

good growth  
a demos and  
pwc report  
on economic  
wellbeing

John Hawksworth

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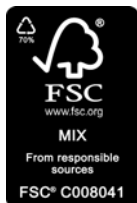
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Kitty Ussher  
November 2011



## Summary

Britain's bumpy road out of recession is understandably causing policy-makers and commentators to focus their attention on quarterly gross domestic product (GDP) figures as the key indicator of our economic health.

However this pamphlet shows that the public takes a wider view of the components of economic success. In the public's eyes, 'good growth' depends on creating jobs that enable their bills to be paid, but also on issues such as work-life balance, health and housing, among others, which are seen as critical components of good economic performance.

Indeed, when forced to make trade-offs in the factors contributing to economic success, work-life balance assumes an even greater importance; working people are willing to sacrifice income to spend more time with family and friends. Indeed, overall income and jobs only account for roughly a third of what the public think is important when considering what a successful economy might look like.

If we assess the performance of the UK economy against these stated priorities of the public, Britain falls down towards the bottom of international rankings compared with similar mid to high income countries in the Organisation for Economic Co-operation and Development (OECD). British people are, in effect, saying that they'd prefer the economic performance of practically any other OECD country (bar Spain) to our own. And within the UK, the South East, South West and Eastern regions have the most attractive economies in which to live, with London, the North East and Wales scoring worst.

Based on our findings, we recommend that the government tracks not only GDP as a measure of economic success but also a wider measure of what we are calling our 'good growth index'. This will help ensure that economic policy decisions are aligned

with what citizens say is important. Against the backdrop of fiscal constraint, we also highlight specific policy issues to be addressed – on health, work–life balance, infrastructure, skills, spatial and sectoral policy, affordability and sustainability – as well as the potential for our methodology to be applied to other difficult policy questions.

### Scope

The original research leading to these conclusions was conducted by Demos and PwC during the course of 2011 as a contribution to the national and international debate on measures of social wellbeing that look beyond GDP. It builds on the insights from the Stiglitz Commission and related initiatives by bodies such as the Office for National Statistics (ONS), OECD, European Commission, World Bank and United Nations.

The ‘good growth index’ is the key output of our research; however, it is distinctive from these other attempts in two key respects.

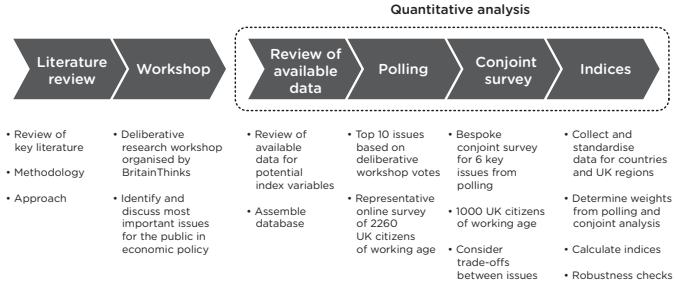
First, and most important, it gives the UK public a key role in the design of the index through a range of qualitative and quantitative research aimed at identifying what factors they thought should be included in a ‘good growth’ measure and what weight should be given to each of these factors. In contrast, previous such studies have tended to rely on expert judgement to drive the choice of factors and their weights in such indices.

Second, it has a narrower focus – on the economic (or ‘work and money’) side of people’s lives rather than trying to capture all aspects of wellbeing in a single index, as is being undertaken by the ONS.

### Methodology

The methodology we used is summarised in figure 1. We started with a qualitative session with the public, followed by two separate surveys, as described below. We then compared the results with the views of business leaders, policy-makers and other opinion formers, obtained through the 2011 PwC Annual

Figure 1 **Research approach to the methodology used in this pamphlet**



Global CEO Survey and a number of specially convened roundtable discussion groups. We used these sessions to help draw out our policy conclusions.

The public research began with an intensive one-day deliberative workshop session in April 2011 with a representative group of working age<sup>1</sup> people drawn from across the UK population. In-depth discussion with this group helped to identify the economic factors that people found most important both for their personal economic wellbeing and for that of the country as a whole. These are the headline results from the discussion:

- The most important ‘work and money’ issue in people’s lives relates to affordability – their ability to pay their bills. Aspirational issues such as career progression and owning one’s own home were seen as less important in the current difficult economic environment.
- Simply having a job and/or high levels of employment in the economy were seen as critical to economic success; by implication, increases in GDP without creating jobs was not deemed ‘good growth’.
- Health is an economic policy issue in the eyes of the public: poor health means reduced chances of employment or staying in

employment, which means less financial security and/or insufficient savings for retirement.

- Other issues that were highlighted by the Stiglitz Commission as important, such as education and training, and the environment, were seen as relevant to the group but were not their top priorities. In the case of education this may perhaps have been because it was seen as a means to an end (a job) or because of a disconnect in the public's mind between post-compulsory formal education and workplace learning.

Our qualitative research allowed us to identify ten top issues for further quantitative investigation which would enable us to pin down their relative weights in the index. In the first stage of this research, we carried out a poll of a representative sample of 2,260 UK residents, matched to the working age population as a whole, to assess the relative importance of these ten factors in an absolute sense. The issues ranked most important to economic success were jobs, health and income, with all the others – providing for future generations, time with family, housing, the environment, economy-wide balance (regional and/or sectoral), transport and the distribution of wealth – also receiving reasonably strong scores. We also explored the underlying reasons for each issue that was considered important. In health, for example, 76 per cent of respondents considered the driving factor to be 'being healthy enough to work'.

We then recruited a new sample of 1,000 people specifically to explore the trade-offs between the various issues that had previously been identified. To do this we used conjoint analysis, which is under-used in public policy but often used in the private sector to determine, for example, the value attached to different characteristics of a new product or service being brought to market.

Conjoint analysis is a robust technique for deriving revealed preferences, which works by requiring participants repeatedly to choose between two different bundles of things – in this case countries with different characteristics – to enable their underlying preferences to be shown. Standard regression techniques are then used to derive weightings for each of the

various characteristics or indicators that make up the bundle. We were able to do this simultaneously for six of the public's top ten desirable features of a successful economy, and used two separate techniques, which we called variant 1 and variant 2, to extrapolate the weightings for the remaining four indicators.

Finally we tested our results and their implications in a semi-structured setting with groups of business people, other stakeholders and policy-makers at a number of specially convened seminars in London, Manchester, Liverpool and Birmingham. Specifically, we held a series of scoping seminars in London in November 2010, then presented the early results at a London seminar in July 2011 and had a discussion of the policy implications, followed by similar events at all three main party conferences in the autumn of that year. We also compared and contrasted the views of the UK public with the views garnered by the 2011 PwC Annual Global CEO Survey.

## Results

Table 1 shows the results of our conjoint analysis. The second column gives the weights attached by the public to the various factors of a successful economic policy from the first quantitative poll. The next two columns give the results of the subsequent conjoint survey when participants were forced to make trade-offs between those factors, and the final column gives the average of the first three columns.

Overall, two of the most conventional economic indicators – jobs and income – had a combined weight of between around 26 per cent and 37 per cent depending on the method used. Thus between around 63 per cent to 74 per cent of the public's definition of what makes up 'good growth' comes from factors other than jobs and income. The public are saying loudly that as well as having a job to help pay the bills, they value factors such as affordable housing, a balanced economy, a sustainable environment, provision for future generations and a more equal income distribution.

In particular, regardless of the methodology used, people consistently rated health as one of their top three economic

Table 1 **Alternative weights for components of a good growth index from Demos conjoint analysis**

Category	Polling weights	Conjoint variant 1 weights	Conjoint variant 2 weights	Index weights (average of methods)
Jobs	15%	22%	18%	18%
Income	11%	15%	13%	14%
Health	13%	15%	13%	13%
Work-life balance	9%	18%	16%	13%
Housing	9%	4%	4%	9%
Income distribution	8%	4%	4%	7%
Future	10%	7%	10%	7%
Environment	9%	5%	7%	7%
Sectoral balance	8%	5%	8%	6%
Transport	8%	5%	7%	6%
Total	100%	100%	100%	100%

Source: PwC analysis of polling and conjoint survey results commissioned from Opinium

policy priorities alongside jobs and income. Having a better work-life balance also rose in importance when people were forced to make choices between factors. Indeed further analysis of the conjoint results suggested that people were prepared to reduce their weekly pay by around £20 (over three times the minimum hourly wage) to work one less hour per week. They also ascribed a monetary value of around £23 per week to the benefit of reducing the national unemployment rate by around 1 per cent, and gave a similar valuation to reducing the rate at which people were out of work because of ill-health. But the importance attached to housing and income distribution fell when a trade-off had to be made.

While in some cases these findings might be seen to be inconsistent with the views of business, for instance, on work-life balance, it is interesting to note that PwC's Annual Global CEO Survey last year found that business believes it should take a leading role on maintaining the health of its workforce. Business also sees it as a priority that government prioritises infrastructure



development, including transport – a key concern for the public if costs and travel to work times are to be reduced.

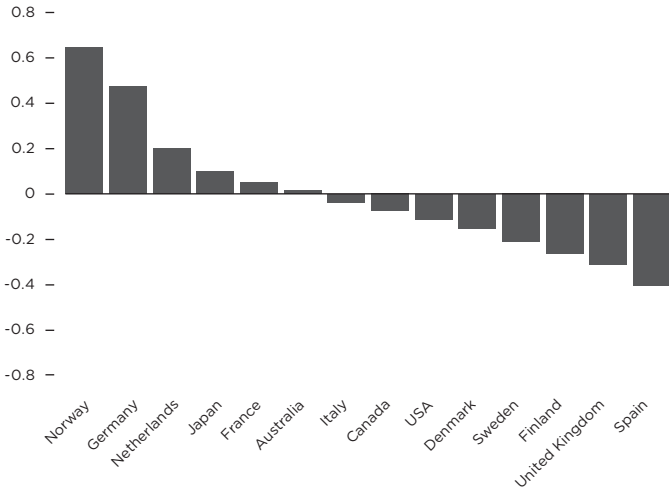
### The index

We used the average of the three sets of weights in table 1 to derive a Demos–PwC good growth index with two spatial dimensions, one for comparing countries (figure 2) and one for comparing UK regions (figure 4). The countries and regions that have the highest scores are those whose economies, according to existing public datasets, more closely display the characteristics that the UK population say are important. Tables 8 and 9 in chapter 3 give more detail of the data that drive these results. Note that the rankings do not represent the views of the countries and regions in question, but simply how these countries and regions are rated when their actual economic performance is viewed through the prism of what the UK public in aggregate have told us they consider to be economic success.

From the country index we can see that the UK ranks second from bottom, with only Spain (with its very high unemployment rate) being lower. The top scores were for Norway, Germany and the Netherlands, and this was robust to alternative weightings of the variables. Norway scores highest in all variants based on its low unemployment rate, relatively low average hours worked, low carbon emissions and very high national savings rate (due to its oil revenue fund in particular), which also put it ahead of other Scandinavian countries.

The reason the UK scores relatively poorly, in contrast to gross national income (GNI<sup>2</sup>) per capita, for which the UK is close to the average for this group as shown in figure 3, is a combination of relatively poor scores on measures such as hours worked, income inequality, transport costs and national savings rates. The USA, despite having the second highest GNI per capita – on the basis of purchasing power parity (PPP), as shown in figure 3 – also scores significantly below average for similar reasons such as relatively high income inequality, high carbon emissions per unit of GDP, high hours worked and low national savings rates.

Figure 2 **The Demos-PwC international good growth index (using average weights)**

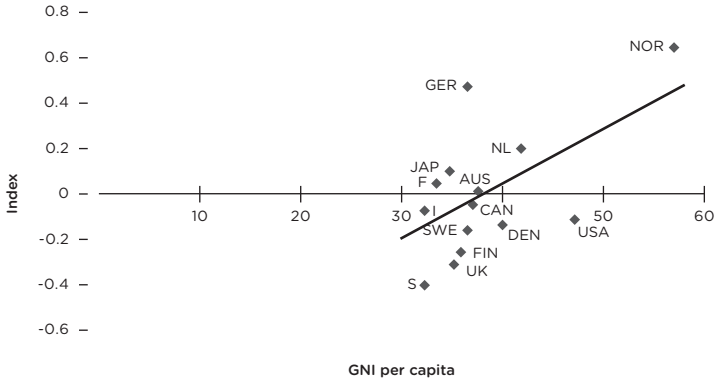


Note: The y axis is the number of standard deviations from the average of the group. We also looked at indices resulting from each of the individual three sets of weights from table 1 as a robustness test, rather than the average. In general, the position of the UK in the country rankings did not change significantly regardless of the alternative variant ways of estimating the weights.

From figure 3, we can see that there is a positive relationship between GNI per capita and our index: indeed, the top and bottom countries, Norway and Spain respectively, are the same on both measures. However, there are also some notable outliers from this relationship, including Germany, which has a much higher score on our index and, as noted above, the USA and UK, which have lower scores on the index than might have been predicted based on GDP per capita levels.

Within the UK, figure 4 shows that the regions that scored best were the East, South East and South West; the lowest

Figure 3 The good growth index versus GNI per capita at PPP (\$k)



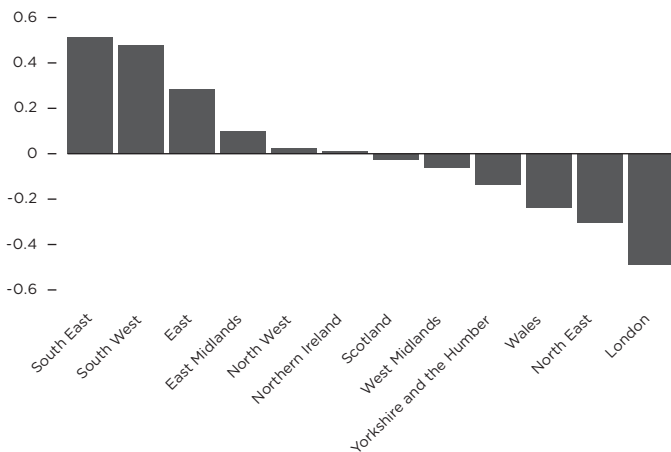
AUS = Australia; CAN = Canada; DEN = Denmark; FIN = Finland; F = France; GER = Germany; I = Italy; JAP = Japan; NL = Netherlands; NOR = Norway; S = Spain; SWE = Sweden; USA = United States; UK = United Kingdom.

Source: PwC, Demos and ONS

Note: We also looked at whether there was any relationship between our good growth index and tax-GDP ratios but, as shown in figure 17 in chapter 3, there is no statistical evidence of such a link. Norway and Germany, for example, have above average tax levels but high good growth scores, while the opposite is true for the USA, Spain and the UK.

scores were reported in the North East, Wales and, particularly, London. The latter region has by far the highest gross value added (GVA) per capita<sup>3</sup> as shown in figure 5, but scores relatively poorly in relation to measures such as income inequality, unemployment, sector balance, travel to work times, housing affordability and working hours. At the same time, some of the other relatively rich regions in Southern England score well above average, while relatively poorer regions such as the North East and Wales are low down the rankings. So there is some relationship with traditional GDP-type measures at regional level but London is a major outlier, as figure 5 illustrates.

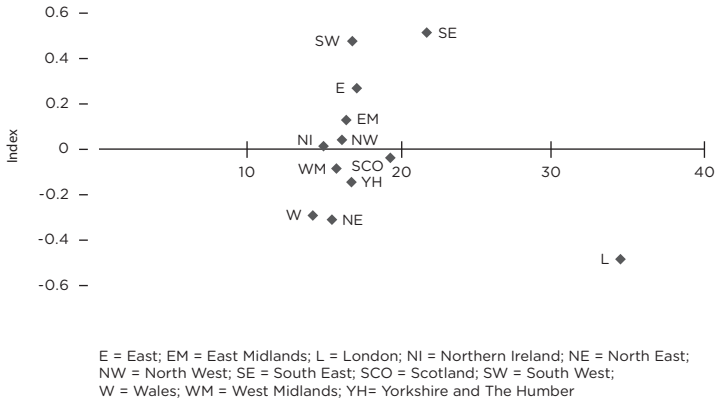
Figure 4 **Demos-PwC regional good growth index (with average weights)**



Note: We also looked at indices resulting from each of the individual three sets of weights from table 1 as a robustness test, rather than the average. In general, the relative position of UK regions did not change significantly regardless of the alternative variant ways of estimating the weights.

Our research is necessarily preliminary given that it is the first time a good growth index of this particular kind has been produced, so it is only a ‘snapshot’ of country and regional rankings at a point in time and has not been tested for sensitivity to changing economic circumstances over a longer period. Drawing strong policy recommendations may therefore be premature. Nonetheless, the index and the wider research programme we have undertaken highlights a number of important policy issues and suggests a broad direction for policy in these areas, as discussed further below.

Figure 5 **Regional good growth index versus GVA per capita (£k)**



Source: PwC, Demos and ONS

## Policy issues arising and possible implications

The main insight to be drawn is that the basic premise behind the original work of the Stiglitz Commission is correct: the public are interested in other issues beyond GDP when considering economic policy. This validates the Coalition Government's decision to explore the wellbeing agenda.

The public also see two traditional measures of economic success – jobs and income – as critical to good growth. Where growth in GDP occurs without creating employment, the public would not see this as consistent with good growth. The priority for economic policy is therefore to drive the creation of jobs, particularly in the light of current economic conditions.

However, notwithstanding the uncertain and volatile current economic backdrop, the analysis also strongly suggests that the government should follow the public and take a wider view of the success of economic policy. After all, between around 63 per cent and 74 per cent of the public's definition of 'good

growth' is accounted for by other factors. In particular, health, work–life balance and infrastructure (housing and transport) account for between 31 per cent and 50 per cent of the public's definition of good growth. This has important consequences for the choices made by government in the allocation of its constrained resources.

We set out in table 2 examples of the short and longer term implications for government and business in these three areas and discuss this in the remainder of this summary. We also comment below on some other areas highlighted by our research: training and skills, spatial policy, sectoral policy, affordability and sustainability. We finish by commenting on the further use of our methodological approach, including conjoint analysis.

### Health

Turning to the substantive policy issues, the analysis suggests that keeping people mentally and physically healthy should be considered part of a government's economic policy. Within a tight budget, this will require that resources are shifted into early intervention and preventative measures. For example, this would include greater investment in early screening for treatable illnesses, clear route-maps back to work for those who are absent from work because of stress and other mental health conditions, and reform of statutory sick pay to put a greater focus on early rehabilitation.

Such an approach should not only lead to savings on acute care for the taxpayer, but also yield financial dividends for employers and the economy as a whole by keeping workforce participation rates higher and for longer (as retirement ages increase) as well as reducing absence through illness. The Treasury could explore with the Department of Health how hospital trusts can be incentivised to invest more in primary care in order to be able to accrue some of these savings for their own priorities.

