaded from:

[www.relationshipsfoundation.org/resources/search.php?p=26&c=34&type=2](http://www.relationshipsfoundation.org/resources/search.php?p=26&c=34&type=2)

- An understanding of the underlying characteristics of relationships that contribute to social wealth
- Insight as to the mechanisms by which public policy can affect the underlying attitudes and behaviours that determine the quality of relationships.

### Key Groups In The Community and a Preliminary Set of Indicators

There are seven key sets of relationships within the community. Relevant indicators of relational well-being can be identified for each group:

- Nuclear and extended families. These relationships are a key component of individual well-being and are a specific form of inter-generational relationship. Important issues include the impact of working hours (total hours, and extent of unsocial hours) on time spent together with partners and children, relocation that breaks up extended families and levels of social support, and the interaction of work and family stress.
  - Intra-family trust/commitment: marriage rate, divorce rate, birth rate, levels of household debt
- Neighbour and community relationships. Deficiencies in this area may be characterised by high levels of anti-social behaviour that diminish quality of life, greater risk of loneliness and isolation for elderly people in single person households, low levels of trust, reduced associational activity, and weak bridging and bonding relationships.
  - Social isolation of older people: number of contacts per week, percentage who feel lonely
  - Intra-community relations: crime levels, proportion knowing names of neighbours, incidents of vandalism, percentage drug addiction, suicide rate
- Between richer and poorer neighbourhoods. Social solidarity can be threatened by extremes of inequality, segregation of communities by income, and reduced willingness to

fund services that are seen to benefit only 'others'. In the UK policy on building sustainable communities has encouraged the dispersal of social housing amongst new private developments to limit the geographic isolation of richer and poorer communities. Schools are recognised as arena which have the potential to influence inclusion or separation.

- Levels of income inequality within defined geographic areas
- Mix of housing tenure within defined geographic areas

- Between ethnic (and other) groups. Issues of integration and race relations have been brought to the fore by immigration. Since September 2001 and subsequent military operations in Iraq and Afghanistan relations with Muslim communities have been a particular focus of concern. Segregation along religious, ethnic or other lines within the community can be reinforced or challenged by the level of diversity and inclusion within the workforce.
  - Inter-racial/ethnic relations: incidents of racial/ethnic violence, comparative income/education levels
  - Gender relations: incidence of domestic violence/rape/prostitution, hits on pornographic websites, gender ratio at different educational levels
- Inter-generational relationships. The impact on the choices and resources available to future generations is a key element of sustainability. There is a fiscal dimension to the relationship through national debt and welfare commitments as well as an environmental dimension. The social aspect includes both the current state of relationships, as well as the social capital, or possibly cycles of disadvantage, bequeathed to the next generation.
  - Wealth transfers between generations
  - Levels of contact between children and grandparents

- Attitudes of the elderly towards youth, and vice versa
- f. Local political and other institutional relationships. Social capital theorists have focused attention on the importance of the health of institutions for social and economic progress, as well as for the protection of the environment.
- Trust in institutions
  - Numbers of cases of fraud, corruption, censures by standards offices
- g. Employer-employee relationships. This relationship is of particular concern where unrestrained power differentials create potential for exploitation. Purposeful work, opportunities for personal development, job security, employee welfare, health and safety, as well as provision for old age, incapacity and unemployment are all important considerations.
- Workplace relationships: extent of absenteeism and pay differentials within organisations

### Underlying Characteristics of Relationships and Mechanisms to Promote Stronger Relationships

Indicators of outcomes, such as those outlined above, describe the health of relationships in society.<sup>22</sup> However, they provide little guidance on how best to support relationships or on how to address specific social problems.

Relationships Foundation has suggested that social capital is best understood by studying the relationships that constitute it. The Foundation has developed an intellectual framework – the *Relational Proximity Model* – which provides descriptors of relationships that are given to objective measurement. The model explores issues of connectedness, continuity, breadth, power and purpose in relationships.<sup>23</sup> With an understanding of the

<sup>22</sup> For example, as catalogued in Putnam, R, 2000. *Bowling Alone*, Simon and Schuster, New York.

<sup>23</sup> The use of this approach in assessing new organisational developments in primary health

underlying conditions that support strong interpersonal relationships, it is possible to assess the extent to which policies promote those fundamental attitudes and behaviours.

This approach is similar to the use of overarching indicators employed by the NSW government – the *Toward Environmental Sustainability* measures that look to gauge whether the attitudinal and behavioural preconditions for the environment to be protected are in place.

