

National Assembly for Wales
Environment and Sustainability Committee
WFG 17
Well-being of Future Generations (Wales) Bill
Response from Office for National Statistics (ONS)

Written evidence from the Office of National Statistics on the Well-being of Future Generations Bill

Introduction

Thank you for the opportunity to comment on the draft Bill.

The Office for National Statistics (ONS) launched the Measuring National Well-being Programme in November 2010 with the aim to develop an accepted and trusted set of National Statistics to help people understand and monitor national well-being. Measuring national well-being is a long term development programme and the ONS is recognised internationally as playing a lead role in its development. One of the objectives is to see the transition of this work into the main-streamed business environment to ensure ongoing delivery of benefits; therefore ONS welcomes the Bill as an important innovation in meeting this goal.

ONS in developing measures of national well-being aims to ensure that information is reported in a consistent framework that recognises the three main pillars of the economy, environment and social (the draft Bill's three aspects of its aim to improve well-being); the four capitals (Physical, Natural, Human and Social); and the various domains (e.g. Health, Education, Where we live, Personal finance, etc), as well as the dimensions of Sustainability and Equity (see further comments below under Section 2).

The ONS, acting on behalf of the Government Statistical Service, is also supporting the development of the Post 2015 Sustainable Development Goals by providing statistical advice and comments and will assess the robustness, timeliness and relevance of the measures proposed. In addition, the ONS is now responsible for publishing the Sustainable Development Indicators.

The following comments concentrate on the definition of well-being and the related goals, targets and measures to reflect ONS's main interests.

Part 1, Section 2 - Aim of public bodies to improve well-being

The aim '*of public bodies is to improve the economic, social and environmental wellbeing of Wales in accordance with the sustainable development principle*' highlights the 3 pillars that are used to gain a better understanding of overall well-being. However, care needs to be taken regarding the use and understanding of what 'well-being' refers to. It is often the adjective or prefix that denotes what well-being refers to - for example, national well-being, personal or individual wellbeing, physical well-being, etc. The Bill may need to clarify that well-being refers to national well-being (in this case, Wales) unless otherwise specified.

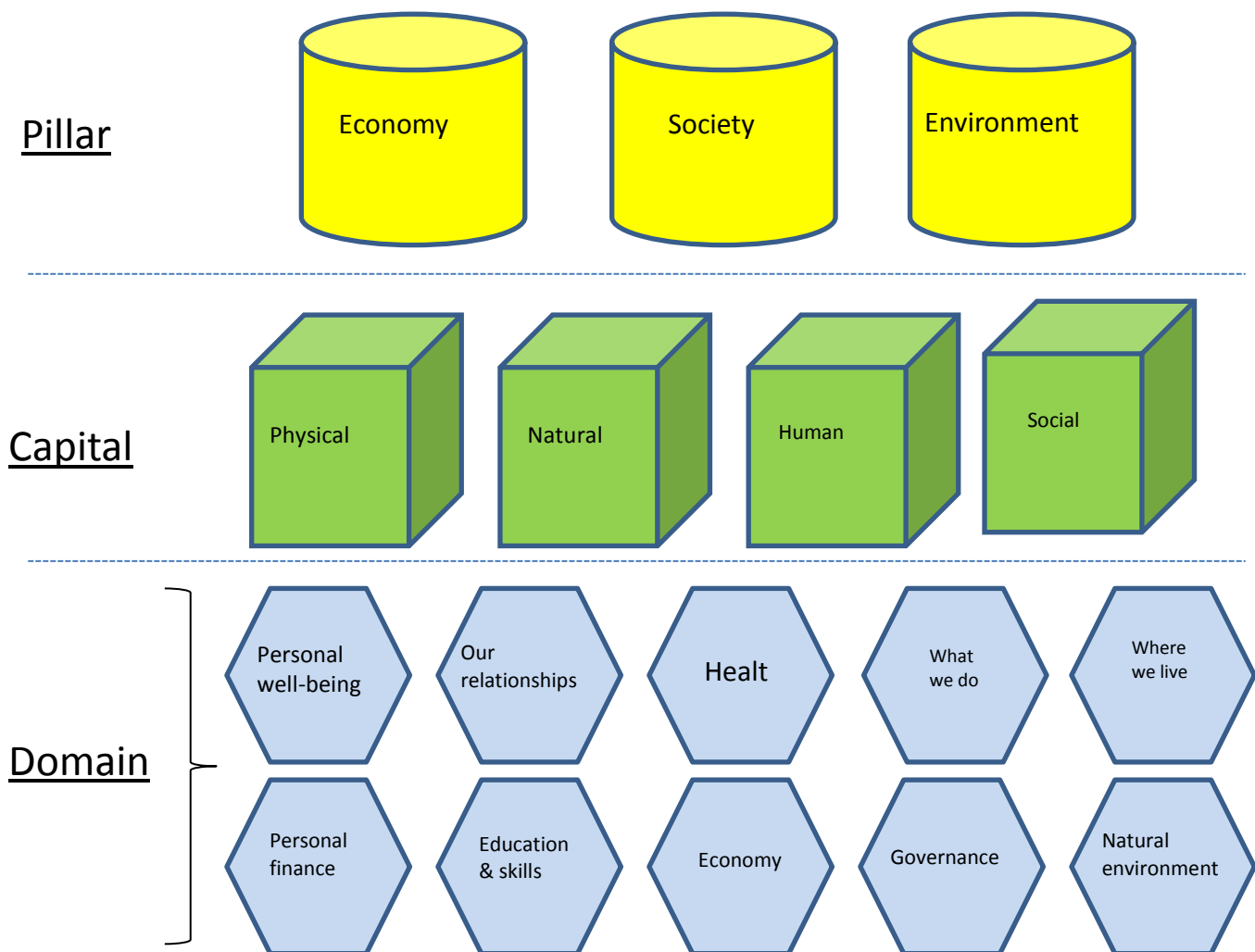
The Commission on the Measurement of Economic Performance and Social Progress Report (Stiglitz et al. 2009), known as the Stiglitz Report, has had a significant influence on international developments of well-being measures. The report identified the key dimensions of well-being to include health, education, social connection, political voice, unpaid household work, and the present and future condition of the environment. The Commission

noted that “all these dimensions shape people’s well-being and yet many of them are missed by conventional income measures.”