But not all responsibility lies with government and the NHS. Many businesses already see it as a priority to maintain

Table 2 **Examples of the implications for business and government**

Good growth	Government	Business
Health: keep people well to work, and work for longer	Reform of statutory sick pay to focus on early rehabilitation Incentivise occupational health care schemes Longer term, shift resources to prevention and early intervention	Promote healthy lifestyles at work Arrange local facilities to support work-life balance, eg crèches, gyms Provide access to preventative health checks Increase support for early return to work of the long-term sick
Work-life balance: increase employee engagement and performance	Increase the flexibility of public services to support workers, eg evening and weekend appointments for working age people	Increase opportunities for flexible working, eg redesign of job roles, shift to 'total hours' contracts
Infrastructure: shift resources to improve housing and transport	Give more weight to reduced cost of travel and travel times when appraising transport investments Accelerate affordable house-building in areas of high demand through a sustainable planning regime	Increase innovation in the development of lower-cost affordable housing by the housing and construction sector

the health of its workforce. We therefore support further consideration of incentives for business to pay towards private health services for their workforce (either for prevention or to help earlier return to work of those absent through illness). Businesses too could benefit from working with the grain of the views of their workforce on this issue and support their staff to maintain a healthy lifestyle. We recognise, however, that some

businesses on low margins, particularly small and medium-sized companies, may struggle with the cost of meeting the health needs of their employees and need help to find cost-effective options, for instance, through shared services for occupational health schemes.

### Work-life balance

According to our polling, we are nowhere near achieving what people want on so-called work-life balance. Employers, particularly smaller companies, tend, rightly or wrongly, to associate moves to greater work-life balance with greater legislative and regulatory burdens. But the fact that the public in aggregate appear prepared to accept a lower wage for more free time (provided they are actually in work) might also turn out to be an opportunity for business to increase the engagement of their staff, which in turn is the key driver of motivation and performance. For instance, employers can gain greater loyalty from staff if they offer more flexible working arrangements, from offering appointments with a total number of hours, rather than days per week, to advertising all vacancies as being potentially part-time or job-share.

Employers, particularly larger ones, should actively consider other ways in which they can make life management easier for their staff and so make themselves more attractive to potential recruits as well as retaining existing staff. For instance, many leading employers now offer, as part of their reward package, a range of benefits beyond pay and pensions such as preventative health checks, childcare vouchers, on-site crèches and occupational health services.

Providers from local authorities and primary care trusts to voluntary and private sector ones should seek out and take account of the views of those working locally, particularly in small companies, when designing similar services which could be shared across the local economy. And following on from our first suggestion, all NHS and wider health economy services should be designed with the needs of working people in mind, including evening and weekend appointments for working age people.



Saturday is the busiest shopping day because fewer people are in work; there is no reason why this should not be the busiest day for routine health activity as well.

### Infrastructure

Given the priority accorded by the public (as well as many employers) to issues of jobs, health and work–life balance, government should prioritise and, where feasible, accelerate its investment in infrastructure to support these priorities. This is because well-directed public infrastructure spending in general not only directly creates jobs but also drives economic growth at national and regional levels by opening up labour and product markets and reducing business costs. In particular:

- *Transport infrastructure*: investments that expand capacity and/or make better use of existing capacity to reduce the cost of travel and travel to work times can both impact on work–life balance. This has the dual benefit of addressing a high priority for the public while also increasing the productive potential of the economy. Our research suggests that these benefits should be given more weight when appraising transport investments.
- *Affordable housing*: There is also an important role for local authorities, housing associations and the construction industry as health is integrally linked to housing. Good health depends inter alia on having access to good quality affordable housing, which in turn requires a sustainable planning regime. In addition, building houses in areas of high demand further builds the productive potential of the economy.

### Training and skills

There is a more nuanced message to be drawn from our research on training and skills.<sup>4</sup> It was not something that the public prioritised, despite being given the opportunity to do so. However, jobs and income were valued, both of which are correlated to skills acquired (although the value of different types of skills clearly varies). And businesses do value skill levels

– indeed it was the most important global issue that emerged from PwC’s Annual Global CEO Survey in 2011, where government and business were seen to have joint responsibility for tackling the issue.

There are various conclusions that might be drawn from this, which require further examination. It may simply be that the working age public do not understand – or believe – that a commitment to continuous skills development and lifelong learning will affect their employability in the same way that they understand their level of health does – do people ‘stop education, start work and stop learning’? A variant of this might be that the public do not see formal training (or indeed the education they received at school) as being relevant to their working lives, or they may take it for granted and view it as a means to an end. Alternatively, they may see more need for others to engage in education and training: the qualitative stage of our research demonstrated there is more support for training others (their children to give them opportunities in future, the unemployed to fill vacancies) than training themselves.

In contrast, the public’s inability to connect training, skills and jobs could explain why business attaches such urgency to the issue; perhaps businesses are frustrated that the education system does not generate the skills needed to make new entrants to the labour force immediately employable or that people lack the innate motivation to develop new skills in emerging occupations. Either way, the policy recommendation is the same. Government and business should work together to ensure the workforce has access to training that will not only enable them to access good jobs, but be seen to do so. This might include more emphasis on vocational training, work experience, internships and work placements, industry-led qualifications such as tailored degrees with matched government-business funding, and paid-for courses that lead directly to job opportunities. There may also be a need for rebranding – for instance, apprenticeships tend to be associated with manual skills-based occupations rather than the more prevalent service-based occupations. It is in the direct interests of business to take a lead in this area.

## Spatial policy

There are also implications from our results for spatial policy. The allocation of public spending across the UK currently results from a mix of delivery mechanisms, eg the Barnett formula allocating funds to the three devolved administrations, the funding formula from the Department for Communities and Local Government (DCLG) to the English local authorities and the intended (and unintended) regional and spatial consequences of all the spending and policy decisions by Whitehall departments. It would not be surprising if the end result of this process did not necessarily reflect relative need.

While any conclusions in this area understandably arouse high emotions, it flows from our analysis that people in London require greater support for their economic lives, such as investments in transport to reduce costs and speed up travel to work times. Support across the board is still also required in the North East, Wales and Yorkshire. In comparison, the South East, South West and East are perhaps in less need, when taking account of the economic desires of the population as a whole. Future research might also try to recreate the index using sub-regional data to understand further the relationship between cities and their hinterlands.

## Sectoral policy

We initiated this research expecting the balance of economic activity between sectors such as financial services and manufacturing to be a substantive theme for the public. While the public did recognise this as an issue, in practice specific sectors did not appear as significant to the public in our polling as export-oriented businesses, which were seen as important for UK plc to pay its way in the world. In addition, and linked to the earlier discussion on spatial policy, through our engagement discussions it appeared that debate was more focused on local economies having sufficient 'anchor' companies around which clusters and supply chains could form rather than particular types of industry. The public emphasised that the nature and quality of jobs has a close link to economic wellbeing.

This is important to consider when looking at labour and skills intensive occupations, which are likely to increase in future and will have a bearing on income inequality. For instance, in the care sector we can expect there to be an explosion in demand as the population ages, but currently carers tend to be perceived as low status and low skilled, and as a result have low wages.

### Affordability

There is also something to be said on the general issue of affordability. It was noticeable throughout our research that pay, and indeed employment in general, was valued not so much for status but to keep one's financial head above water. People were concerned about their post-tax disposable income. It therefore might be meaningful and useful for government to monitor wage levels against objective local calculations, for instance of a living wage (the proportion of income spent on 'basics') and/or the number of people in fuel poverty. The prism of affordability might also be a good way to start a discussion around housing and the impact of asset price inflation (and deflation) on household wealth.

### Sustainability

It was noticeable in our research that sustainability was important but not in the top three factors of importance to the public. Yet climate change and a low carbon economy have not only become drivers of government policy but are also key to certain industries such as automotive and aerospace. In some ways, it may be that business is now ahead of public opinion. This may reflect another issue of affordability: high energy prices may be seen by the public as being connected to the cost of switching to a low carbon economy with more renewable energy, and be considered too high a price to pay at a time of austerity. A task for government is therefore to re-engage the public on low carbon issues and ensure their support for actions today which result in longer term economic gains.

## Methodology

Finally, we have two methodological suggestions. First, we conclude that the government, through the ONS, should consider using our broad methodology of starting with what the public think and publish its own 'good growth' index to track progress over time. This may entail perhaps rebasing the index against a new survey, say every five years, recognising the timing of the economic cycle (in the same way that the weights of the retail price index are rebased). Only by measuring economic performance in the same way as the public can government focus on the most important pressures in people's economic lives.

The second methodological suggestion is that there is potentially a greater role for conjoint analysis in public policy debates where it is important to consider complex trade-offs between different priorities. Whereas, in the past, policy-makers have tended to explore policy tensions between economic efficiency and equity in a qualitative setting, the methods used here give the potential for greater rigour in policy analysis by exploring the amount people are prepared to pay for different policy outcomes.

This might be particularly useful where choices are being made on how much taxation people can bear for a certain outcome or bundle of outcomes. For example, the relative importance of different components of a regeneration project, or how much different groups of people on different incomes would be prepared to pay, when they were forced to choose, for guaranteed higher quality or choice in specified public services.

## Conclusion

In summary, we now have an opportunity to respond to the recent economic crisis in a way that develops the type of economy that we want to see. We hope that by presenting this work in the context of the wellbeing debate we can sharpen the understanding of policy-makers on the various methodological and conceptual tools that are available to them as they seek to make progress in a way that is not only economically productive, but also socially and environmentally sustainable, and in tune with the wishes of the public.



# Introduction

The research presented in this pamphlet is our contribution to the national and international debate on social wellbeing.

We start from the same place as President Sarkozy of France when, in 2009, he criticised the tendency of governments ‘to make a fetish out of GDP’ and urged the statistical agencies to integrate wider measures into their routine reporting of data.<sup>5</sup> In doing so, his words recalled those of Bobby Kennedy, speaking to the University of Kansas 40 years earlier and a few months before he died, when he observed that gross national product ‘measures everything, in short, except that which makes life worthwhile’.<sup>6</sup>

The French President’s words came as he launched the report of the Commission on the Measurement of Economic Performance and Social Progress, which he had established the previous year under the chairmanship of the economist Joseph Stiglitz, advised by Amartya Sen and coordinated by Jean Paul Fitoussi, and known as the Stiglitz Commission.<sup>7</sup>

The report had two main conclusions. First that primary data should be collected on people’s wellbeing and life satisfaction, and second that policy-makers should work on a high-level multidimensional measure of wellbeing. The latter would include attributes such as health, education, environmental factors and political voice, among others, in addition to material standards of living.

Both of these conclusions have spurred further research and debate. In particular, statistical agencies in Organisation for Economic Co-operation and Development (OECD) countries have taken up the first recommendation and begun a process of coordinating the collection of primary data on wellbeing and happiness. The UK has been in the vanguard of this exercise; the Office for National Statistics (ONS) announced in July 2011 that

it was starting to collect data on various aspects of life satisfaction, with the first results due to be available in July 2012.

The EU has taken up the challenge of the second conclusion and begun to develop its own high-level definition of a multidimensional measure of wellbeing, placing a strong weight on environmental impact. It is not the first time that this has been attempted – the OECD has undertaken a similar exercise recently as have other organisations. Chapter 1 briefly lists the multidimensional measures of wellbeing, broadly defined, that are already in existence.

But there are methodological problems for policy-makers with both these streams of work:

- *Problem 1:* Because the wellbeing surveys are, by definition, concerned with emotional and intangible issues, the connections between what the surveys are saying and the daily choices faced by policy-makers are weak. We may end up finding out that either the country as a whole, or specific communities within it, have low levels of wellbeing, without knowing what levers can be pulled to do something about it.
- *Problem 2:* At the other end of the scale, the work on developing a multidimensional measure of wellbeing is highly dependent on the subjective priorities and views of those developing the measure. To have impact and traction with policy-makers, such a multidimensional measure needs to reflect the views not of the experts but of the public. This includes in particular how they trade off the utility derived from income compared with other ‘goods’.

The challenge for policy-makers is to devise a wellbeing measure that is reasonably statistically robust but also capable of incorporating and trading off the various things that people say are important in their lives, including income. In time, the hope is that such a measure might become as established as the concept of GDP is now.

Our contribution to this debate is a methodology designed to address these concerns. Like the ONS, we take as our starting point the views of British people. Like the European



Commission we use this to build a multidimensional measure, but unlike both their and other attempts to build indices, we do not presume to tell people what issues they should think are important. Rather we use their views as our starting point in constructing the index.

And reflecting where this debate began, with a query as to what is important in economic policy, we constrain the subject matter to a loose definition of economic issues. This is variously described as ‘the work and money side of your lives’ and a ‘successful economic policy’ in our research. We felt that this was a logical next step from the original economic policy work of the Stiglitz Commission, but not going as far as the broader and less well-defined subject of overall social wellbeing, nor attempting to encapsulate all policy issues into one measure. So it deliberately excludes, for example, issues relating to personal and national security and democracy, important though these are in themselves.

This approach has enabled us to explore real trade-offs in people’s economic lives and in wider economic policy: between, for example, assets and income, time and money, and income distribution and prosperity. It is also potentially more immediately useful to policy-makers than the results of more academic research around Benthamite concepts of utility. For the time being, therefore, the result of this research is simply the *people’s good growth index*.

There is however ample scope for the methodology to be tweaked, for the exercise to be repeated to give longitudinal data, or other issues tested and added if required. The hope is that, in time, as the innovative methods used in this research become more firmly established, it might be possible for the insights gained here to inform the broader happiness work, and in time enable policy-makers to establish a commonly accepted methodology of what we should be measuring if it isn’t simply GDP.

### Outline of research methodology

The research challenge has been therefore to get the public effectively to design their own economic policy assessment

index. We adopted a three-stage methodology to achieve this aim:

- an in-depth qualitative phase where a representative sample of members of the public were brought together to debate, define and rank the most important issues in their economic lives, and their views on the corresponding priorities for the government's economic policy
- a poll to determine the relative rankings of the top issues identified during phase 1
- a further poll using a statistical technique known as 'conjoint analysis' to obtain trade-offs and weightings between the various top issues identified

These results were then combined with objective data on the indicators concerned to give two 'good growth' indices: one comparing the UK with other mid to high income OECD countries and the second index comparing UK regions with each other.

### Structure of the pamphlet

Chapter 1 ('The case for new research') sets the scene and presents the need for the research in this pamphlet to be undertaken. It presents the results of a literature review of the various attempts at a wellbeing index, or similar, both within the UK and elsewhere. It shows that, while there is clearly a desire on the part of policy-makers to give a more holistic account of the success, or otherwise, of economic policy across the board, there is not yet any well-established methodology for doing so, and indeed there are flaws with many of the attempts that have been made to date.

This chapter concludes with the general thesis of this pamphlet: it would be useful to have a way to explore the public's views on the competing tensions within economic policy, broadly defined, with a view to producing a 'good growth' index of their preferences in the work and money side of their lives.

Chapter 2 (The people's good growth index: qualitative analysis and results) describes the in-depth qualitative phase where a representative sample of members of the public were brought together in April 2011 to debate, define and rank the most important issues in their economic lives, and what they think the government's economic priorities should be.

Chapter 3 (The people's good growth index: quantitative analysis and results) takes these early results and tests them using a representative poll of 2,260 UK adults of working age. Six key factors emerging from this polling were then further tested using a conjoint survey of around 1,000 people, which allowed us to explore in more detail the relative weight that people gave to these six factors. All of these results are then brought together in two 'good growth indices': the first compares the UK with 13 other broadly comparable OECD countries; the second compares the 12 standard regions of the UK with each other. We also consider the robustness of these good growth rankings to different weightings and how they relate to more conventional rankings based on GDP per person.

Before moving on to a discussion of the policy implications of these results, chapter 4 ('What business says') briefly compares and contrasts them with the stated views of business, expressed through the 14th PwC Annual Global CEO Survey and informally through a number of seminars held to disseminate the early results of this project.

Chapter 5 brings all these insights together to inform our policy recommendations.



# 1 The case for new research

To introduce the subject of ‘good growth’, and by way of context for what follows, we start this pamphlet with a description of the work commissioned by the French Government a few years ago. We discuss how far this work has been taken up by other authorities, countries and agencies, as well as summarising the various attempts to construct indices by which economic – and wider – policies can be measured.

## The Stiglitz Commission

In early 2008 the French Government established a commission on the measurement of economic performance and social progress with leading international economists and thinkers Joseph Stiglitz, Amartya Sen and Jean Paul Fitoussi (also known as the Stiglitz Commission) to identify the various deficiencies of the reliance on gross domestic product (GDP) as the key indicator for economic and social progress in a modern economy.

Reporting in September 2009, the Commission pointed out that GDP is useful as a measure of market production. However, it has often been treated as if it were a measure of overall socio-economic wellbeing, which is generally not the case. Conflating the two can lead to misleading indications about how well off people are and potentially entails the wrong policy decisions being made. For example, whereas GDP measures production, people’s living standards are more closely associated with consumption. It is quite possible for production to rise when real consumption falls after considering international effects and changes in relative price levels.

Specifically the Commission recommended a shift of emphasis from measuring economic production to looking at people’s socio-economic wellbeing in the round. This would

have two manifestations. First, the collection of meaningful and reliable data on subjective as well as objective wellbeing, where subjective wellbeing would encompass issues such as cognitive evaluations of one's life, happiness, satisfaction, positive emotions such as joy and pride, and negative emotions such as pain and worry.

Second, that there should be a multidimensional definition of wellbeing. The Commission then attempted to list the types of things that might be included in such a definition, such as:

- material living standards (income, consumption and wealth)
- health
- education
- personal activities including work
- political voice and governance
- social connections and relationships
- environment (present and future conditions)
- insecurity, of an economic as well as a physical nature

The Commission viewed itself as opening a discussion rather than closing it, and indeed the report itself hints that these issues ought to be taken up in a more comprehensive way by international bodies such as the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU). Both bodies have responded<sup>8</sup> but in different ways, immediately prompting a debate as to whether an established methodology will emerge.