Policymakers can seek to establish and reinforce underlying attitudes and behaviours in three main ways:

1. By encouraging people to value social relationships
  - Providing incentives for behaviour that fosters relationships in each relational grouping
  - Signalling the importance of relationships (and thus positively reframing social norms)
  - Educating and informing people about the value of relationships in the different spheres of life
2. By enabling people to build relationships, adopting policies that:
  - Protect time for social relationships
  - Enhance the role of physical places and roots as the context for relationships
  - Strengthen the institutions within which people can relate
3. By providing support where relationships are weak or where support is currently impeded.

### **Validity of ‘Non-economic’ Measures**

Although, as yet, there is no broadly agreed framework of relational measures, this aspect of the social dimension of policy assessment should be incorporated rapidly into assessment of public policy. Policies will promote or destabilise relationships whether or not their effects are well understood. The

care in the UK is described in Meads, G. and Ashcroft, J., 2000. *op. cit.*

best available metrics and evaluation techniques should be adopted and progressively developed.

Although these measures are at a relatively early stage of development, relational indicators will not necessarily be less reliable than 'hard' economic measures. In fact, it is a common misconception that the measurement of economic wealth and its sustainability are simple and straightforward relative to similar calculations pertaining to the environmental and social dimensions. Of course, economic analysis is well developed given the attention it has received over many years. However, measurement of the economy, like that of environmental and social inputs and outcomes, involves a high degree of complexity and estimation, both at the macro and micro levels. Hence, measurement difficulty should not provide a barrier to integrated policy assessment.

For example, estimates of trend productivity growth, the primary economic measure at a macro-economic level, are contestable as they depend on the choice of a base year in the economic cycle. Productivity is very strongly influenced by the economic cycle. So, if the depth or length of the cycle changes markedly over time, it may not be possible to make a reliable estimate.

A further complicating factor in economic productivity or growth estimates is deciding what to include in the measure. Growth in

the number of prisons, or number of inmates held per prison, will show up in national economic measures as a contribution to growth and productivity respectively. Or if my neighbour and I provide paid childcare for each other's children rather than looking after our own it will result in growth of GDP.

Analysing the Indian subcontinent, Partha Dasgupta has shown that it is possible for a country to experience increasing GNP per capita while wealth per capita declines, when the decline in natural capital (including ecosystems, minerals and fossil fuels) has been taken into account.<sup>24</sup>

These examples are given not to underplay economic measures but to underline that *all* measures of policy impact are difficult to measure accurately; in the end, the best that can be done is to produce estimates of likely impact.

While it is true that measures that produce a positive economic impact may have negative social or environmental outcomes, it is equally true that measures that have a positive social or environmental impact may have negative economic outcome. So no one dimension of policymaking should be given priority over the other two either on measurement or 'externality' arguments.

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<sup>24</sup> Dasgupta, P., 2005. Bottlenecks, In: *London Review of Books*, 19 May



## 5. Assessing the Contribution of Policies to Building True National Wealth

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Integrated public policy that seeks to build true national wealth requires a two-tiered approach:

- Individual policies must be assessed along all three dimensions: economic, environmental and social
- The complete set of public policies should be considered iteratively, to ensure that the sum of the policies is sufficient to deliver anticipated results on each of the three dimensions.

Only when all three components of true national wealth are considered in concert can

assessment of public policies consciously target progress, as defined by those whom those policies are intended to serve. And although a particular public policy may aim to achieve an outcome that is specifically economic, environmental or social, in fact, all public policies have impact in all three spheres.

Included in Exhibit 2 are examples of public policies in the areas of transport, working hours, education and labour mobility, showing a range of issues that need to be assessed across the three dimensions of true national wealth.

### Exhibit 2

#### Progress towards good government

Area of Public Policy	Examples of Public Policy Implications To Be Assessed		
	Economic Impact	Environmental Impact	Social Impact
<p><b>Expanding The Road Transport Network</b></p> <p>Assumed to result in:</p> <ul style="list-style-type: none"> <li>• Increased total road use</li> <li>• Less road congestion</li> <li>• Increased number of road accidents</li> <li>• Reduced travel times</li> <li>• Greater labour mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Costs of construction and service provision</li> <li>• Higher labour productivity</li> <li>• Reduced cost of transport per km travelled</li> <li>• Accident costs and loss of life</li> </ul>	<ul style="list-style-type: none"> <li>• Levels of air pollution</li> <li>• Levels of CO2 emissions (and hence global warming)</li> <li>• Habitat of flora and fauna</li> </ul>	<ul style="list-style-type: none"> <li>• Commuting times (time with family and friends and/or at work)</li> <li>• Ease in visiting distant friends and relatives</li> <li>• Mortality and injury rates</li> <li>• Equity between social groups</li> <li>• Health outcomes (from lower air pollution)</li> </ul>