Traditional measures of progress such as GDP are increasingly considered an incomplete picture of the state of the nation. The Commission argued that no single measure can summarise something as complex as the well-being of the nation and any system of measurement must encompass a range of different measures. GDP only measures activity within ‘the market’ producing estimates of physical capital; however, much of what maintains and enhances well-being occurs outside of the market. The Commission further argued that applying a broader definition of wealth, to include natural capital, social capital and human capital, could provide a better understanding of national well-being.

Figure 1 presents a simple comprehensive framework for understanding and monitoring national well-being. It highlights the three main pillars of the economy, social and the environment (the draft Bill’s three aspects); illustrates the four capital stocks (ie Physical (produced), Human, Social and Natural); and the 10 domains currently used to monitor national well-being. The dimensions of sustainability and equity need to be further developed and considered as fitting this framework.

Figure 1. Three presentations of national



Section 6: Well-being goals

The draft Bill proposes 6 high level well-being goals. An important element will be how these goals can be translated to targets and these targets monitored and measured (see also comments below related to National indicators). Should the Bill be more specific regarding how the goals relate to specific outcomes with clear time-bound targets (eg by 2025..)?

The draft Bill has an obvious relationship with the international development of the Post 2015 Sustainable Development Goals (SDGs) (see link here for more detail> <http://sustainabledevelopment.un.org/index.php?menu=1300>). Although the SDGs are not expected to be finalised until September 2015, should the Bill consider aligning the Welsh goals with those agreed at an international level?

Section 11: National indicators and annual well-being report

The choice and use of a set of National indicators to monitor, measure and report on progress will be a critical part of the successful implementation of the Bill. Considerations about measurement must not be an afterthought for the Bill. It is important for policy makers to work closely with statisticians in developing a set of targets and indicators that are statistically robust and measurable.

It is also important that the indicators consider what is important, not just readily or currently available. It may be that new measures are required to monitor what is important and relevant for this work and relevant steps taken to develop these. Of course there may be cost implications.

The disaggregation of the National indicators will also be an important element. The Bill notes in Section 35(4) that an analysis must refer to any national indicators. It will be desirable that the National indicators selected are also consistently available at a local level.

It may be considered that to gain maximum acceptance and trust in the National indicators that they should be assessed by the UK Statistics Authority to obtain National Statistics status, if not already.

The ONS's well-being programme aims to provide an overview of wealth accounting, including the four capitals, as well as producing headline measures of national well-being and sustainability. The concept of comprehensive wealth is important as having a present day estimate of this wealth signals our future prospects for well-being and prosperity. In turn, the way in which this wealth is changing over time indicates how these future prospects are altering.

ONS already publishes Produced or Physical capital as part of the National Accounts and is continuing to develop and publish regular Human capital estimates as part of the measuring national well-being programme. Initial estimates of Natural capital were published in May 2014 and could be combined with these two capitals to further develop the first comprehensive wealth account for the UK. The ONS has also published a discussion paper on Social Capital on 18th July, thereby recognising the need to consider the economy, environment and social pillars to gain a fuller understand of overall well-being.

However, measurement of the capital stocks is at different stages, but as they mature it might be possible for them to eventually come together in the first comprehensive national wealth account. Growth or depletion of national wealth might in future provide an important headline national well-being metric.

The balance of depletion and investment determines the extent to which the stocks of produced, human, social and natural capital are maintained and highlights our ability to sustain the existing pattern of social and economic activity. GDP and our traditional measures of economic progress provide little indication of the sustainability of underlying activity and whether the well-being of current generations is being enhanced at the expense of future generations. ONS's well-being programme is helping to address this by progressing measurement of all four capital stocks.

Section 12: Future Trends Report

The draft Bill notes that Ministers must publish a '*future trends report*'. Predictions of likely future trends in the economic, social and environmental well-being could vary considerably. There are differences between forecasts and projections and their related assumptions. It will be important in any report that these assumptions are clearly identified so that users of the report can interpret the results appropriately.

A definition of forecasting is the process of making statements about events whose actual outcomes have not yet been observed. Prediction is a similar, but more general term. Both might refer to formal statistical methods employing various amounts of time series, cross-sectional or longitudinal data.

Both qualitative and quantitative forecasting techniques can be used when analysing future trends. Qualitative forecasting techniques are subjective based, often based on the opinion and/or judgment of experts or survey respondents, and are usually used when past data are not available. Quantitative forecasting models are used to forecast future data as a function of past data.

As noted earlier, assumptions, particularly related to risk and uncertainty, are central to forecasting and prediction. It is generally considered good practice to indicate the degree of uncertainty attaching to forecasts.

Glenn Everett
Director
Measuring National Well-being programme
Office for National Statistics
Government Offices
Cardiff Road
Newport NP10 8XG
01633 455359

4 September 2014