### The OECD and EU

The OECD's work has focused on setting priorities for the statistical agenda, for both OECD and non-OECD countries. In particular it has begun to develop a process, through the relevant committees made up of member states and observers, to share ideas about how their work relates to the measurement of social progress and how they can contribute to implementing the recommendations of the Stiglitz Commission. In addition, the OECD has set itself the task of producing new indicators of

wellbeing and to present existing measures under a wellbeing perspective, which it is rolling out during the course of 2011 as part of its Better Life Initiative. As part of this, in July 2011, for example, it launched a website tool that allowed the public to rank OECD countries according to the standard policy issues that they considered to be important.<sup>9</sup>

This approach complements the existing OECD global project entitled *Measuring the Progress of Societies*, which seeks to become the worldwide reference point for those who wish to measure and assess the progress of their societies – especially in emerging and complex areas not yet covered by statistical standards. The aim of this project is to foster the development of economic, social and environmental indicators to provide a comprehensive picture of how the wellbeing of a society is evolving.<sup>10</sup>

Meanwhile the European Commission has focused on establishing its own definition of what progress entails, with an emphasis on objective measures of sustainability. In November 2007 (well before the Stiglitz Commission report), the European Commission, European Parliament, Club of Rome, OECD and World Wildlife Fund (WWF) hosted the high-level conference *Beyond GDP*, with the objectives of clarifying which indices were most appropriate to measure progress, and how these can best be integrated into the decision-making process and taken up in public debate.<sup>11</sup> This eventually resulted in an EU communiqué ‘GDP and beyond: measuring progress in a changing world’, which outlined an EU roadmap with five key actions to improve indicators of progress in ways that meet citizens’ concerns and make the most of new technical and political developments.<sup>12</sup> These included commitments to:

- complement GDP with environmental and social indicators by developing an environmental pressure index, which will be based on indicators for climate change and energy use, nature and biodiversity, air pollution and health impacts, water use and pollution, waste generation and use of resources; and by developing quality of life and wellbeing indicators further
- increase the timeliness of environmental and social indicators by using new mechanisms such as ‘nowcasting’ techniques

and the new European System of Social Statistical Survey Modules

- report on distribution and inequalities more precisely by regularly updating the analysis on key distributional effects and analysing the link between social exclusion and environmental deprivation
- develop a European Sustainable Development Scoreboard by complementing the EU sustainable development indicator (SDI) set with other more up to date quantitative and qualitative measures and exchanging experience between member states, and by identifying physical environmental threshold values for key pollutants and renewable resources
- extend, in consistency with the European System of National Accounts (ESA), the analysis of environmental and social issues and derive – in the longer term – new top-level indicators by developing key elements of an integrated environmental economic accounting system by 2013 and implementing a detailed action plan; and by improving and increasing the use of indicators derived from the ESA, like the disposable income of households and adjusted disposable income

The Commission intends to report on the implementation and outcomes of the actions put forward by this communiqué by 2012 at the latest.

### Academic definitions of happiness

As well as leading to a debate under the auspices of international bodies such as the OECD and EU, the conclusions of the Stiglitz Commission have also prompted a renewed interest in pre-existing initiatives on the determinants of happiness, such as the work undertaken at the London School of Economics by Professor Lord Richard Layard. In a nutshell, Professor Layard argues that the main determinants of happiness, or wellbeing, are family relationships, financial situation, work (the fact of it, and being able to control it), health, personal freedom (including control and voice) and having strong personal values.<sup>13</sup>



At a conference at HM Treasury to launch the government's own research into wellbeing in November 2010, Professor Layard pointed out that there is already a long history of measuring wellbeing and that the most meaningful way of doing it is probably through a properly weighted index around various aspects of life satisfaction rather than a single life satisfaction question.

Layard's two main conclusions were that:

- Wellbeing is a legitimate concern of government. He cited a 2005 GfK NOP poll where over 80 per cent agreed with the statement that 'a government's prime aim should be achieving the greatest happiness of the people, not the greatest wealth'.
- Wellbeing can be measured, but that we are roughly in a similar place now to where macroeconomics was in the 1950s when GNP was first measured by understanding how people's wellbeing is determined and how it is affected by government policy.

### **The response of the Office for National Statistics**

Responding to these influences, and at the request of the Prime Minister, the UK National Statistician Jill Matheson announced, on 25 November 2010, plans to lead a national debate on measuring the nation's wellbeing. This was followed by an extensive consultation exercise designed to explore how to give a fuller picture of 'how society is doing' than is given by GDP. In July 2011 the ONS presented its early findings from the consultation and announced that it was starting to collect data on various aspects of life satisfaction; the first results will be available in July 2012.<sup>14</sup>

### **International and other developments**

Similar initiatives have also been undertaken by other countries and agencies at different times. Here we briefly highlight the Canadian Index of Wellbeing (CIW), a similar initiative in the Netherlands, the ongoing and established work at the New

Economics Foundation and well-respected development and competitiveness indicators produced by the UN and World Economic Forum (WEF), summarising with a table that identifies the gaps in the analysis.

### Canadian Index of Wellbeing

The CIW describes itself as a new way of measuring wellbeing that goes beyond narrow economic measures like GDP.<sup>15</sup> It is a cooperative effort among several nonprofit institutions concerned with measuring wellbeing in Canada. It looks particularly at standards of living, health, the quality of environment, education and skill levels, the way people use time, the vitality of communities, participation in the democratic process, and the state of leisure and culture. However, it runs into methodological difficulties through a lack of data and also its inability to give relative weights to different components of the overall index because it has not attempted to ask members of the public how they rank the various issues.

### Dutch Life Situation Index

The Netherlands Institute for Social Research (SCP) has constructed a Life Situation Index to measure the progress of Dutch society with indicators beyond economic growth since 1974. The index covers indicators in eight domains: health, sport activities, social participation (loneliness, volunteer work), cultural leisure activities, housing, mobility, holidays and possession of assets. The SCP is a government agency, which conducts research into the social aspects of all areas of government policy. Within the broad national data, the SCP is also able to isolate trends in specific groups such as the elderly, city-dwellers, ethnic minorities or women; is the position of these groups improving or are they falling behind?

Although it is possible for individuals to fill in the survey online, and so determine their score, the issues and weightings that are used are determined by the researchers and so do not reflect the issues that the public are saying are important to them.

However, the fact that the survey is well established does give a useful set of longitudinal data, from which researchers are able to conclude that the Dutch life situation has improved over time.

### **New Economics Foundation - happy planet and national accounts of wellbeing**

Within the UK, the Centre for Wellbeing at the New Economics Foundation (nef) seeks to understand, measure and influence wellbeing, asking ‘what would policymaking and the economy look like if their main aim were to promote wellbeing?’. There are two main projects within this broad heading that are relevant to this discussion. The first, the Happy Planet Index, measures the ecological efficiency with which ‘nations convert the planet’s natural resources into long and happy lives for their citizens’. The nations that top the Index demonstrate that it is possible to achieve high life satisfaction and long life expectancy without overstressing the planet’s resources. In general, the point of the Happy Planet Index is that high levels of resource consumption do not reliably produce high levels of wellbeing, and in particular that the model followed by ‘advanced’ economies can provide widespread longevity and variable life satisfaction but at a high cost in resource consumption.<sup>16</sup>

A parallel nef project, the National Accounts of Wellbeing, uses comprehensive data from a survey of 22 European nations examining personal and social wellbeing. Personal wellbeing describes people’s experiences of their positive and negative emotions, satisfaction, vitality, resilience, self-esteem and sense of purpose and meaning. Social wellbeing is made up of two main components: supportive relationships, and a feeling of trust and belonging. Launching its report in early 2009, nef had called for all governments to collect data on wellbeing routinely; events have now proved that this was prescient.<sup>17</sup>

### **UN Development Programme’s Human Development Index**

The Human Development Index is a summary measure of human development that is commissioned annually by the UN

Development Programme (UNDP). In its first report, published in 1990, it concluded that ‘there is no automatic link between economic growth and human progress’.<sup>18</sup> As well as including wealth measures such as GDP, the Human Development Index also looks mainly at progress in health and education, including their distribution across the population and, for example, more subjective measures of progress such as female participation in parliament and other measures of gender equality, including maternal mortality. While focusing on the development progress of poorer countries, it aims to highlight the attention of governments, corporations and international organisations to aspects of development that centre on the expansion of choices and freedoms, not just income. Between 1970 and 2010, the countries that improved most when measured on the Human Development Index were Oman, China, Nepal, Indonesia and Saudi Arabia, of which only China’s top status was due to income improvements alone. Norway, Australia, the USA, Ireland and Lichtenstein were top of the overall league table in 2010.<sup>19</sup>

### **World Economic Forum Global Competitiveness Report**

The WEF has published the Global Competitiveness Report annually since 1979. It ranks economies according to its own measures of attractiveness to do business in (or in its own words ‘assesses the ability of countries to provide high levels of prosperity to their citizens’<sup>20</sup>) and in that respect is similar to a number of private sector initiatives that provide risk and competitiveness ratings for countries and cities. Some of the measures it looks at are the effectiveness of official institutions, culture and policies. In the 2010–11 assessment Switzerland leads the ranking as the most competitive economy in the world, as the USA, which ranked first for several years, fell to fourth place following the financial crisis of 2007–2010 and its macroeconomic instability. China continues its relative rise in the rankings reaching 27th. The UK was in 12th position.<sup>21</sup>

## Summary

There are a number of different initiatives under way to collect data and construct indices designed to assess the progress of nations from a wider standpoint than GDP, some of which are well established. They tend to fall into two categories: those that draw on surveys of people's perceptions in order to give a snapshot of the wellbeing of a particular country, and those that bring together existing statistical data series to form a multidimensional measure based on the weights and priorities of those constructing the index. An attempt to categorise the past initiatives in this field is shown in table 3.

It is clear from table 3 that there is a gap in the current debate. None of the work to date explicitly asks members of the public what is important to them in the field of economic – or other – policies and uses their views to determine the importance

Table 3 **Characteristics of existing indices of national progress**

	Include economic measures	Include other measures, eg environmental, health, education, democracy; their importance decided by experts	Include subjective wellbeing measures	Include original polling of citizens
OECD	X		X	X
EU	X	X		
UK ONS Wellbeing Project	X		X	X
Canadian CIW	X	X		
Dutch Life Situation Index	X	X		
nef Happy Planet	X	X		
nef National Accounts of Wellbeing		X	X	
UNDP	X	X		
World Economic Forum	X			
Our research	X	X		X

Source: PwC, World Bank and UN

of the various issues in question. The public are asked about their general contentment levels in the wellbeing surveys, but not about the specific policy outcomes they would like to see. When specific outcomes are considered, it is the experts, not the public, who give their views on what is important.

Yet the starting point for the current wellbeing debate is about the relevance, or not, of economic policy to people's lives. We think it odd therefore that people are not being asked about what they want to see in their economic lives. The motivation for this pamphlet is to fill that gap and build up an economic policy from the stated desires of the public; the Demos-PwC good growth index, which is designed in line with the preferences of the British public, is an attempt to bring these strands together as a platform for further research.

The remainder of this pamphlet therefore sets out the results of this research. We ask the question in a number of ways, using innovative polling techniques, and explore the trade-offs that exist between the different components of 'good growth' that people identify. We compare and contrast the views of the public with those of business, making appropriate policy recommendations.

We go directly to what the public are saying about the work and money side of their lives without making either expert or biased subjective assumptions about what 'good' really means. By doing that we wish to provide a useful tool for policy-makers, by exploring trade-offs and ways of measuring progress. Our aim is that this contribution to the wellbeing debate gets to the heart of what the Stiglitz Commission was looking at, in a way that not only has public support, but is sufficiently practical and robust that it is of immediate use to policy-makers.

## 2 The people's good growth index: qualitative analysis and results

The purpose of the qualitative phase of the research was twofold. First, to obtain the long-list of issues that the public considered to be important when judging what a good economic policy looked like, in order to ensure that we were asking the right questions during phase 2, the quantitative polling stage. And, second, to ask the public to phrase those questions in their own words, to ensure they made sense when we moved on to wider public polling. Our overriding objective at this stage was to put in the necessary groundwork to make sure that in the main poll we would not be dictating our views to the public, but rather simply exploring in greater detail their own expressed preferences.

The qualitative stage of the work took place over a full day in Birmingham on 2 April 2011, facilitated by the research company Britain Thinks working closely with PwC and Demos to design the scope of the exercise. While the results of qualitative work can only ever be indicative, we made efforts to ensure that the group was as representative as possible of the UK working age population as a whole. There were 31 people at the event, aged 18–65; 27 were in full-time education or employment, or were homemakers whose partners were in employment and not reliant on state benefits, while four were unemployed but actively seeking work. We recruited 16 participants from Birmingham, eight from London, and seven from Manchester. As the session was exploring trade-offs between competing pressures within the work and money sides of people's lives, we excluded pensioners and those who were unable to work because of poor health as the choices available to these cohorts were far more limited than those of other groups. Everybody was therefore either in the labour force, seeking to participate (either immediately or, in the case of students, soon), or in a household where someone was working.

We purposely selected participants so as to make certain that they represented the broad gamut of attitudes and opinions in the UK. In practice, we achieved this by including four people from each of the eight typologies of working and middle class Britain, as segmented by Britain Thinks.<sup>22</sup>

We explained to the participants that the primary purpose of the event was to answer the following question: What are the things that tell people that the Government has the right economic policy?

We encouraged participants to think, first, about the factors that are important for how they judge whether they have got the work and money side of their own life right and, second, about the broader things that say to them that the Government has got its economic policy right. In both cases we asked them to vote on their most important priorities. At the end there was a final vote that combined the two categories.

Throughout, the workshop was structured to ensure a 'bottom up' approach so that the economic priorities mentioned genuinely originated from the participants. Indeed, the aim of the event was to facilitate discussion to allow the participants' ideas to evolve and thus to enable them to provide an informative account of their economic priorities in both the personal and national arenas.

### Personal economic success

Before the event we asked participants to bring along an item which symbolised personal economic success to them. We put them into groups of eight and asked them to describe their items (which ranged from car keys to jewellery, lottery tickets and an acceptance letter to a fee paying school), and why they brought them. The purpose of the exercise was to initiate a discussion about economic prosperity and what the concept meant to the participants.

Within their groups, we asked participants to compile a provisional list of personal factors they deemed to be both 'important' and 'unimportant' in the work and money side of their lives. We augmented discussions using pre-prepared packs



that PwC and Demos had compiled listing key factors, with tangible examples, that the group might like to consider. These included factors relating to work, fairness and the environment, for example (see annex 1 for the full list of topics). The purpose of introducing this list was to ensure that the groups had had the opportunity to consider the many possible factors that policy experts might consider to be of relevance, without imposing conclusions on the participants. We encouraged participants to write down what they took each concept to mean and redraft it in their own words if required.

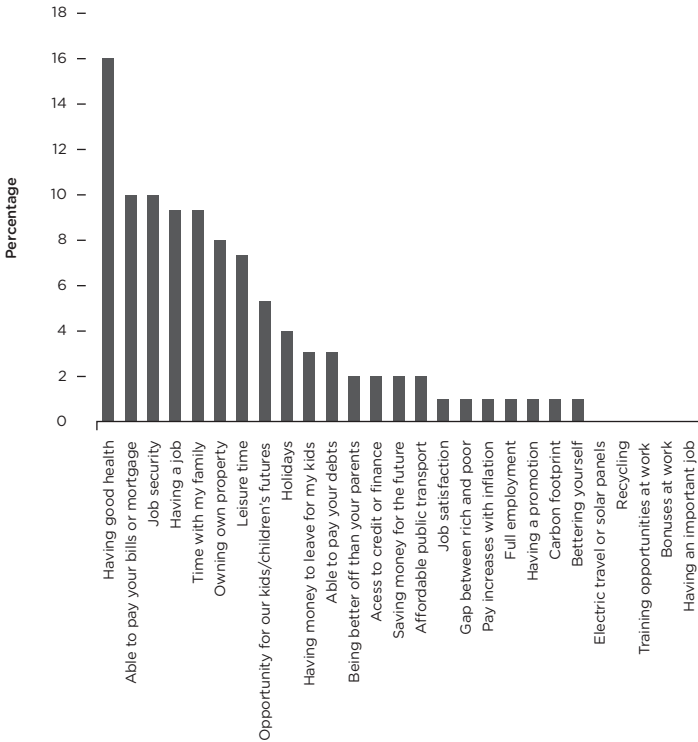
The participants reported their conclusions back to the researchers who compiled a list of the most commonly mentioned factors. A significant proportion of the respondents emphasised ‘personal health’. The issue was purposely not highlighted by the researchers as it was not believed to be directly relevant to personal economic success. Yet many of the participants insisted that it should be included. This was because they felt that good health was essential to being able to participate in the labour market and thus earn a steady income. As the aim of the event was to report on the participants’ subjective views, the researchers subsequently included the factor.

Following this deliberation, the participants then voted on what they deemed to be the five most important or unimportant aspects of the work and money side of their lives. Each participant had five votes; they were permitted to put them all in one place, or spread them around the available other aspects as they saw fit.

The results from the vote are shown in figure 6. They reveal the importance that the group attached to their own health as a factor in the work and money side of their lives; 16 per cent of the total votes cast landed on the ‘having good health’ option. It became clear during the course of the discussion that individuals’ personal health was key to their ability to participate in the labour market and be financially successful. As one participant said: ‘No health, no wealth.’

The next most important issue in people’s minds was ‘the ability to pay your bills or mortgage’, receiving 10 per cent of all votes, alongside job security, also at 10 per cent, and ‘having a

Figure 6 The importance given to personal economic factors by participants in the PwC and Demos poll, April 2011



job' at 9 per cent. Throughout there was a strong emphasis on affordability and economic preservation, perhaps as a result of the current economic climate in the country as a whole, rather than the actual level of income, the quality of the job or opportunities for training or advancement. Issues associated with aspiration in employment, although they made it onto the long-list, did not receive many votes. 'Job satisfaction', 'having a

promotion’, ‘pay increase with inflation’, ‘bonuses at work’, ‘having an important job’ and ‘training opportunities at work’ each received less than 1 per cent of total votes. As one participant commented: ‘If you fall one month behind, that’s it. You can’t get back on track.’ Another said: ‘Being safe in the knowledge that you’re not going to come into work one day, be called into the boss’s office and asked to go and tidy your desk is pretty important.’

There was a general sense that having work (which depended on being healthy) was both a necessary and sufficient condition for things being alright. Once that was satisfied, owning one’s own property, having time with family and leisure time were the next most important factors, above, for example, providing for the future. For some, this meant being free on weekday evenings and weekends, for others it was being able to eat together each night, or at a designated time each week. This indicates that, in spite of people being concerned about financial matters, they continue to place a significant emphasis on family life. One respondent said, ‘I want to have the time to know my family, to know what they are up to and what they are doing.’

People seemed to accept that environmental issues were potentially important: ‘carbon footprint’, ‘electric travel or solar panels’ and ‘recycling’ all made it onto the long list. But only ‘carbon footprint’ received any votes at all in the final reckoning – and then attracted only 1 per cent of the total votes available.

### National economic success

In the afternoon, the session moved on to analysing economic priorities for the country as a whole. We asked participants to discuss in their groups what they thought defined national economic success and to compile a list of the things the government should take into account when trying to achieve prosperity for the UK.

In order to allow the participants to make informed decisions when voting about their national economic priorities, we conducted a ‘pub-style’ quiz. This gave the researchers an opportunity to provide the participants with key facts about the

current state of the UK economy ranging from average levels of household debt to the extent of income inequality. Again, we supplied participants with an information pack from Demos and PwC listing and giving examples of relevant national economic themes under the headings of living standards, trade and immigration, improving infrastructure, entrepreneurship and innovation, employment, fairness and balance and managing risk, environment, education, and health (see annex 1). Again, we asked them to discuss the relative importance of each of these factors and provide their own interpretation of them in their own words when possible.