Exhibit 2 (cont.)  
Progress towards good government

Area of Public Policy	Examples of Public Policy Implications To Be Assessed		
	Economic Impact	Environmental Impact	Social Impact
<b>More Flexible Working Times For Parents of Young Children</b>	<ul style="list-style-type: none"> <li>• Supply of labour</li> <li>• Labour productivity (due to changes in workplace relationships)</li> <li>• Levels of welfare dependency</li> <li>• Employee absenteeism</li> <li>• Health expenditure</li> <li>• Use of child minder services</li> <li>• Motivation of labour force</li> <li>• Family breakdown</li> </ul>	<ul style="list-style-type: none"> <li>• Levels of road congestion</li> <li>• Labour productivity</li> <li>• Cost of transport per km travelled</li> </ul>	<ul style="list-style-type: none"> <li>• Patterns of parenting impacting on child outcomes</li> <li>• Shared time with partner impacting on marriage/partnership break-up</li> <li>• Physical and mental health</li> <li>• Shared time for (extended) families, friends and community</li> <li>• Quality of workplace relationships</li> </ul>
<b>Expanding Tertiary Education</b>	<ul style="list-style-type: none"> <li>• Cost of funding from public expenditure</li> <li>• Opportunity cost of students' period of training</li> <li>• Labour productivity</li> <li>• Fees from overseas students</li> <li>• International competitiveness of business</li> </ul>	<ul style="list-style-type: none"> <li>• Training opportunities in environmental management</li> <li>• Construction of physical facilities</li> <li>• CO<sub>2</sub> emissions from physical facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Equity of access to higher education</li> <li>• Growth of personal debt (depending on funding mechanism)</li> <li>• Changes in age of marriage and child-bearing</li> <li>• Potential for personal development and fulfilment</li> </ul>
<b>Increasing Geographic Labour Mobility</b>	<ul style="list-style-type: none"> <li>• Labour supply elasticity (cost and availability of labour)</li> <li>• Labour productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Air pollution (depending on commuting distances and times, offset by less travel to visit family and friends)</li> <li>• Local 'ownership' of environmental issues when longevity of residence is reduced</li> </ul>	<ul style="list-style-type: none"> <li>• Time spent with families and friendship groups</li> <li>• Local community bonding</li> <li>• Extended family welfare provision</li> <li>• Marriages and divorce rate</li> </ul>

## 6. Governing for True National Wealth

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The Australian Treasury's *Wellbeing Framework* and the UK Treasury's *Green Book* demonstrate serious recognition of the need to adopt a more integrated approach to policy development. However, successful integration of the three dimensions of public policy, beyond an adapted form of economic assessment, will require a coordinated response across government departments. The agenda will comprise:

- **Development of clearly established economic, environmental and social objectives** relating to all areas of government
- **Agreement on a framework for policy assessment** that addresses all three dimensions
- **Adoption of language that effectively communicates economic, environmental and social goals** so as to engage the community and other stakeholder groups. Politicians, policymakers and commentators must begin to describe goals, inputs and outcomes in language appropriate to the various aspects of life, rather than falling back on the language of economics
- **Agreement on appropriate measures for the relational aspects of the social dimension.** Relationship Foundation's relational proximity analysis provides a sound starting point
- **An organisational response within government** so that responsibility, accountability and funding are aligned, taking into account departmental boundaries and multiple levels of government. This will require the negotiation of shared objectives across departments and between levels of government (national through to local)
- **Staffing and training within public service departments** to ensure competence in conducting integrated policy assessments
- **Immediate attention to critical pressure points** in people's lives and for the natural environment.

Against the backdrop of the centre position now shared by major political parties in Australia and the UK, the adoption of a true national wealth approach opens the way to a

political landscape where vision and leadership can come to the fore:

- Integrated public policy lends itself to a longer-term perspective and thereby to focusing on the big decisions that will define the nature of our national communities. Some key social and environmental objectives require approaches that span many years, for example providing long-term security from global economic shocks, developing core relational skills in the next generation, and ensuring that our grandchildren will have ample access to clean air and water. If governments are prepared to act boldly, by taking an integrated approach, they can make decisions in the full light of the short, medium and long-term implications across all dimensions affecting society.
- Approaching national elections, an integrated perspective on public policy provides a framework for each political leader to communicate an alternative vision and how he or she proposes that it may be achieved. Each political party has the opportunity to describe an integrated set of economic, environmental and social objectives and the specific means, if elected, by which their government would hope to achieve them. Differing philosophies regarding the appropriate role of government will come to the fore as political parties describe the nature and extent of their proposed involvement.
- National governments can play an important role in promoting integrated policy assessment in the realms of state/local government, business and the professions.
- Governments can influence households and individuals to consider how their attitudes and behaviours align with the broader interests of the community.