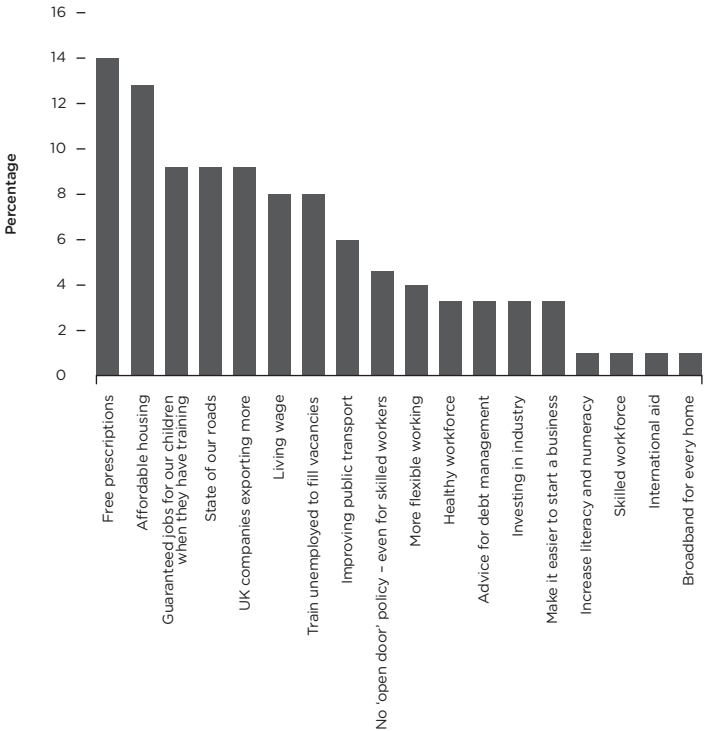
Despite this, the researchers reported that many of the participants found it much harder to identify their national economic priorities than their personal economic priorities. They experienced difficulty relating the economic policy of government to their own lives and consequently required considerable help from the facilitators. As a result, the symbols mentioned by respondents largely related to government policies in general, rather than economic policy in particular. Participants did not spontaneously mention the need to reduce the deficit.

After receiving feedback from the discussions, the researchers compiled a list of the most commonly mentioned symbols of national economic success, on which the participants voted. They were each allowed to vote for five factors that they deemed to be most important. The results are shown in figure 7.

Respondents tended to place the highest priority on matters relating to health, for instance free prescriptions, which received 14 per cent of the total votes cast. This may have been in response to prevalent headlines at the time of the research on the Coalition Government's plans to reform the NHS. Those polled thought that free medical treatment was essential to enable individuals to recover from potential illness or injury and thus to remain active in the labour market. As one participant explained, 'You need free treatments to have a healthy and productive workforce.'

'Affordable housing' was ranked the second most important national economic priority, taking 13 per cent of the total vote. This may have signified concerns about the difficulty

Figure 7 **The importance given to national economic factors by participants in the PwC and Demos poll, April 2011**



of getting on the 'housing ladder' for first-time buyers and the corresponding implications for the wider economy. One participant argued: 'We currently spend a lot of money on rent; if we could take that money away we'd have more to spend in shops and other areas of the economy.' However, there was substantial disagreement about the importance of the issue, with some of the least well-off participants conceding that not everyone could own a property.

The national economic priority ranked joint third (with 9 per cent of the vote) was 'guaranteed jobs for our children when they have training'. Again, this may have been influenced by recent reports of high levels of youth unemployment. Many linked this to fears about the education system and the extent to which it provides people with the 'right' skills to enter the workforce. As one participant put it, 'I am really worried that my children won't end up being able to get a job.'

The 'state of our roads' also received 9 per cent of the vote. The participants linked this to wider issues related to infrastructure, most noteworthy of which was the amount of traffic, which many thought could be resolved by increasing investment to improve the reliability and coverage of public transport. One person commented: 'I live 7 miles from my work but that's an hour on public transport and two changes, so I have to drive.'

Lastly, 9 per cent of total votes also went towards 'UK companies exporting more'. The participants felt that one of the main problems with the British economy was the number of imported manufactured products consumed in the UK. They believed it was important to have more balance in the economy, with both the relative proportion of imports and exports and the number of companies leaving and entering the UK seen as key to the success of the economy, particularly in the manufacturing sector, as this tends to be particularly export-intensive. One participant explained: 'You want more companies exporting out of the UK and so bringing money into the country, rather than the other way round.'

Conversely, 'international aid' only received 1 per cent of votes for what is important for the UK economy. It was often identified as 'nice to have' but, after learning about the relative costs associated with giving aid to other countries at a time when the UK economy was emerging from recession, it was seen by participants as poor economic management. One said: 'If the economy is doing well then we can afford to give aid, but it isn't [doing well] at the moment.'

'Broadband for every home' was also not deemed to be important for the national economy. It was often viewed as non-essential and a luxury service. Moreover, some linked the rise of

the internet to a decline they had observed in other areas of the economy. One participant asked, ‘What about all of the jobs we’ve lost because of shops closing?’

Furthermore, immigration was a particular concern for some of the participants. An ‘open doors policy (even for skilled workers)’ was thought to be unimportant for the UK economy by seven people although this view was not reflected in the final vote.

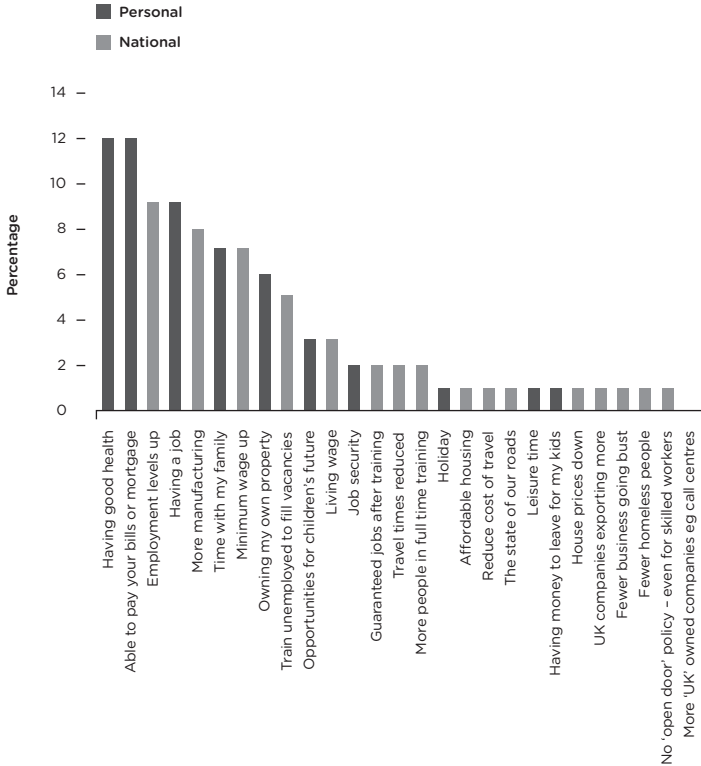
### **The final vote: personal and national economic factors**

We gave participants the opportunity to discuss in plenary what they had learnt during the day and to comment on the findings from the first round of voting. This involved questioning why the symbols of success that had emerged were so important and, equally, why other symbols that had been less popular were not as important. The researchers then helped the participants devise a final combined list of personal and national economic priorities for which to vote. In particular, they encouraged the participants to think of national economic policy issues.

We then invited participants to vote on their most important factors when their national and individual priorities were combined. The results are shown in figure 8, where the dark line indicates an individual factor that had arisen in the morning session, and the paler line indicates a national factor that had arisen in the afternoon session. They illustrate that the participants reasserted their belief about the importance of both ‘having good health’ and the ‘ability to pay bills/mortgage’. These personal factors were ranked jointly at the top of their economic concerns, both receiving 12 per cent of total votes. However the next two factors – having a job and high levels of employment, each receiving 9 per cent of the total – were essentially individual and national manifestations of the same issue. Consequently, one can safely conclude that having work, good health and the ability to pay bills or mortgage were the participants’ main economic priorities.

These data also signify that the participants were relatively individualistic when reporting their economic priorities. Personal

Figure 8 **The importance given to personal and national economic factors by participants in the final vote of the PwC and Demos poll, April 2011**



Source: Britain Thinks workshop organised for PwC and Demos

factors were generally deemed to be more important to the respondents than national factors. Indeed, out of the 12 factors that received less than 1 per cent of the total final vote, only three were from the personal realm.



The exception was issues relating to employment. This represented a significant shift from the first round of voting, where this was largely deemed to be a personal factor. For instance, ‘employment levels up’, ‘more manufacturing’, ‘minimum wage up’ and ‘train unemployed to fill vacancies’, which are all national factors, received around 9 per cent, 8 per cent, 7 per cent and 5 per cent of the vote respectively (rounded).

In contrast, the proportion of votes for ‘affordable housing’, ‘state of our roads’ and ‘UK companies exporting more’ declined substantially, each receiving only 1 per cent of the total count. This may reflect the respondents developing a greater understanding, and consequent increasing concern, about the current UK job market throughout the event. Despite this, ‘time with family’ remained high up the list of priorities, receiving 7 per cent of total votes.

### Emerging conclusions

This phase of the work was qualitative, so it is not particularly meaningful to draw strong conclusions from such a relatively small sample of people. However, the following inferences came over sufficiently strongly to be worth exploring in the next phase of the work:

- The most important ‘work and money’ factor in people’s lives relates to affordability: the ability to pay their bills. Aspirational issues such as career progression and owning one’s own home were seen as less important in the current difficult economic environment.
- Simply having a job and/or high levels of employment in the economy were seen as critical to economic success.
- Health is an economic policy issue in the eyes of the public: bad health means no job or not being able to hold down jobs as they age, so people are unable to pay their bills and/or save sufficiently for retirement.
- Members of the group thought other issues highlighted by the Stiglitz Commission as important, such as education and training and the environment, were relevant, but they were not

their top priorities. In the case of education this may perhaps have been because it was seen as a means to an end (a job) or because of a disconnect in participants' minds between post-compulsory formal education and workplace learning.

The next stage of the work, as described in chapter 3, was to explore the key factors that emerged from this deliberative session in order to rank their relative importance in a statistically significant way.

### 3 The people's good growth index: quantitative analysis and results

We saw in the previous chapter that the public, when asked in a qualitative setting, identified a number of factors as important when considering what a successful economic policy might look like and what the main issues were for them in the work and money side of their lives. While the top issues were those relating to the ability to pay their bills, and the associated contribution of having a job and being healthy enough to work, people also rated highly the importance of having sufficient time with their family and owning their own property. Other issues that participants thought were important, but were not top of the list, included fairness, transport, the sectoral balance of the economy, the environment and saving for the future.

The purpose of the next stage of the research was to test the relative importance of these various factors in a statistically significant way through quantitative polling methods. Once the top-ranking issues were determined in this way, the third and final stage was to use conjoint analysis to explore the trade-offs between them as a way of refining the weights used in constructing our overall good growth indices.

#### **Polling**

Using the wording and indicative priorities of the qualitative work described in chapter 2, we commissioned a poll designed to explore which issues a representative cross-section of the British public thought most important. We used the Opinium panel to do this, involving a survey of 2,260 UK citizens of working age, stratified according to age, socio-economic background and region. The survey questions were designed to test the relative

importance of the top issues identified in the qualitative stage of research, and within each category to give participants the opportunity to express the driving sub-factor. The main question was 'how important are these issues to the work and money side of the lives of you and your family?'

For example, whereas in the qualitative stage people had identified owning their own home as an issue, in the polling we asked how important housing was to them, and then tested for several sub-factors, of which home ownership was one. Similarly, participants were asked to state how important health in general was and then given a number of sub-options, including 'being healthy enough to work'. This was an opportunity both to get underneath the cause of people's concerns and also to begin to understand what variables might be the most important in constructing a final index.

The full questionnaire and results are set out in annex 2.

Table 4 provides a summary of the strength of the importance that people attached to the various issues. We can see that employment, health and income are clearly considered the most important factors, which is consistent with the findings of the deliberative research. However, the other seven areas also score reasonably highly with around 60–66 per cent of respondents rating them as 'important' or 'very important' (these are grouped in table 4 under the heading 'important') and only 8–13 per cent rating them as 'unimportant' or 'very unimportant' (grouped under the heading 'unimportant' in table 4).

As shown in table 5, the polling also probed the underlying sub-factors driving the main results. We see, as the deliberative event had indicated, that being well enough to work is the strongest driving factor behind the health attribute and that 'owning my own property' dominates the discussion of housing. Other results were more nuanced. People gave weight to the future, but not exclusively to future generations. Time with family was important, but not the only consideration behind the importance of work–life balance. Security in work was important as well as the actual fact of having a job.

Because of its large sample size, we were also able to split the polling results from table 4 in various ways to see how robust

**Table 4 The importance people attach to various subjects when thinking about the work and money side of their lives**

Subject	Score	Important	Unimportant
Employment	1.32	84%	7%
Health	1.19	79%	6%
Income	0.96	70%	7%
The future	0.87	66%	9%
Time with family	0.83	64%	11%
Housing	0.83	65%	8%
Environment	0.79	63%	13%
Economy-wide balance	0.76	61%	8%
Transport	0.75	62%	9%
Distribution of wealth	0.73	60%	13%

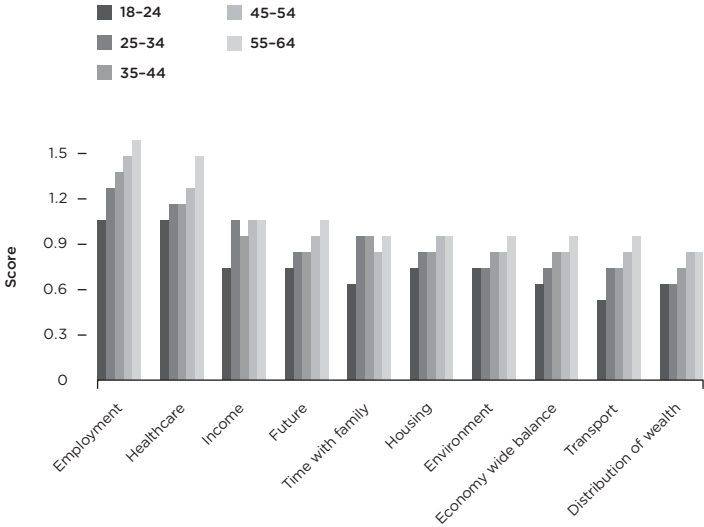
Source: Opinium panel

Note: We asked participants to rate the importance of each factor on a five-point scale from 'very unimportant' (1) to 'very important' (5). The results are shown as an average rating based on a scale of -2 for 'very unimportant' to +2 for 'very important'.

**Table 5 The importance people attach to various subjects when thinking about the work and money side of their lives and their families' lives**

Factor	
Employment	Having a job (41%)
Housing	Owning my own property (63%)
Income	An income that enables me to live comfortably (36%)
Transport	Cheaper travel (45%)
Healthcare	Being healthy enough to work (76%)
The environment <sup>23</sup>	Conservation of forest and the landscape (41%)
Work-life balance	More time with family (45%)
Wealth distribution	A fairer country between the rich and poor (75%)
Economy wide balance	More British-made products being exported to other countries (35%)
The future and providing for future generations	Sufficient job opportunities in the future (24%)

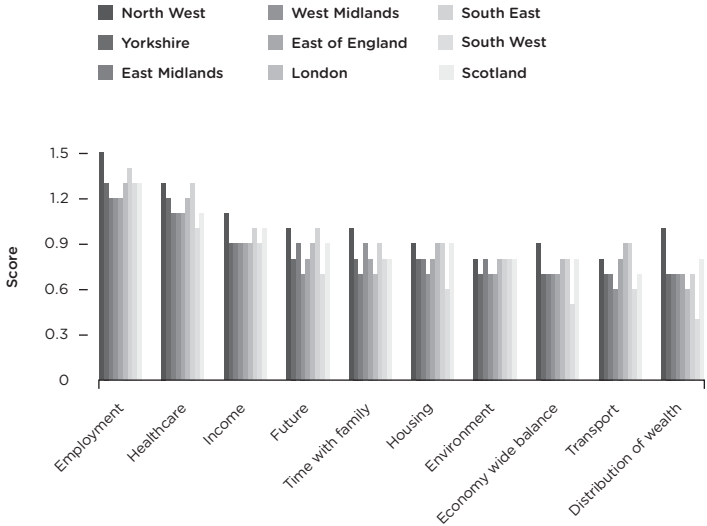
Figure 9 Average scores of those polled on the importance of different factors, by age group



the scores of importance may be across age groups, regions and occupational classes, as shown in figures 9–11.

The analysis by age group in figure 9 shows that the relative ranking of all ten factors is consistent across age groups. Within this broad trend, however, there seems to be a systematic tendency across all areas for importance ratings to increase for higher age groups. There are a few other variations: 18–24-year-olds, for example, give a particularly low ranking to ‘time with family’ (presumably because they are branching away from their parental home but are less likely than other age groups to have their own children); 25–34-year-olds give a higher ranking to income and housing, perhaps because of the difficulties of this age group becoming sufficiently established to afford their own home.

Figure 10 The relative importance given by those polled to different issues, by UK region

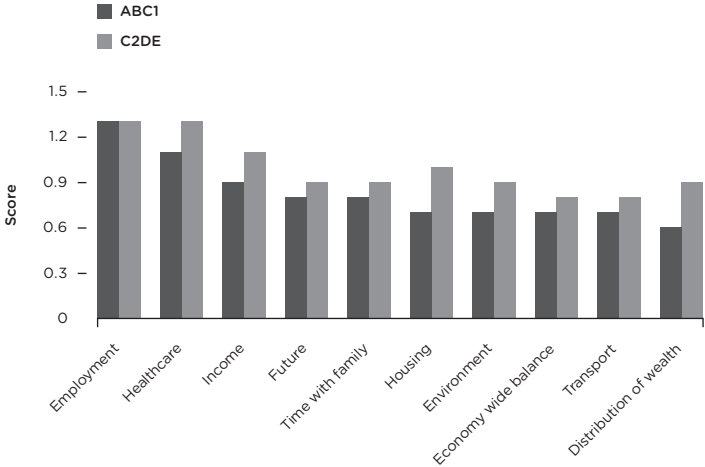


When we break results down by region, as shown in figure 10,<sup>24</sup> the relative variations of importance across the ten factors is again broadly consistent with a few notable exceptions. The North West appeared most concerned about all issues (except perhaps the environment) and in particular the distribution of wealth, but was noticeably the most relaxed in particular about issues relating to wealth distribution, economy-wide balance, housing and transport.