We live in a world of ever-increasing complexity. The degree to which future governments achieve clarity of purpose, by addressing the three dimensions of true national wealth in an integrated way, will bear critically on the society we leave to our children and grandchildren.



# Appendix

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## New South Wales Government's *State of the Environment Report* Indicators

### **Toward Environmental Sustainability**

- Indicator TES 1 Resource consumption
- Indicator TES 2 Community attitudes
- Indicator TES 3 Community actions

### **Human Settlement**

- Indicator HS 1 Population distribution
- Indicator HS 2 Residential density
- Indicator HS 3 Changes in urban land use
- Indicator HS 4 Urban drinking water quality
- Indicator HS 5 Urban water consumption
- Indicator HS 6 Urban water discharge
- Indicator HS 7 Energy source impacts
- Indicator HS 8 Energy use
- Indicator HS 9 Vehicle kilometres travelled
- Indicator HS 10 Mode of transport to work
- Indicator HS 11 Public transport use
- Indicator HS 12 Fuel consumption per transport output
- Indicator HS 13 Solid waste disposal
- Indicator HS 14 Waste recycling
- Indicator HS 15 Percentage of land investigated for Aboriginal heritage significance (areas surveyed and/or protected)
- Indicator HS 16 Number of heritage buildings on statutory heritage lists that are demolished per year
- Indicator HS 17 Urban green space
- Indicator HS 18 Noise
- Indicator HS 19 Odour

### **Atmosphere**

- Indicator AIR 1 Annual greenhouse gas emissions
- Indicator AIR 2 Atmospheric concentrations of greenhouse gases
- Indicator AIR 3 Stratospheric ozone concentrations
- Indicator AIR 4 Recovery and destruction of ozone-depleting substances
- Indicator AIR 5 Level of UV-B radiation at the surface
- Indicator AIR 6 Concentrations of carbon monoxide
- Indicator AIR 7 Concentrations of ozone
- Indicator AIR 8 Concentrations of lead
- Indicator AIR 9 Concentrations of nitrogen dioxide
- Indicator AIR 10 Concentrations of sulfur dioxide
- Indicator AIR 11 Concentrations of particles (PM10)
- Indicator AIR 12 Air toxics levels
- Indicator AIR 13 Indoor air quality

### **Land**

- Indicator LAN 1 Changes in rural land use
- Indicator LAN 2 Potential for soil erosion
- Indicator LAN 3 Area affected by salinity
- Indicator LAN 4 Area of rising water tables
- Indicator LAN 5 Area affected by acidity

Indicator LAN 6 Area affected by actual acid sulfate soils  
Indicator LAN 7 Number of regulated contaminated sites  
Indicator LAN 8 Exceedences of maximum residue levels in food and produce

### **Water**

Indicator WAT 1 River health, as assessed by macroinvertebrate and fish assemblages  
Indicator WAT 2 Surface water extraction versus sustainability  
Indicator WAT 3 Environmental flow objectives  
Indicator WAT 4 Point-source discharges to fresh waters  
Indicator WAT 5 Surface water salinity  
Indicator WAT 6 Exceedences of surface water quality objectives  
Indicator WAT 7 Freshwater blue-green algal blooms  
Indicator WAT 8 Groundwater extraction versus sustainable yield  
Indicator WAT 9 Exceedences of groundwater quality guidelines for salinity and contaminants  
Indicator WAT 10 Exceedences of marine and estuarine primary contact recreational water quality guidelines  
Indicator WAT 11 Point-source discharges to marine and estuarine waters  
Indicator WAT 12 Marine and estuarine algal blooms  
Indicator WAT 13 Major marine and estuarine pollution incidents  
Indicator WAT 14 Sediment contamination

### **Biodiversity**

Indicator BIO 1 Extent and condition of native vegetation  
Indicator BIO 2 Clearing rate of native vegetation  
Indicator BIO 3 Area revegetated  
Indicator BIO 4 Terrestrial protected areas  
Indicator BIO 5 Number of terrestrial extinct, endangered and vulnerable species, endangered ecological communities, and endangered populations  
Indicator BIO 6 Introduced terrestrial species  
Indicator BIO 7 Fire regime impacts on ecosystems  
Indicator BIO 8 Extent and condition of marine and coastal ecosystems  
Indicator BIO 9 Extent and condition of wetlands  
Indicator BIO 10 Marine protected areas  
Indicator BIO 11 Number of aquatic extinct, endangered and vulnerable species, populations and ecological communities  
Indicator BIO 12 Introduced aquatic species  
Indicator BIO 13 Commercial wild fish stocks  
Indicator BIO 14 Impacts of commercial fisheries catch



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