The same consistency of relative variations is also broadly true when the polling results are split by occupational class, as shown in figure 11.

Figure 11 shows that C2DE respondents tend (like older people) systematically to give higher importance ratings to all factors except employment, which is rated very highly by both

Figure 11 The relative importance given by those polled to different issues, by occupational class



groups. There is a somewhat higher relative importance rating for income and wealth distribution for the C2DE group, as you might expect, and to a lesser extent also for housing. In general, the differences in relative rankings are not large and employment, health and income come out as the top three factors for both groups.

In summary, having looked at the data in a number of different ways, it seems reasonable to take UK average scores as an indicator of the relative importance of the ten factors for most groupings of the population. This leads to potential index weights as set out in table 6.

This shows that while jobs, income and being healthy enough to work are all very important, other issues such as providing for the future, housing, work–life balance and income distribution also have significant weights. As a first cut, therefore, these results suggest that it is necessary to go beyond conventional indicators of economic policy success such as GDP



Table 6 Polling weights for possible use in good growth indices

Category	Polling scores	Polling weights
Jobs	1.32	15%
Income	0.96	11%
Health	1.19	13%
Work-life balance	0.83	9%
Housing	0.83	9%
Income distribution	0.73	8%
Future	0.87	10%
Environment	0.79	9%
Sectoral balance	0.76	8%
Transport	0.75	8%
.....		
Total	9.03	100%

Source: PwC analysis

Note: Weights used in indices are rounded to nearest percentage point.

in order to capture the range of issues that matter to the public in relation to their economic lives.

However these results do not include the trade-offs that people are prepared to make between the various different categories. For example, more leisure time, a stronger environment and better transport may well come at a price. We now turn to the method of conjoint analysis to see the type of economy that people would prefer when they are forced to trade off these various categories against each other.

### Conjoint analysis

As described in more detail in annex 3, conjoint analysis is a well-established statistical technique for deriving implied consumer preferences for different monetary and non-monetary characteristics of particular products and services. It is routinely used in the private sector to determine, for example, the monetary value of a particular brand of car. It can also be used to assess the weight that people give to safety or travel time relative to ticket price when assessing options on public transport investment. To our knowledge, however, it has not been used before to explore

trade-offs in economic policy at the broad level considered in the present study.

In a conjoint survey participants are invited to choose between two scenarios, or bundles of characteristics, each of which is defined by a set of attributes. By altering the values of the attributes and asking participants to choose their preferred option in multiple scenarios, their real preferences can be revealed. For example, by asking participants repeatedly to choose between two cars of varying brands, colours, price, acceleration and safety features the true value of each attribute can be determined as participants are forced to make trade-offs between them. Intuitively for the participant it can feel rather similar to an eye test at an optician, where two different lenses are inserted in turn and they are asked to choose which gives the best result.

In this case in order to determine what it is people really care about in economic policy, we asked participants to choose between two hypothetical countries, A and B, each of which had different characteristics designed to force choices between various desirable outcomes. Since it is difficult for participants to absorb information on more than six attributes, we started with the clear front-runners from the earlier polling exercise, namely jobs, health and income, and then added three others with moderately high ratings that were amenable to this kind of survey (hours worked, home ownerships and the income gap between rich and poor). We then used two alternative techniques to estimate values for the remaining four attributes, as explained in more detail below.

The six precise measures that we tested in the conjoint survey were:

- income – average monthly household income after tax
- unemployment – number of people who want a job but cannot find one (International Labour Organization measure)
- working hours – average working hours per full-time employee
- home ownership – percentage of people owning their own home
- ill health – number of 20–64-year-olds unable to work because of ill health

- inequality – ratio of the average income for the richest 10 per cent to that for the poorest 10 per cent

In each case we asked participants warm-up questions that told them the current values of each of these attributes in the UK and to consider if these values were acceptable or not. Then, when asked to choose between two hypothetical countries, the options available were either the same as the UK now (middle level), or at a fixed level above or below, chosen to span the range of outcomes for mid to high income OECD countries broadly comparable to the UK in levels of economic development. A screen shot of one of the choices available to participants is shown in figure 12.

We then used standard econometric techniques to explore the implied trade-offs between the various bundles of options. The detailed methodology is described in annex 3.<sup>25</sup>

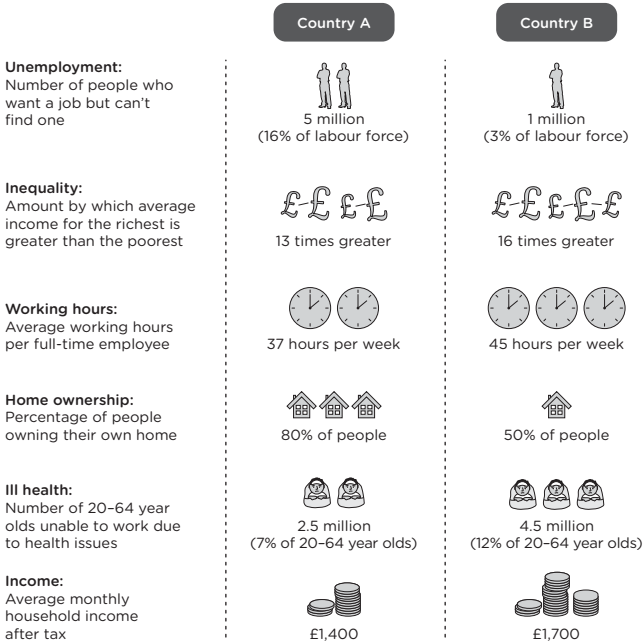
Initial results for the six indicators tested in this way yielded the following weightings:

- unemployment: 27 per cent
- health: 19 per cent
- disposable income: 19 per cent
- hours worked: 23 per cent
- home ownership: 6 per cent
- income inequality: 6 per cent

The high weight for hours worked and the low weights for home ownership and income inequality are perhaps the main surprises in the polling results, though this is an incomplete picture because it does not include the remaining four attributes that were in the top ten list but could not be tested using conjoint techniques (which was limited to six factors). We considered two ways of addressing this:

- *Variant 1:* We repeated the importance rating question from the first polling survey with the cohort of participants who participated in the conjoint survey (which also acted as a useful check on the validity of the overall results). We then used the

Figure 12 **Conjoint survey: participants decide which hypothetical country is most attractive to live in based on 6 key factors from polling**



estimated conjoint weight for the income distribution variable as a reference point and calibrated this against the polling results to produce estimated weights for the four non-conjoint variables. The four remaining indicators are traded off against the top-ranking ones; the disadvantage is that we have had to make assumptions about the nature of those trade-offs.

*Variant 2:* We simply used the weights from the earlier polling question ‘Once Britain has got through its current financial difficulties, what areas will you consider most important in indicating whether the government has the right economic policy for the UK?’<sup>26</sup> for the non-conjoint factors. We used this

question because it was phrased in a way that implies there would be some trade-offs in the choices. The advantage of this approach is that we know the weights are derived directly from the public; the disadvantage is that the trade-offs between the four variables are not as strongly explored as in the main conjoint analysis.

The methodology behind these two variant cases would lead us to presume that the weights in the first variant for the four remaining variables would be lower than in the second variant case. Table 7 shows that this is indeed the case. The variant 1 method seemed to produce weights that had more intuitive appeal – the four factors coming out most strongly in the earlier deliberative research (employment, health, income, time with family) have clearly higher weights than the other six factors. However, there are inconsistencies with both approaches such that it is probably most accurate to use a blended approach to the results. We therefore look below at the range of outcomes for all three sets of weights in table 6 and then focus in particular on the index resulting from taking an average across the three sets of weights, as shown in the final column in table 7. This reflects the fact that one option is not clearly better than the others.

In conclusion, we can therefore say that two of the most conventional economic indicators – jobs and income – have a combined weight of around 26–37 per cent using the various methods. This leaves around 63–74 per cent of the weight for other broader factors contributing to good growth. Most striking is the result that, when forced to make a real choice, the importance of working shorter hours rises dramatically. This is seen clearly when the results are displayed graphically, as in figure 13.

Conversely, the importance attached to housing and distribution of wealth, falls when participants are forced to choose.

Before going on to discuss how these weights are used in constructing our good growth index, we note that the conjoint survey results can also be used to estimate approximate

Table 7 **Alternative weights for components of a good growth index**

Category	Polling weights	Conjoint variant 1 weights	Conjoint variant 2 weights	Index weights (average of methods)
Jobs	15%	22%	18%	18%
Income	11%	15%	13%	14%
Health	13%	15%	13%	13%
Work-life balance	9%	18%	16%	13%
Housing	9%	4%	4%	9%
Income distribution	8%	4%	4%	7%
Future	10%	7%	10%	7%
Environment	9%	5%	7%	7%
Sectoral balance	8%	5%	8%	6%
Transport	8%	5%	7%	6%
Total	100%	100%	100%	100%

Source: PwC analysis

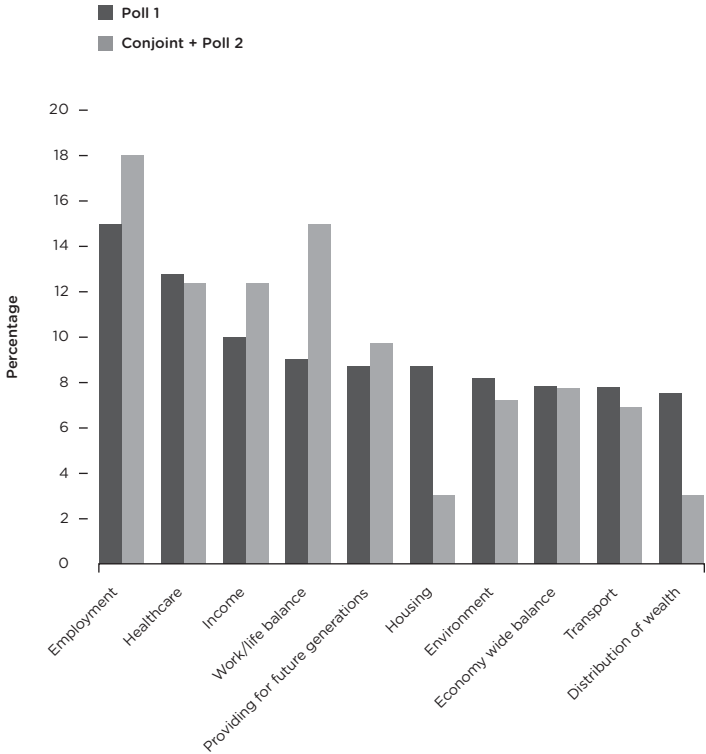
Note: Weights used in indices are rounded to nearest percentage point.

indications of how the health, unemployment, working hours, home ownership and income distribution factors might be valued in monetary terms by comparing their estimated regression model coefficients with those for the income variable. Table 8 summarises these estimates.

These estimates are subject to significant margins of error, but they do give order of magnitude indications of how different factors might be traded off against each other in determining public policy objectives. The importance of reducing unemployment and levels of long-term illness is clear and the implied valuation of non-working time is also relatively high (about three times the minimum wage). Home ownership changes are valued relatively less highly, however, and the same is true to a somewhat lesser degree of reductions in income inequality, although these are clearly valued to some degree.

Further exploration of these valuations would be worthwhile through additional conjoint surveys. For the moment, however, we do not use them directly in constructing

Figure 13 The importance given to various factors by participants in poll 1 and the conjoint and poll 2 study



our indices since their reliability needs additional testing. Instead we use the weights shown in table 7, which can be cross-checked against the polling estimates and are relatively more robust at this early stage in our exploratory research.

Table 8 **Trade-offs and monetary valuations implied by conjoint analysis**

Category	Implied valuations
Jobs	1 percentage point reduction in unemployment rate (eg from 8% to 7% in UK), worth around £1,200 per annum in household disposable income (around 6% of average post-tax income)
Health	1 percentage point reduction in long-term illness rate (eg from 7% to 6% in UK), worth around £1,200 per annum in household disposable income (around 6% of average post-tax income)
Work-life balance	A reduction in weekly pay by around £20, worth working one less hour per week
Housing	A 10 percentage point rise in the home ownership rate, worth around £100 per annum in household disposable income
Income distribution	A reduction in the ratio of rich to poor incomes from 13 to 12, worth around £480 per annum in household disposable income

Source: PwC analysis based on conjoint survey results

### Cross-country good growth index

Having obtained indications of the type of economy members of the UK public want to see, we can then use international data sources to compare the actual position of the UK against other mid to high income OECD countries that have good data availability against these factors. In a sense those countries that are ranked higher in this way are the ones that have an economy most akin to what the UK public say they want.

The specific indicators used in the international index are shown in table 9 together with their weights and data sources. We use data for the latest available year, which is generally between 2007 and 2010.



Table 9 **Composition of cross-country good growth index**

Category	Weight in different variants*	Indicator	Data source
Jobs	15-22%	Unemployment rate as % of labour force	OECD
Income	11-15%	Real adjusted disposable income per head	OECD
Health	13-15%	% of working age population receiving long-term disability benefits**	OECD
Work-life balance	9-18%	Average annual working hours per worker	OECD
Sectoral balance	5-8%	Manufacturing share of employment	OECD
Housing	4-9%	Home ownership rates	OECD
Transport	5-8%	Road fuel costs	IEA
Providing for future generations	7-10%	Gross domestic savings as % of GDP	World Bank
Income distribution	4-8%	Ratio of disposable incomes of richest 10% and poorest 10% of households	UN
Environment	5-9%	CO <sub>2</sub> emissions per \$ of GDP at PPPs	BP
Total	100%		

\*As shown in table 7.

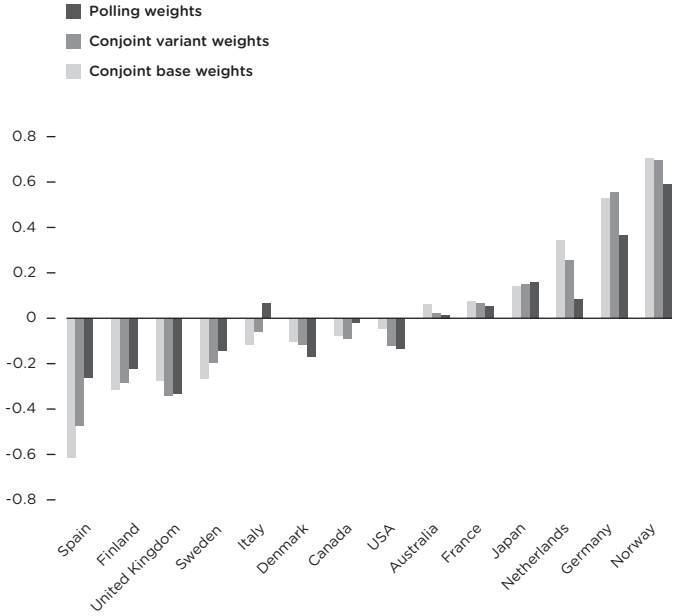
\*\*We also considered using total or healthy life expectancy, but this seemed less relevant to the work and money side of people's lives. However, further research may uncover better variables to capture health at work.

Based on these indicators and weights, and with scores normalised by looking at z-scores (numbers of standard deviations from the mean value of the variable for each country<sup>27</sup>), we can derive the international good growth index shown in figure 14.

We can also show the results using the average of the weights in the three methods summarised in table 6, as shown in figure 15.

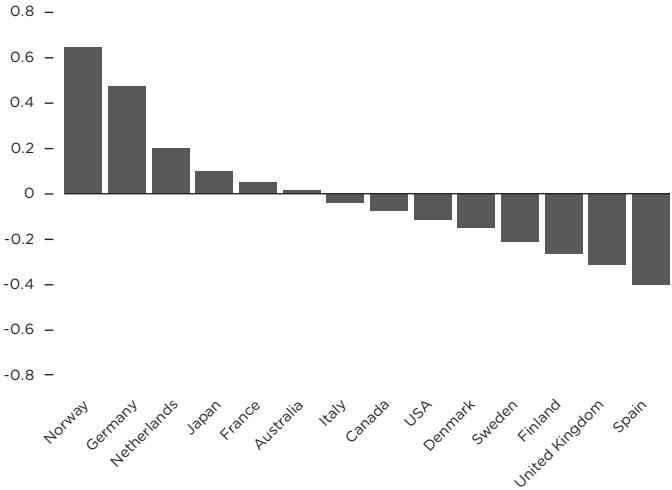
We can see from this analysis that Spain scores lowest in all three variants because of its very high unemployment rate and

Figure 14 International good growth index



relatively low disposable income level. Norway scores highest in all variants, based on its low unemployment rate, relatively low average hours worked, low carbon emissions and very high national savings rate (due to its oil revenue fund in particular), which put it ahead even of other Scandinavian countries. The UK clearly scores below the average for this sample of large and medium-sized high income countries because of its lower than average scores for fairness of income distribution, high working hours, small manufacturing sector and low savings rate. This offsets slightly above average scores for income, unemployment and carbon intensity. The USA, although having by far the highest disposable income, scores less well in the final analysis because of its low scores on other indicators such as fairness,

Figure 15 **The Demos-PwC international good growth index (average weights)**

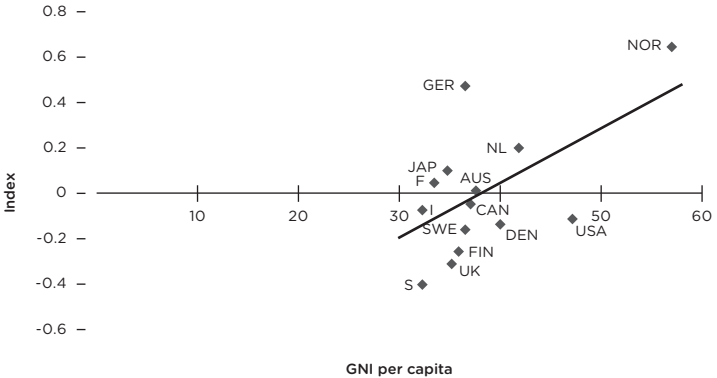


Note: The y axis is the number of standard deviations from the average of the group. We also looked at indices resulting from each of the individual three sets of weights from table 1 as a robustness test, rather than the average. In general, the position of the UK in the country rankings did not change significantly regardless of the alternative variant ways of estimating the weights.

carbon emissions and savings. Finland's score is constrained by its poor rating on health in particular, although this is sensitive to the particular measure used here (proportion of people of working age on disability benefits), and so may be influenced by the generosity of the benefit regime as well as health levels per se.

Aside from Norway, other northern European countries such as Germany and the Netherlands also do well on this broader 'balanced scorecard' approach to assessing economic performance. France and Japan also score above average on all three variants.

Figure 16 **Good growth index versus GNI per capita at PPP (\$k)**



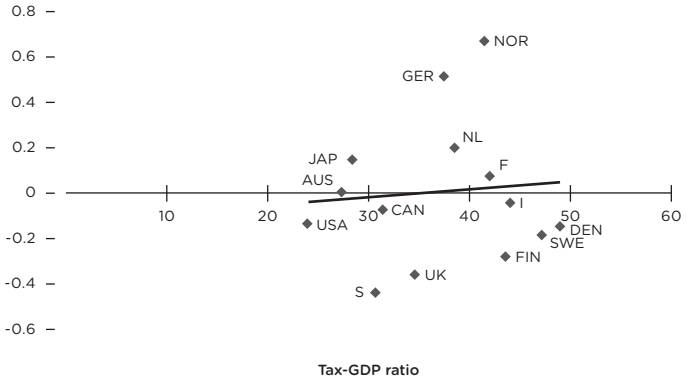
AUS = Australia; CAN = Canada; DEN = Denmark; FIN = Finland; F = France; GER = Germany; I = Italy; JAP = Japan; NL = Netherlands; NOR = Norway; S = Spain; SWE = Sweden; USA = United States; UK = United Kingdom.

Source: PwC, Demos and ONS

It should be noted that all these results used weights based on a survey of the views and preferences articulated by UK people. They cannot therefore be said to be absolute measures of performance on our good growth index that would necessarily be robust if we estimated the weights from surveys across all countries included. Instead they represent only the rankings based on the stated or implied preferences of the UK public (of working age). The fact that the UK nonetheless scores well below average in all variants is therefore notable: even on our own terms, we do not seem to rank highly on this broad measure of economic performance, even though UK GDP per capita and average household income levels (at purchasing power parity; PPPs) are both around the average for this selection of countries (figure 16).

More generally, we can see from figure 16 that there is some relationship between our growth index and gross national

Figure 17 Good growth index versus tax-GDP ratio (%)



AUS = Australia; CAN = Canada; DEN = Denmark; FIN = Finland; F = France; GER = Germany; I = Italy; JAP = Japan; NL = Netherlands; NOR = Norway; S = Spain; SWE = Sweden; USA = United States; UK = United Kingdom.

income (GNI) per capita,<sup>28</sup> but also some notable differences. Norway scores top on both measures and Spain is at the bottom on both measures, but Germany scores much more highly on our good growth index while the USA and the UK score lower on our good growth index than on GNI per capita (or indeed other conventional measures such as average household income per capita in PPP terms). So our index is telling a different story than these conventional national or household income measures on their own.

We also looked at the possible correlation between our good growth index and ratios of tax to GDP as measured by the OECD (figure 17).

We can see from the flat regression line that there is no clear statistical relationship between our good growth index values and tax-GDP ratios. In particular, Norway and Germany have high good growth scores despite having above average tax

ratios, while the opposite is true for the USA, the UK and Spain. Overall, it is most likely that what most determines good growth is how well tax regimes are designed and how effectively these revenues are spent, rather than the level of taxation relative to GDP. Further research is required to explore such relationships in more detail.

### Regional good growth index

We now perform the same exercise but look at how the preferences expressed by the UK as a whole fit with reality for the different regions and nations of the UK. The composition of the UK regional good growth index is shown in table 10.

The regional good growth index constructed on this basis is shown in figure 18. Three variants are shown for the international index based on the polling weights and the two sets of estimates based on the conjoint analysis. Results generally appear fairly consistent across the three variants, at least in broad regional rankings.

We can again use the average across the three sets of weights in table 7 to give the regional good growth indices in figure 19.

We can see from these two charts that the southern and eastern regions of England, except London, score consistently above average, mainly because of their relatively high average income levels and low unemployment rates. Inability to work because of long-term illness also tends to be lower on average for the working age populations in these regions, although they score less well on work–life balance (except the South West) and housing affordability. Despite its relatively low average income level, Northern Ireland does not score too badly overall as it has a lower number of hours worked, shorter average commuting times and less unequal income distribution. London suffers on all these counts with an overall score below average despite its high income level as a result of relatively high unemployment, unequal incomes, poor housing and high commuting time. The results for London are the opposite to what you would get based on the conventional measure of real GDP per capita, where

Table 10 **Composition of the UK regional good growth index**

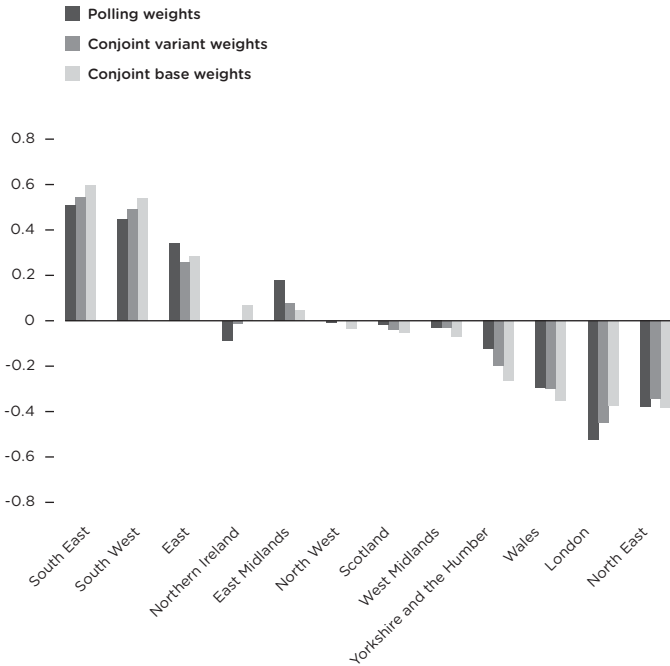
Category	Weight in different variants*	Specific indicator (changes between years)	Data source
Jobs	15-22%	Unemployment rate as % of labour force	ONS (LFS)
Income	11-15%	Gross household disposable income per head	ONS
Health	13-15%	% of working age population unable to work due to disability or long-term illness	ONS/DWP
Work-life balance	9-18%	% working more than 45 hours per week	ONS
Sectoral balance	5-8%	Manufacturing share of gross value added	ONS
Housing	4-9%	House price to earnings ratio and owner occupation rate (total weight split equally between these two variables)	Halifax, ONS
Transport	5-8%	Average commuting time to work	ONS
Providing for future generations	7-10%	% of households holding longer term savings instruments such as equities, ISAs etc	ONS
Income distribution	4-8%	% of population in UK top and bottom quintiles	ONS
Environment	5-9%	CO <sub>2</sub> emissions per £ of real GDP	ONS
<b>Total</b>	<b>100%</b>		

\*As set out in table 6. Weights used are the same for all UK regions (and the same as in international index).

London is well ahead of other UK regions, as shown in figure 20.

Northern regions tend to score well below average, though to a less degree for the North West than the North East or Yorkshire and Humberside. Wales and (to a lesser degree) Scotland also see below average scores due to lower income levels, higher than average unemployment rates and lower than average health scores. The East Midlands scores somewhat above average in terms of regional rankings, while the West Midlands

Figure 18 **Regional good growth index**



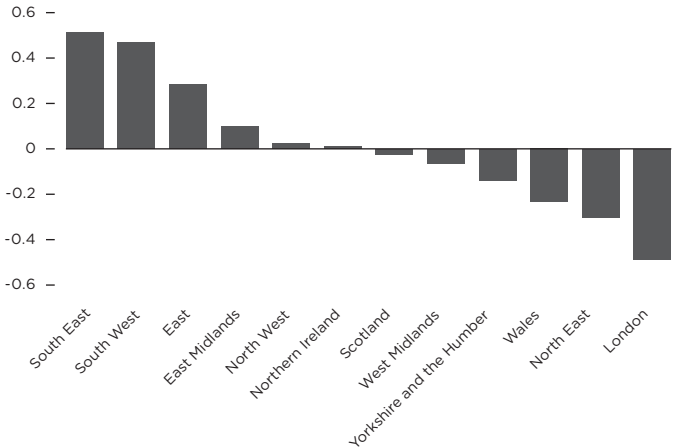
(with its higher unemployment rate) scores somewhat below the national average. As figure 20 shows, there is some relationship between GVA per head and our good growth index for regions other than London, although not a particularly strong one in statistical terms.

### Conclusions and future research directions

The indicative results of the qualitative research have been borne out by more rigorous polling and statistical analysis, namely that the public values more than simply income and jobs when



Figure 19 Demos-PwC regional good growth index

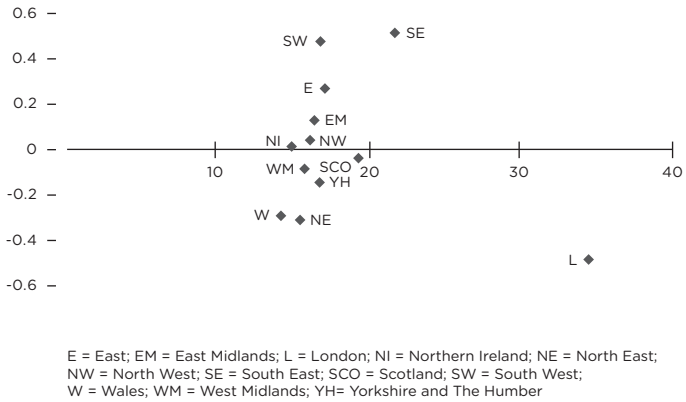


considering what a successful economic policy might look like, and what is important to them in their own economic lives. Issues such as being well enough to work, plus shorter working hours (to spend with family or for other reasons) and fairness, housing, sectoral balance, the environment, transport and the future are also important.

When forced to make trade-offs, the two additional factors that the public feel most strongly about are more people being able to work by reducing ill-health and a shorter working week. These, in addition to jobs and income, are the driving components of a good growth index for the UK. When considering these factors in the round, it is clear that the UK scores less well relative to its OECD peer group than on a simple comparison of GDP (or GNI or GVA) per capita or average household incomes. The same is true for London relative to other UK regions.

Given the novel nature of this piece of work, there are a number of important caveats and limitations to be discussed. The most important is that this is only a snapshot analysis at the

Figure 20 Regional good growth index versus GVA per capita (£k)



current point in time and is therefore subject to being influenced by the prevailing mood (valid though that mood is). It would need repeating over time before firm policy conclusions could be drawn. Such analysis has to start somewhere, however, and we hope this makes a constructive contribution to the debate that is unfolding around these issues in the UK and internationally in recent years.

The conjoint analysis in particular also offers potentially novel insights on the public's valuation of non-monetary factors such as having a job, good health at work, work-life balance, home ownership and income distribution, which need further investigation. Other factors such as the environment, transport, savings rates and sectoral balance of the economy could usefully be included in future conjoint surveys to add to these preliminary results. The methodology also needs further testing and development to check the robustness of the results.

These are matters that we return to in the final concluding chapter. Before that, however, we consider how the views of business may or may not differ from those of the public.

## 4 What business says

The results of the research described thus far in this pamphlet shows that an economic policy devised by the public values income (to pay bills) and employment (to obtain income) but in addition places a high premium on being sufficiently healthy to work, and having time with family; a handful of other issues also have positive weights. Putting words into the public's mouth, people want to be healthy enough to get jobs that are sufficiently well paid to enable them to earn enough money to get by without compromising their ability to have an active family life and/or other productive use of non-working time. If they had to, they would sacrifice some income for a shorter working week in order to achieve this.

The purpose of this chapter is to compare and contrast these results with the stated views of business leaders. We use two sources. The first is the latest PwC Annual Global CEO Survey, which contains an analysis of the views of global leaders on the priorities of their businesses.<sup>29</sup>

We have then supplemented this with the informal views of businesses and trade bodies that attended private roundtable events held on 20 July 2011 in London and also at specially convened invitation-only seminars at the three main party conferences later in the year: on 21 September in Birmingham (Liberal Democrat), 28 September in Liverpool (Labour) and 3 October in Manchester (Conservative).

We used these seminars informally to present the main conclusions from our polling work with the public in order to spark a discussion on the relevance for business, to enable us to frame appropriate policy conclusions. Throughout this chapter we provide anonymised comments made from these seminars to give a flavour of the discussions that took place.

## PwC annual global CEO survey

Now in its 14th year, the purpose of the PwC Annual Global CEO Survey is to provide an in-depth analysis of the views of company leaders in the private sector about the current economic climate, including their views on the priorities for government economic policy. The latest study published for 2011 polled 1,201 CEOs across 70 countries to provide a comprehensive and global perspective of the views of business. This was supplemented with a set of interviews with government for the spin-off report *Government and the Global CEO*.<sup>30</sup> For this particular survey there was a focus on fiscal imbalances and on how business and government should work together to promote the concept of ‘good growth’, defined as progress that is economically, socially and environmentally sustainable. We asked participants what they saw as the main business risks on the horizon, what the immediate focus of government should be, and where there was scope for business and government to work together to achieve shared goals and aspirations. In this chapter we compare and contrast these findings with what the public have said to us.

The backdrop for this analysis is a global business community, which at the beginning of 2011 remained very concerned about the state of the macroeconomy, although – unlike the members of the public who our survey showed were still in survival mode – they did display more confidence than in 2010. The two main inter-related risks for 2011 were uncertainty about future economic growth, which was sufficiently worrying to cause them to change business strategy, and government responses to the fiscal deficit and debt burden, which business leaders thought it was essential to address but were worried that it might jeopardise economic growth in the near term, particularly if it meant taxes rises (for them and their customers).

A huge majority – 84 per cent – had already initiated some kind of cost-cutting measures in the previous year, and a large number – 64 per cent – were planning on doing so again in 2011. Almost half (48 per cent) said they were ‘very confident’ about their company’s near term revenue prospects for 2011 and beyond, close to the level achieved in 2006 and 2007 and a massive increase on the 21 per cent and 31 per cent ratings

recorded in 2009 and 2010 respectively. However the mood was more deflated in Europe and the USA compared with other regions.

### Red tape vs employment rights

After issues relating to the macroeconomy, the second highest concern for CEOs was over-regulation by government, with three-fifths (60 per cent) reporting this to be a problem. This was the same level of concern as in the previous year's survey, indicating that CEOs continue to be frustrated with what they deem to be too much 'red tape'. In general, those in business first want less regulation, and where government deems this not viable they appeal for consistency in existing regulatory frameworks. Ed Breen, Chairman and CEO of Tyco International, said,

*In the US, the uncertainty generated by some of the regulation that's been proposed or already passed has every CEO saying, 'Why would I hire right now?' So I think getting clarity around the application and consequences of regulation is important. Governments have to make the ground rules clear. I think regulatory uncertainty is the biggest hurdle businesses face right now.*

This view was corroborated in our roundtables by some initial business responses to the results of our good growth index as presented in the previous chapter. In particular, the clear desire on the part of the public to be able to achieve better work-life balance led to knee jerk fears that this could lead to greater (burdensome) policy changes to strengthen employers' rights in negotiations over working hours. A business trade body representative at one of our seminars expressed alarm at the potential for the public's views in the good growth index to encourage greater regulation on flexible working, although unsurprisingly this was refuted by trade union representatives who cited counter examples of good practice in this area but also said that government should take the views of business seriously in order to ensure that any changes did not cost jobs.

Indeed, given that members of the public seem also to be saying that they would be prepared, if it came to it, to sacrifice some salary to achieve greater time sovereignty, perhaps there is some scope for negotiation on these points. Business may also increasingly be in a mood to listen to what key members of staff are saying they need; the CEO Survey points to a shift in mindset from cost cutting measures to ‘talent management’ and ‘innovation’ in order to maintain a competitive edge. Yet one participant at our informal business seminars took a harder line, suggesting that this talk of ‘good’ growth would be seen as ‘ridiculously indulgent’ for the UK in 20 years’ time, when China, India and Brazil had forged ahead using traditional growth models.

## Skills

There also appears to be a disconnect between business and the public over skills. Whereas the public understand the need to be well enough to work, and are concerned about their children’s prospects and education, they don’t give a high priority to their own training. Yet it is undisputed that, at least on average, higher skills lead to higher salaries, and income is important to people. At one of our seminars, the reason for this apparent anomaly was described by a leading market researcher as follows:

*People don’t equate their experience of the education system with anything that is directly useful for getting a job. Education is seen as providing something else, to train the mind in an abstract way. It’s so out of touch with the everyday experience of what’s needed at work.*

For business leaders, however, the availability of key skills is critical and was ranked third on the list of threats to their business growth prospects in the PwC’s Annual Global CEO Survey. In a separate question, two-thirds (66 per cent) said that within the realm of employment, a limited supply of candidates with the ‘right skills’ was their key talent challenge. Ferruccio Ferranti, CEO of Istituto Poligrafico e Zecca dello Stato SpA, said, ‘The main value is human resources, the people, those who

make a business possible, who are geared towards continuous improvements, their availability to receive formative training to adapt their skills.’

Some global companies are responding to this concern by relocating operations because of talent availability, but there was a more nuanced response from others. The most common strategy change, reported by 65 per cent of CEOs, was to use more non-financial rewards to motivate staff. This often involves mentoring programmes aimed at increasing job satisfaction and providing employees with clear career trajectories, as well as using different incentives for younger team members than for older ones. This is consistent with the minor variations we have recorded in chapter 3 between what concerns younger members of the workforce compared with others. Yet only a small number of company leaders (around 10 per cent) were planning a significant change to policies aimed at attracting and retaining more female and/or older employees. Our work, however, suggests that the desire for shorter working hours does not have a particular gender bias.

To shed some light on what might be required to retain good people, as part of this project we inserted a separate question into our second large poll of 1,000 people, described in the previous chapter, which was designed to ask what they looked for in a good company: ‘So far we have been thinking about what is important to you in the country you live in. Now we’d like you to think about what is important to you when considering a company to work for. From your perspective, what does a “good company” provide for its employees?’

The responses to this question are shown table 11.

Unsurprisingly, the highest score was given to ‘a living wage’, with flexible working coming second followed by opportunities for progression, financial incentives, ‘values that reflect my own’ and pension benefits as the next issues that people rank most important. When the top three rankings are combined, flexible working remains narrowly the second most important option followed by pension benefits. Health does not score highly as an employee issue in this poll of the UK public, although the same poll suggested it was an important component of a good

Table 11 Results of a poll of 1,000 people when asked what a 'good company' should provide for its employees

	Rank 1	Rank 2	Rank 3	Percentage ranked (1+2+3)	Per cent ranked 1	Per cent ranked 2	Per cent ranked 3
A living wage	565	114	48	73	56	11	5
Private med care	10	34	44	9	1	3	4
Pension benefits	51	183	162	40	5	18	16
Accident/illness insurance	9	28	46	8	1	3	5
Childcare	6	23	30	6	1	2	3
Extra holidays	17	54	65	14	2	5	6
Transport schemes	1	11	17	3	0	1	2
Flexible working	93	172	175	44	9	17	17
Opportunities for prog.	81	162	150	39	8	16	15
Financial incentive	66	114	114	29	7	11	11
Values that reflect my own	64	82	89	23	6	8	9
Recognised as one of the best	25	24	52	10	2	2	5
Other	14	1	10	2	1	0	1

Note: Respondents were asked 'Please mark the first, second and third [issue] most important to you with a 1, 2 and 3 respectively'.



economic policy more generally. This might be because in Britain the existence of the NHS means people do not look to employers to fix health-related issues, but the PwC CEO Survey is global and so picks up differing lessons about the role that employers can play in providing health benefits in different countries with different health systems.

The business concern about the availability of talent translates into a direct ask of government: creating and fostering a skilled workforce only came behind dealing with fiscal deficits and improving national infrastructure on the CEOs' list of governments' priorities. This emphasis was particularly strong in North America, Western Europe, and Central and Eastern Europe. Indeed CEOs indicated a willingness to enter into a 'joint agenda' with government to tackle this problem. This is because they accept that both the government and business have a vested interest in ensuring a successful education system in their countries. Dr Johannes Beermann, Minister of State, Chief of the State Chancellery of Saxony, Germany, stated,

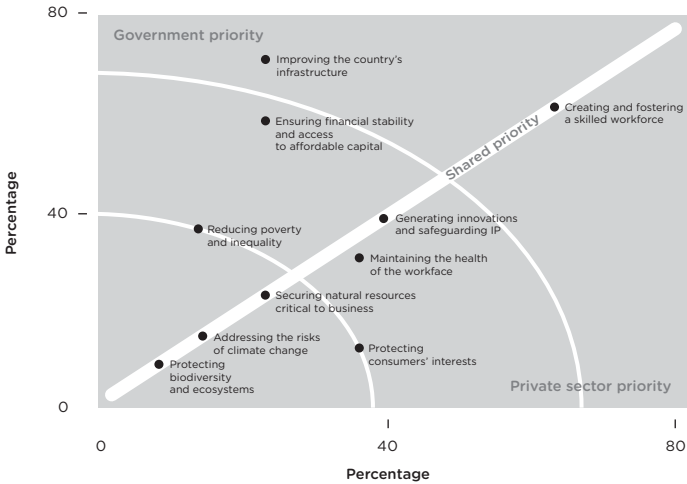
*Improving the skill base in the workforce is crucial for a society.... Modern educationalists often emphasise the need for more continuing education and this in particular is a responsibility of businesses: to provide more further education for their staff. Businesses have a responsibility with regard to education and training as well, but further education in particular is an area that needs to grow.*

## Health

Like skills, health is also seen as a business issue by CEOs for which responsibility is shared with government. Perhaps one of the key insights from our current research is the extent to which health is perceived by the public as an economic issue; there is no doubt that it is a business issue as well, at least at a global level. In policy terms this might open up an opportunity for government to work with the private sector to reduce the risks of people being too unwell to work.

Figure 21 shows the relative ranking of various policy issues that might be perceived as being the joint responsibility of

Figure 21 **The ranking by CEOs in PwC survey of several policy issues that could be thought to be the joint responsibility of business and government**



**Base:** All respondents (1,201)  
**Note:** CEOs were asked how much their companies plan to increase commitments to achieve these outcomes and what should be the Government's priority. The plot shows percentages of CEOs who chose each of these areas. Multiple choices were allowed.

business and government. Issues nearer the top right are the most important, and vice versa. 'Maintaining the health of the workforce' is seen as relatively important for business – although not as much as skills – and something that business is prepared to take action on, although recognising the role that government has to play as well.

## Environment

Whereas the public placed a low emphasis on environmental issues, although they still made it onto the list of what was important, the concept seemed to be more important in the eyes

of business people taking part in our survey. Indeed 64 per cent of CEOs cited the development of products that are environmentally friendly as a key part of their innovation strategy. They were also confident that the private sector could have a key role in supporting government initiatives to construct a wider definition of what was a successful economic policy. For example, almost three-quarters (72 per cent) of CEOs said they would support government policy designed to achieve growth that is economically, socially and environmentally sustainable. Yet when compared with other issues that might be the joint responsibility of business and government, both ‘protecting biodiversity and ecosystems’ and ‘addressing the risks of climate change’ were pretty low down the list compared with other issues. Like the public, therefore, business people are saying that when a choice has to be made between competing issues, environmental concerns become less, not more, important.

### Fairness

Building on this, CEOs we polled certainly accept the role that government has to play in achieving social outcomes, ranking as the fourth most important priority for government the need to reduce poverty and inequality. Almost a third (32 per cent) of CEOs reported that this should be a key aim of government policy, and they also believe that the private sector has some role to play, even if just through its normal business activities. Paul Polman, Chief Executive Office of Unilever argued,

*Governments have come to their own realisation that they need a thriving and successful private sector because only business can create wealth. Government can re-distribute wealth. NGOs can advocate for specific allocations of wealth. But at the end of the day, only business can create wealth.*

### Conclusions

Overall, the conclusion that can be drawn from this section is that those in business do understand the wider context in which

government operates. Issues that have come out as important in our good growth index are understood by business people and, critically, they understand that there is more to government policy than simply driving up GDP, important though that is in itself, and in achieving wider social goals through redistribution.

Areas where there appears to be a disconnect between the public and business people are on working hours: while business may be prepared to listen in the interests of acquiring and retaining talent, a business case would have to be made before their full attention is captured while there continues to be concern about the associated 'red tape'.

Conversely, business people appear more interested in issues relating to skills and talent than the public. Yet the public are interested in having jobs and a decent income. There is an opportunity here for politicians – and business – to increase the relevance of education and training to employability, so the training that people receive is better matched to the skills that employers need.

An area where there is perhaps surprising consensus is around the health of employees. This is important for the public and business alike. Yet, beyond specific efforts of leading businesses, there is little evidence of business and government coming together in the UK to address their shared concerns over health.

These and other conclusions from all of the work we have carried out are explored more fully in the next and final chapter.

## 5 Policy conclusions

This final chapter brings together in one place the main conclusions of this research project and draws out some possible policy implications (bearing in mind that, as the first study of this kind, any such conclusions are inevitably somewhat preliminary until the index can be repeated over time to test its robustness further).

The main insight to be drawn is that the basic premise behind the original work of the Stiglitz Commission is correct: the public are interested in other issues than GDP when considering economic policy. This validates the Coalition Government's decision to explore the wellbeing agenda.

The public also sees two traditional measures of economic success – jobs and income – as critical to good growth. Where growth in GDP occurs without creating employment, the public would not see this as consistent with good growth. The priority for economic policy is therefore to drive the creation of jobs, particularly in the light of current economic conditions.

However, notwithstanding the uncertain and volatile current economic backdrop, the analysis also strongly suggests that the Government should follow the public and take a wider view of the success of economic policy. After all, between around 63 per cent and 74 per cent of the public's definition of 'good growth' is accounted for by other factors. In particular, health, work-life balance and infrastructure (housing and transport) account for between 31 per cent and 50 per cent of the public's definition of good growth. This has important consequences for the choices made by the Coalition Government in the allocation of its constrained resources.

We set out in table 12 examples of the short and longer term implications for government and business in these three areas, and discuss this in further detail in the remainder of this

summary. We also comment below on some other areas highlighted by our research: training and skills, spatial policy, sectoral policy, affordability and sustainability. We finish by commenting on the further use of our methodological approach, including conjoint analysis.

## Health

Turning to the substantive policy issues, the analysis suggests that keeping people mentally and physically healthy should be considered part of a government's economic policy. Within a tight budget, this will require that resources are shifted into early intervention and preventative measures. For example, this would include greater investment in early screening for treatable illnesses, clear route-maps back to work for those who are absent from work as a result of stress and other mental health conditions, and reform of statutory sick pay to put a greater focus on early rehabilitation.

Such an approach should not only lead to savings on acute care for the taxpayer, but also yield financial dividends for employers and the economy as a whole by keeping workforce participation rates higher and for longer (as retirement ages increase) as well as reducing absence through illness. The Treasury could explore with the Department of Health how hospital trusts can be incentivised to invest more in primary care in order to be able to accrue some of these savings for their own priorities.

But not all responsibility lies with government and the NHS. Many businesses already see it as a priority to maintain the health of its workforce. We therefore support further consideration of incentives for business to pay towards private health services for their workforce (either for prevention or to help earlier return to work of those absent through illness). Business too could benefit from working with the grain of the views of their workforce on this issue and support their staff to maintain a healthy lifestyle. We recognise, however, that some businesses on low margins, particularly small and medium-sized companies, may struggle with the cost of meeting the health

Table 12 **Examples of the implications for business and government of views expressed by those we polled in our research project**

Good growth	Government	Business
<i>Health:</i> keep people well to work, and work for longer	Reform statutory sick pay to focus on early rehabilitation Incentivise occupational healthcare schemes Shift resources to prevention and early intervention	Promote healthy lifestyles at work Arrange local facilities to support work-life balance, eg crèches, gyms Provide access to preventative health checks Increase support for early return to work of the long-term sick
<i>Work-life balance:</i> increase employee engagement and performance	Increase the flexibility of public services to support workers, eg provide evening and weekend appointments for working age people	Increase opportunities for flexible working, eg redesign job roles, shift to 'total hours' contracts
<i>Infrastructure:</i> shift resources to improve housing and transport	Give more weight to reduced cost of travel and travel times when appraising transport investments Accelerate affordable house-building in areas of high demand through a sustainable planning regime	Increase innovation in the development of lower-cost affordable housing by the housing and construction sector

needs of their employees and need help to find cost-effective options, for instance, through shared services for occupational health schemes.

## Work-life balance

According to our polling, we are nowhere near achieving what people want on so-called work-life balance. Employers, particularly smaller companies, tend, rightly or wrongly, to associate moves to greater work-life balance with greater legislative and regulatory burdens. But the fact that the public in aggregate appear prepared to accept a lower wage for more free time (provided they are actually in work) might also turn out to be an opportunity for businesses to increase the engagement of their staff, which in turn is the key driver of motivation and performance. For instance, employers can gain greater loyalty from staff if they offer more flexible working arrangements, from offering appointments with a total number of hours, rather than days per week, to advertising all vacancies as being potentially part time or available for job share.

Employers, particularly larger ones, should actively consider other ways in which they can make life management easier for their staff and so make themselves more attractive to potential recruits as well as retaining existing staff. For instance, many leading employers now offer a range of benefits beyond pay and pensions, such as preventative health checks, childcare vouchers, on-site crèches and occupational health services, as part of their reward package.

Providers from local authorities and primary care trusts to voluntary and private sector ones should seek out and take account of the views of those working locally, particularly in small companies, when designing similar services that could be shared across the local economy. And following on from our first suggestion, all NHS and wider health economy services should be designed with the needs of working people in mind, including providing evening and weekend appointments for working age people. Saturday is the busiest shopping day because fewer people are in work; there is no reason why this should not be the busiest day for routine health activity as well.

## Infrastructure

Given the priority accorded by the public (as well as many employers) to issues of jobs, health and work-life balance,



government should prioritise and, where feasible, accelerate its investment in infrastructure to support these priorities. This is because well-directed public infrastructure spending in general not only directly creates jobs but also drives economic growth at national and regional levels by opening up labour and product markets and reducing business costs. In particular:

- *Transport infrastructure*: investments that either expand capacity and/or make better use of existing capacity can reduce the cost of travel as well as travel to work times, with a consequent impact on work–life balance. This has the dual benefit of addressing a high priority for the public while also increasing the productive potential of the economy. Our research suggests that these benefits should be given more weight when appraising transport investments.
- *Affordable housing*: There is also an important role for local authorities, housing associations and the construction industry as health is integrally linked to housing. Good health depends inter alia on having access to good quality affordable housing, which in turn requires a sustainable planning regime. In addition, building houses in areas of high demand further develops the productive potential of the economy.

### Training and skills

There is a more nuanced message to be drawn from our research on training and skills.<sup>31</sup> It was not something that the public prioritised, despite being given the opportunity to do so, but they valued jobs and income, both of which are correlated to skills acquired (although the value of different types of skills clearly varies). And businesses do value skill levels – indeed it was the most important global issue that emerged from PwC’s Annual Global CEO Survey in 2011 where government and business were seen to have joint responsibility for tackling the issue.

There are various conclusions that might be drawn from this, which require further examination. It may simply be that the working age public do not understand – or believe – that a

commitment to continuous skills development and lifelong learning will affect their employability in the same way that they understand their level of health does – do people ‘stop education, start work and stop learning’? A variant of this might be that the public do not see formal training (or indeed the education they received at school) as being relevant to their working lives, or they may take it for granted and view it as a means to an end. Alternatively, they may see more need for others to engage in education and training: the qualitative stage of our research demonstrated more support for training others (their children to give them opportunities in future, the unemployed to fill vacancies) than for training themselves.

In contrast, the public’s inability to connect training, skills and jobs could explain why business attaches such urgency to the issue; perhaps they are frustrated that the education system does not generate the skills needed to make new entrants to the labour force immediately employable or that people lack the innate motivation to develop new skills in emerging occupations. Either way, the policy recommendation is the same. Government and business should work together to ensure the workforce has access to training that will not only enable them to access good jobs, but be seen to do so. This might include more emphasis on vocational training, work experience, internships and work placements, industry-led qualifications such as tailored degrees with matched government-business funding and paid-for courses that lead directly to job opportunities. There may also be a need for rebranding – for instance, apprenticeships tend to be associated with manual skills-based occupations rather than the more prevalent service-based occupations. It is in the direct interests of business to take a lead in this area.

### Spatial policy

There are also implications from our results for spatial policy. The allocation of public spending across the UK currently results from a mix of delivery mechanisms, eg the Barnett formula allocating funds to the three devolved administrations, the funding formula from the Department for Communities and

Local Government to the English local authorities, and the intended (and unintended) regional and spatial consequences of all the spending and policy decisions by Whitehall departments. It would not be surprising if the end result of this process did not necessarily reflect relative need.

While any conclusions in this area understandably arouse high emotions, it flows from our analysis that greater support to people's economic lives is required in London, such as investments in transport to reduce costs and speed up travel to work times. Support across the board is still also required in the North East, Wales and Yorkshire. In comparison, the South East, South West and East are perhaps in less need, when taking account of the economic desires of the population as a whole. Future researchers might also try to recreate the index using sub-regional data to understand further the relationship between cities and their hinterlands.

### Sectoral policy

We initiated this research expecting the balance of economic activity between sectors such as financial services and manufacturing to be a substantive theme for the public. While the public did recognise this as an issue, in practice specific sectors did not appear as significant to the public in our polling as export-oriented businesses, which were seen as important for UK plc to pay its way in the world. In addition, and linked to the earlier discussion on spatial policy, through our engagement discussions it appeared that debate was more focused on local economies having sufficient 'anchor' companies around which clusters and supply chains could form rather than particular types of industry. The public also emphasised that the nature and quality of jobs had a close link to economic wellbeing.

This is important to consider when looking at labour as well as skills intensive occupations that are likely to increase in future and will have a bearing on income inequality. For instance, in the care sector we can expect an explosion in demand as the population ages but currently carers tend to be perceived as low status and low skilled and as a result have low wages.

### Affordability

There is also something to be said around the general issue of affordability. It was noticeable throughout our research that pay, and indeed employment in general, was valued not so much for status but to keep one's financial head above water. People were concerned about their post-tax disposable income. It therefore might be meaningful and useful for government to monitor wage levels against objective local calculations, for instance of a living wage (the proportion of income spent on 'basics') and/or the number of people in fuel poverty. The prism of affordability might also be a good way to start a discussion around housing and the impact of asset price inflation (and deflation) on household wealth.

### Sustainability

It was noticeable in our research that sustainability was important but not one of the top three matters of importance to the public. Yet climate change and a low carbon economy have not only become drivers of government policy but are also key to certain industries such as automotive and aerospace. In some ways, it may be that business is now ahead of public opinion. This may reflect another issue of affordability: high energy prices may be seen by the public as being connected to the cost of switching to a low carbon economy, with more renewable energy, but too high a price to pay at a time of austerity. A task for government is therefore to re-engage the public on low carbon issues and ensure their support for actions today which result in longer-term economic gains.

### Methodology

Finally, we have two methodological suggestions. First, we conclude that the government, through the Office for National Statistics, should consider using our broad methodology of starting with what the public thinks and publish its own 'good growth' index to track progress over time. This may entail perhaps rebasing the index against a new survey, say every five years, recognising the timing of the economic cycle (in the same

way that the weights of the retail price index are rebased). Only by measuring economic performance in the same way as the public can government focus on the most important pressures in people's economic lives.

The second methodological suggestion is that there is potentially a greater role for conjoint analysis in public policy debates where it is important to consider complex trade-offs between different priorities. Whereas in the past policy-makers have tended to explore policy tensions between economic efficiency and equity in a qualitative setting, the methods used here give the potential for greater rigour in policy analysis by exploring the amount people are prepared to pay for different policy outcomes.

Examples of where it might be particularly useful are where choices are being made on how much taxation people can bear for a certain outcome or bundle of outcomes. For example, the relative importance of different components of a regeneration project, or how much different groups of people on different incomes would be prepared to pay, when they were forced to choose, for guaranteed higher quality or choice in specified public services.

## Conclusion

In summary, we now have an opportunity to respond to the recent economic crisis in a way that develops the type of economy that members of the public and business people we polled want to see. We hope that by presenting this work in the context of the wellbeing debate we can sharpen the understanding of policy-makers about the various methodological and conceptual tools available to them as they seek to make progress in a way that is not only economically productive, but also socially and environmentally sustainable and in tune with the wishes of the public.



# Annex 1 Topics presented to focus groups on 2 April 2011

## Economic and work priorities for people in focus groups

When you think about the money and work side of your lives, how important are...

### Money and assets:

- being paid more
- having a reasonable income
- reducing the gap in income between rich and poor
- being better off than my parents were
- being able to save more
- having a reasonable amount of savings
- being able to afford the everyday things
- being able to pay the bills
- being able to pay the rent/mortgage
- being able to pay my debts
- owning my own property
- having a better place to live

### Work:

- having opportunities for promotion
- learning new skills/having access to work-related training
- having job security
- having a more important job
- having a job
- having a job I enjoy

#### Time:

- working less hours
- having more time with close family
- having more leisure time
- having a holiday

#### Helping the environment:

- by recycling more
- by travelling less

#### The future:

- having a good pension
- leaving enough for my family when I die

### **Priorities for the government's economic policy**

When you think about what the government should do about the economy to help make the UK a good place to work and live in the next 5–10 years, how important are...

#### Living standards:

- having a rich country/increasing living standards
- reducing poverty and inequality
- paying down debt
- keeping price rises low/keep the cost of living from rising too much
- ensuring economic stability

#### Trade and immigration:

- protecting UK business against cheap imports
- making Britain a good place to do business, eg having a tax regime that encourages business to operate in this country and promotes overseas investment in the UK



- adopting an open door to people from overseas with skills needed by the UK, eg allowing immigration of people with the skills that businesses need
- giving money to poorer countries

#### Improving infrastructure:

- investing in the country's physical infrastructure (eg roads, rail, power)
- making sure everyone has access to broadband internet
- making public transport quicker and cheaper
- increasing the availability of affordable housing

#### Entrepreneurship and innovation:

- making it easier for entrepreneurs to start up a business (less bureaucratic/legal hurdles)
- encouraging innovation by safeguarding intellectual property
- supporting the growth of small businesses
- ensuring the availability of finance for good ideas
- investing in industries that will help the UK economy to grow

#### Employment:

- more jobs available/keep unemployment low
- ending discrimination at work
- encouraging businesses to adopt flexible working hours
- improving the quality of jobs

#### Fairness, balance and managing risks:

- reducing the gap between rich and poor
- reducing the wealth gap between different parts of the country (eg north-south)
- making things better for future generations
- encouraging growth across different regions of the country

- balancing the economy between manufacturing, finance and other industries
- avoiding over-reliance on one area, eg London

#### Education:

- making it easier to learn new skills and retrain
- increasing the number of years people spend in education
- improving literacy skills
- improving maths/science attainment

#### Health:

- maintaining a healthy workforce
- supporting people with long-term health problems in the workplace

#### The environment:

- addressing the risks of climate change
- reducing carbon emissions
- protecting natural resources
- securing access to natural resources
- protecting biodiversity and ecosystems
- increasing the amount of waste that is recycled
- increasing the use of renewable energy
- reducing traffic congestion

## Annex 2 Questions and results from large scale public poll

We are interested in understanding what is important to you and your family when you think about the work and money side of your life.

Please tell us which factor you perceive as most important in each of the following areas for you and your family on the money and work sides of your lives.

[Randomise areas and factors for Q1–2]

### Q1 Employment

Thinking about ‘Employment’ and what constitutes ‘Good’ for you (and your family), which of the factors below are most important to you?’ [Rank the top 3]

- having a job
- being secure in the job that I have
- the chance to get a promotion
- high job satisfaction
- training to have a good or better job
- training for the unemployed to fill job vacancies
- working time flexibility

[Insert results – summary Q1 page]

### Q2 Income

Thinking about ‘Income’ and what constitutes ‘Good’ for you (and your family), which of the factors below are most important to you?’ [Rank the top 3]

- a higher income

- an income that enables me to pay the bills and mortgage
- an income that enables me to pay back debts
- being better off than my parents were
- an income that enables me to have money to save
- an income that enables me to live comfortably
- having enough to live on if I fall ill

[Randomise areas and factors for Q<sub>3</sub>–10]

### Q3 Healthcare

Thinking about ‘Healthcare’ in the context of the work and money side of your lives, and what constitutes ‘Good’ for you (and your family), which of the factors below are most important to you?’ [Choose 1]

- being healthy enough to work
- insurance to give me an income if I fall ill
- access to free medical care to keep me in work

### Q4 Time with family (work-life balance)

Thinking about ‘Family time’ and what constitutes ‘Good’ for you (and your family), which of the factors below is the most important to you?’ [Choose 1]

- fewer working hours
- more time with family
- more holidays
- more control over working hours

### Q5 Economy-wide balance

Thinking about ‘Economy-wide balance’ – the mix of different types and locations of businesses in the economy – and what constitutes ‘Good’ for you (and your family), which of the factors below is the most important to you?’ [Choose 1]

- more manufacturing jobs and fewer office jobs
- more jobs outside London and the south east of England
- more British-made products being exported to other countries
- more investment in industry

### Q6 Housing

Thinking about ‘Housing’ and what constitutes ‘Good’ for you (and your family), which of the factors below is the most important to you?’ [Choose 1]

- owning my own property
- access to affordable housing
- low rent

### Q7 Transport

Thinking about ‘Transport’ and what constitutes ‘Good’ for you (and your family), which of the factors below is the most important to you?’ [Choose 1]

- better roads and rail
- cheaper travel
- faster travel to reduce time to get to work
- improvement of public transport

### Q8 The environment

Thinking about ‘The Environment’ and what constitutes ‘Good’ for you (and your family), which of the factors below is the most important to you?’ [Choose 1]

- better air quality
- having a smaller environmental footprint (for example, through lower emissions and recycling)
- conservation of forests and the landscape

### Q9 Distribution of wealth

Thinking about 'How the UK's wealth is distributed' and what constitutes 'Good' for you (and your family), which of the factors below is the most important to you?' [Choose 1]

- a fairer country between the north and south
- a fairer country between rich and poor
- more development aid to other countries less well off than ours

### Q10 The future: providing for future generations

Thinking about 'The future and providing for future generations' and what constitutes 'Good' for you (and your family), which of the factors below is the most important to you?' [Rank the top 3]

- having money to leave to children/others on my death
- sufficient job opportunities in future
- a better work-life balance
- a more balanced economy, across regions and types of business
- a fairer society
- better housing
- better transport
- a more sustainable environment

### Q11 Once Britain has got through its current financial difficulties, what areas will you consider most important in indicating whether the government has the right economic policy for the UK? The government's performance on...

[Rank each area on a scale from 1 to 5 in importance, ie from unimportant to very important]

[Randomise order of areas]

- employment
- income
- healthcare

- time with family
- economy-wide balance
- housing
- transport
- the future/providing for future generations
- the environment
- the distribution of wealth





## Annex 3 Methodology and results of the conjoint analysis

### Conjoint analysis: a general introduction

Conjoint analysis is based on the (psychological) concept that it is more realistic for people to assess their preference for a product or service and all its attributes together (eg a car of a specific brand, price, speed, fuel efficiency, etc) than for each of the attributes separately. If someone is presented with sufficient choice exercises – ‘trade-off’ questions in a survey context – it is possible to derive from the stated preferences the relative importance the person attaches implicitly to the various individual attributes.<sup>32</sup> For more detailed discussion of conjoint analysis see for example Louviere, Hensher and Swait’s *Stated Choice Methods*.<sup>33</sup>

Each characteristic, for instance of a product or service, is referred to as an attribute and defined on a number of levels (usually between two and five in total to be manageable – in the present survey we chose to have three levels). Using the example of a car, rate of acceleration could be one of the attributes considered, defined according to three attributes: slow, normal, fast.

Table 13 shows a breakdown of two attributes of a motor car (rate of acceleration and price), each of which has three levels.

One level from each attribute is then chosen (using an experimental design plan) to create hypothetical products or services, after which two (or possibly more) alternatives can be presented to a respondent in the form of a choice exercise.

The analysis of respondents’ choices to conjoint survey questions is carried out using a type of regression analysis in which the attributes and levels (independent variables) are used to explain the decision or preference expressed (dependent variable).<sup>34</sup> The coefficients of the regression can be interpreted

Table 13 **Example of two attributes, each with three levels, of a motor car**

	Attribute		
	Rate of acceleration (0-60 mph)	Price	Other attributes
Levels	8 seconds	£10,000	-
	6 seconds	£15,000	-
	4 seconds	£20,000	-

Source: PwC, example of conjoint analysis with two attributes and three levels

as ‘utility values’ – the value the ‘average’ respondent places on each attribute included.

Utility values for each attribute can then be used to calculate an importance metric (eg for use as an index weight as in the present study) by relating the size of these values to each other.

### Conjoint analysis: good growth

This section describes the use of conjoint analysis in the context of this pamphlet and provides additional technical details. By confronting respondents with different, hypothetical countries (situations) we aim to get a better understanding of what is important for ‘good growth’.

#### Framework

Based on the results from the focus group and large scale polling the conjoint was designed as shown in table 14. We decided to include six attributes (more would be difficult for people to process) with three possible levels each.<sup>35</sup> We chose the low and high levels for each of the attributes to span the range of actual data observed in high income OECD countries broadly comparable to the UK (excluding any extreme outliers). We

Table 14 **The six attributes and three levels of six factors tested in conjoint survey**

Factor	Attribute	Level		
		Low	Mid	High
Employment	Unemployment rate	5 million (16% of labour force)	2.5 million (8% of labour force)	1 million (3% of labour force)
Healthcare	Unable to work because of health issues	4.5 million (12% of 20-64-year-olds)	2.5 million (7% of 20-64-year-olds)	750,000 (2% of 20-64-year-olds)
Income	Average monthly household income after tax	£1,400	£1,700	£2,300
Time with family	Average working hours per full-time employee	45 hours per week	37 hours per week	30 hours per week
Housing	Owner occupation rates for housing	50% of properties	70% of properties	80% of properties
Distribution of wealth	Extent of income inequality	Richest 10% are 16 times richer than poorest 10%	Richest 10% are 13 times richer than poorest 10%	Richest 10% are 6 times richer than poorest 10%

Source: PwC assumptions based on various data sources

Note: The ordering of the levels corresponds to (expected) utilities ('low' is the level with lowest expected utility value).

defined the middle levels for each attribute to be equivalent to the UK average level (after rounding to avoid spurious precision). Then we created a variety of hypothetical countries that spanned the range of these attributes and levels and showed them to respondents during the online survey as the choice between two such alternatives (country A vs country B).

### Survey and analysis

We showed each respondent 12 screens online with two hypothetical countries each and asked them to select the preferred (hypothetical) country. After the fieldwork we conducted a data quality check. This check included the calculation of the elapsed response time and a 'trading' analysis: we dropped from further analysis respondents who did not trade (always choose either the left or right country, with no variation), or who had response times for the whole survey below five minutes, suggesting they had taken insufficient time to reflect adequately on the choices presented.

Tables 15 and 16 show the results of the estimation of two logit regression models: model 1, our baseline model, is used to derive the indicator weights. The model is additive and therefore ideal for the calculation of index weights.<sup>36</sup> Model 2, which follows a multiplicative structure, allows the expression of attribute importance in monetary (income) terms.

Technically, model 1 is based on a standard dummy variable (0–1) specification, whereas model 2 links increases or decreases in levels to the values actually shown to the respondent (eg for income these are £1,400, £1,700 and £2,300).

We calculated conjoint weights (shown in the column 'Implied weight' for model 1) by dividing the utility value (coefficient) for each attribute by the sum of utilities (sum of all coefficients). We calculated income equivalents for model 2 as described in the following example for working hours. We divided the working hours coefficient (utility per weekly working hour) by the income coefficient (utility per £ monthly income). This identifies the increase in monthly income that the 'average' respondent would require to undertake an additional hour of

Table 15 **Results of logit model 1**

	Coefficient	Standard error	z-statistic	Implied weight
Unemployment	1.062	0.047	22.57	0.27
Health	0.754	0.035	21.36	0.19
Income	0.751	0.034	21.84	0.19
Working hours	0.910	0.050	18.31	0.23
Home ownership	0.218	0.038	5.71	0.06
Wealth distribution	0.219	0.046	4.80	0.06

Source: PwC calculations

Note: The model included a constant (not shown).

Table 16 **Results of logit model 2**

	Coefficient	Standard error	z-statistic	Measured as income
Unemployment	-15.463	0.665	-23.25	£1,200 (1% point reduction)
Health	-14.837	0.705	-21.03	£1,200 (1% point reduction)
Income	0.002	0.000	20.80	
Working hours	-0.128	0.007	-19.20	£20 per hour
Home ownership	1.233	0.234	5.26	£100 (10% point rise)
Wealth distribution	-0.062	0.008	-7.85	£480 (reduction 13 to 12)

Source: PwC calculations

Note: The model included a constant (not shown).

work per week. To calculate hourly values this was multiplied by 12 (months) and divided by 52 (weeks).

At this stage, the specific model 2 estimates in monetary terms are probably somewhat less reliable (based just on this one survey) than the weights derived from model 1. Therefore, we used the latter as the basis for calculating good growth indices in the main text of the paper. However, if further such exercises could be carried out to increase confidence in the model 2 estimates, then potentially these could be a more accurate way to derive index weights in future variants of these indices.

# Notes

- 1 We focused on working age people as we wanted to explore trade-offs between competing pressures within the work and money sides of people's lives: the choices available to pensioners and those who were unable to work because of health are limited to a far greater extent than other groups.
- 2 GNI is a version of GDP preferred by the World Bank for national income comparisons as it includes net property income from abroad. The measure in figure 3 also corrects for price level differences between countries by using purchasing power parities (PPPs) to translate into a common currency, rather than market exchange rates, which can be volatile.
- 3 The nearest equivalent to GNI or GDP measured regionally.
- 4 Our focus was not on school education in this study.
- 5 P Aldrick, 'Nicolas Sarkozy wants "wellbeing" measure to replace GDP', *Daily Telegraph*, 14 Oct 2011, [www.telegraph.co.uk/finance/economics/6189582/Nicolas-Sarkozy-wants-wellbeing-measure-to-replace-GDP.html](http://www.telegraph.co.uk/finance/economics/6189582/Nicolas-Sarkozy-wants-wellbeing-measure-to-replace-GDP.html) (accessed 14 Oct 2011).
- 6 Ecopolis, 'Bob Kennedy on GDP', 18 Mar 1968, [www.ecopolis.org/bob-kennedy-on-gdp/](http://www.ecopolis.org/bob-kennedy-on-gdp/) (accessed 14 Oct 2011).
- 7 JE Stiglitz, A Sen and J-P Fitoussi (eds), *Report by the Commission on the Measurement of Economic Performance and Social Progress*, 2009, [www.stiglitz-sen-fitoussi.fr/documents/rapport\\_anglais.pdf](http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf) (accessed 16 Oct 2011).

- 8 Indeed both already had some activities in this field for some years before the Stiglitz Commission report, although this helped to galvanise further action.
- 9 See the OECD Better Life Initiative, [www.betterlifeindex.org](http://www.betterlifeindex.org) (accessed 14 Oct 2011).
- 10 See Wikiprogress, [www.wikiprogress.org](http://www.wikiprogress.org) (accessed 14 Oct 2011).
- 11 See Beyond GDP, [www.beyond-gdp.eu/](http://www.beyond-gdp.eu/) (accessed 14 Oct 2011).
- 12 Commission of the European Communities, 'GDP and beyond: measuring progress in a changing world', COM(2009) 433, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0433:FIN:EN:PDF> (accessed 16 Oct 2011).
- 13 R Layard, *Happiness: Lessons from a new science*, London: Allen Lane, 2005.
- 14 Office for National Statistics, *Measuring National Well-being*, 2011, <http://tinyurl.com/62nm2z6> (accessed 17 Oct 2011).
- 15 See Canadian Index of Wellbeing, [www.ciw.ca/en/Home.aspx](http://www.ciw.ca/en/Home.aspx) (accessed 14 Oct 2011).
- 16 Nef, 'The Unhappy Planet Index 2.0', [www.happyplanetindex.org/](http://www.happyplanetindex.org/) (accessed 14 Oct 2011).
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- 18 UNDP, *Human Development Report 1990: Concept and measurement of human development*, United Nations Development Programme, 1990, <http://hdr.undp.org/en/reports/global/hdr1990/chapters/> (accessed 14 Oct 2011).



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- 20 WEF, 'Global competitiveness', World Economic Forum, [www.weforum.org/issues/global-competitiveness](http://www.weforum.org/issues/global-competitiveness) (accessed 14 Oct 2011).
- 21 WEF, *The Global Competitiveness Report 2010–11*, Geneva: World Economic Forum, 2010.
- 22 These were the seven categories within the Britain Thinks typology 'Speaking Middle English' plus the 'working class identifiers'. See [www.britainthinks.com](http://www.britainthinks.com) for more. On the day, one participant categorised as a 'deserving downtimer' was unable to attend the event, so there were 31 not 32 participants.
- 23 The survey happened at the time when the Forestry Commission sell-off received significant media attention. This may have influenced the prominence of this factor in the result for the environment.
- 24 The results in figure 10 exclude three regions where sample sizes were relatively small (Northern Ireland, Wales and the North East), but the same broad relative ranking of factors also seems to be true in general of these three regions as well.
- 25 Specifically we made use of 'logit' regression models of various kinds – we looked at a range of different model specifications and chose those with the best diagnostic statistics (goodness of fit, statistically significant coefficients for key parameters). We eventually focused on a linear logit model, although non-linear models seemed to give broadly similar weights.
- 26 Question 11 in annex 2.

- 27 Standardisation is necessary as the indicators have a different mean and variance and their scaling would impact the index. Calculation of z-scores ensures they all have a mean of 0 and a variance of 1.
- 28 GNI is an alternative to GDP used by the World Bank and preferred here as it includes net national income from overseas. The measure in figure 16 also uses purchasing power parities (PPPs) to translate values into a common currency so as to correct for price level differences across countries and avoid the volatility implied by using market exchange rates for such currency conversions.
- 29 PwC, *14th Annual Global CEO Survey*, PricewaterhouseCoopers, 2011, [www.pwc.com/gx/en/ceo-survey/download.jhtml](http://www.pwc.com/gx/en/ceo-survey/download.jhtml) (accessed 14 Oct 2011).
- 30 PwC, *Government and the Global CEO: Rethinking and reshaping the business environment*, PricewaterhouseCoopers, 2011.
- 31 We did not focus on school education in this study.
- 32 The survey options shown to the respondents are carefully defined such that the attribute levels are not correlated with each other ('orthogonal') and ensure that the data gathered are as useful as possible.
- 33 J Louviere, D Hensher and J Swait, *Stated Choice Methods: Analysis and application*, Cambridge: Cambridge University Press, 2000.
- 34 Because respondents' preference for each alternative (dependent variable) is binary (preferred or not preferred) the regression model used is a so-called 'logit' model, which accommodates this type of data.

- 35 When using conjoint analysis there is a trade-off between survey length and the number of attributes and levels that can be analysed. With longer surveys and those presenting a large amount of information to respondents, there is a risk of respondent fatigue, which can lead to poor quality responses.
- 36 Model 1 assumes that a level increase has the same utility effect as a level decrease, which might not be the case given the asymmetric ranges used for some attributes. As a robustness check, we also estimated a similar but non-linear logit model relaxing this assumption. However, the weights derived from this model were very similar to the weights derived from model 1, so we preferred to stick with the simpler linear model for the purposes of this paper.



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The Prime Minister, paraphrasing Robert Kennedy in a speech last November, said that GDP ‘measures everything except that which makes life worthwhile’. Yet policy-makers and commentators remain fixed on GDP and growth above all else. The Government has asked the Office for National Statistics to discover how happy the population are – to measure ‘general wellbeing’ – but there is no clear policy agenda to follow from the results.

*Good Growth* goes a step further. The analysis in this pamphlet is a first in the measurement of ‘national progress’ – asking people their opinion on matters of policy, rather than just inquiring about their subjective experience. It finds that wider issues such as work-life balance, health and housing are viewed by the public as critical components of good economic performance, on top of raw GDP. Through extensive polling and conjoint analysis, which forces participants to make trade-offs between factors, this pamphlet reveals what people value when push comes to shove.

It recommends that at the same time as tracking GDP the Government should adopt the good growth index, so that economic policy decisions are aligned with citizens’ wishes. Only with this insight can policy-makers build the type of economy the public wants to see.

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