



ARO Network Day: 'The Environmental Limits on Returning to Economic Growth'

Wednesday 27th January 2010 Radisson Blu, Birmingham

On Wednesday 27th January 2010 members of the Association of Regional Observatories (ARO) convened in Birmingham to consider the challenges and opportunities posed by environmental limits and returning to economic growth.

By raising awareness of work afoot nationally and regionally in relation to this, the event sought to stimulate debate about how we work within environmental limits, what we are measuring, what the impact of economic growth or in cases non-growth might be, and what practical steps we might take to mitigate challenges. With afternoon 'break-out' sessions focusing on demographic change and on examples of modeling and forecasting, ARO members had the opportunity to share, question and benefit from others' experience in order to assist with their work.

This second ARO network event came further to the first, held in June 2009, from which feedback had been overwhelmingly positive. The idea behind these events is to help widen participation and to open up the ARO community beyond the ARO Board in order to benefit all those working in data and intelligence at the regional and local level. Accordingly, the event was as much about helping to forge formal and informal networks within the ARO community.

The day featured keynote speeches from Dr Eva Neitzert (New Economics Foundation), Stephen Hall (DEFRA), Bea Jefferson (Yorkshire Futures), Eleanor Field (South West Observatory) as well as afternoon break-out sessions delivered by colleagues from Regional Observatories and from Katrina Hann (Experian).

→ Interactive presentations (plus PDF downloads) can be found via:
www.regionalobservatories.org.uk/aro-network-event



Keynote Speeches:

Dr Eva Neitzert (Head of Business, Finance and Economics, New Economics Foundation [NEF]) delivered the first keynote speech on the Regional Index of Sustainable Economic Wellbeing, as developed by NEF.

Opening her address, Eva set out the political, environmental and economic context for this debate and underlined how the landscape had changed dramatically over the past few years.

NEF asserts that growth cannot go on *ad finitum* and has set about future casting exercises based on what a socially just and environmentally sustainable society might look like by 2050. This looks specifically at what kind of GDP the UK would have were it to stay within environmental limits. This could require a 36-fold reduction in UK emissions (in order to keep temperature rise below 2°C) and a knock-on fall in GDP by 25%.

Despite this, NEF suggests that such a fall might not be as bad as might first appear due to the fact that GDP is a poor indicator of what makes a 'good' society. Whilst increases in GDP do increase life satisfaction, they only so up until a point and thereafter there is a diminishing return. On this basis, NEF posits that less might actually be more.

Indeed, if the goal of the economy is to deliver for people and by extension for the environment, then, NEF suggests, we need a better measure for our economy than GDP.

NEF's proposal of an Index of Sustainable Economic Wellbeing (ISEW - also known as the Genuine Progress Indicator – GPI) is one alternative, adjusted measure of GDP with annual regional calculations from 1990-2006. Its work has been funded by RDAs (led by EMDA).

ISEW starts from consumer expenditure and then adjusts that consumer expenditure for inequalities. It adds in public expenditure on health and education whilst accounting for domestic labour (and volunteering). It subtracts environmental emission costs, social costs (family breakdowns, crime), 'defensive' expenditures (commuting, car accidents, personal pollution control) as well as depreciation of natural capital, land loss and resource depletion. In addition, it accounts for long-term climate change costs and adjusts for net capital growth and net international position.

Regionally, ISEW shows a big variation to GVA and a different ordering of the regions [The South East has the second highest GVA but the lowest ISEW; the South West has an average GVA figure but the highest ISEW].

Currently, the environmental costs associated with ISEW are calculated on producer location, which explains why Yorkshire and the Humber (where lots of energy is produced but not necessary consumed) has a relatively low ISEW. NEF believes that a way of

accounting for environmental damage based on consumption would be preferable and the index is still being improved.

Eva concluded by suggesting that ISEW (and its regional variant) should be used alongside GDP as a measure of sustainable development. GDP does have a place in terms of output but more generally GDP is a poor indicator.

Stephen Hall (Statistician, Department for Food, Environment and Rural Affairs [DEFRA]) delivered the second keynote speech focusing on the National Sustainable and Wellbeing Indicators, as developed by DEFRA.

This presentation opened with a timeline of the policy frameworks and indicators which surround this subject and which have guided recent developments. Particular focus was given to the 'Quality of Life Counts' and 'A Better Quality of Life' framework (1999). In addition, in 2004, DEFRA experimented with a pocket book of indicators to improve communications with policy-makers. These contain 68 sustainable development indicators, a traffic light assessment of targets and pie-chart summaries.

Of particular note within this, Environmental Quality Index (EQI) has been broken down by DEFRA based on super-output area. For the first time this quantifies that the more you go up the deprivation scale the more likely it is you are to live in the area with the worst conditions. Work is currently underway to produce a regional version of this.

Regional Quality of Life Counts featuring 15 headline indicators were produced for 2000 – 2004 with comparisons and similar traffic light assessments. On establishing a new set of national indicators, DEFRA received feedback that it should produce regional indicators for as many national ones as possible, although to date regional measures can only be produced for 46 of the 68 national indicators.

DEFRA has been measuring well-being for two years and post-2005 got together people internal and external to government to bring out factors which influence well-being. This drew out a series of considerations of well-being in society including: indicators on overall life satisfaction (including by social grade); satisfaction of aspects of life (including by social grade and age); frequency of positive and negative feelings (including by social grade); frequency of feelings or activities which may have a positive or negative impact on well-being; level of participation in sport; access to green space; levels of participation in other activities; and positive mental health.

Whilst much work has been carried out by DEFRA in regard to this, there remains a question over what to do with this information in policy terms. The Stiglitz Commission review identified the importance of wellbeing measures, but the challenge remained on how the concept can be directly applied to policy development.

→ For a selection of downloadable resources on wellbeing, happiness and GDP see <http://www.neweconomics.org/>

→ To download or request copies of 'Sustainable Development Indicators in Your Pocket 2009' see <http://www.defra.gov.uk/sustainable/government/progress/data-resources/sdiyp.htm>

Questions to **Eva** & **Stephen**:

1. Two questions from delegates raised the pitfalls and dangers of 'monetarising' a debate about well-being and sustainable development which is not based on economic growth.
 - *In response to this question, Stephen suggested that thinking was moving away from this view with the Stiglitz Commission pushing that not everything needs to be monetarised.*
 - *Eva argued that in an era where value for money becomes a focus, the reality is that if you don't monetarise, objectives will get lost in decision-making.*
2. A second question asked about population growth, the use of subjective measures and the weighting of results.
 - *On population growth, Eva suggested that whilst population growth is a factor, it is far outweighed by consumption in rich countries. To this extent, population growth will take care of itself as poor countries become richer.*
 - *Population Growth is absent from the UK Strategy on Sustainable Growth and there is no specific policy on this.*
 - *The question about scales is proving a hurdle nationally and internationally with no particular consistency. On the weighting issue this too is tricky as the weightings are subjective – so much of what you end up seeing so what you see in indices can be determined by weightings as opposed to what is happening in the individual components. So, the UK prefers to present individual components as a headline set.*
 - *Eva suggested that you get quite a different results through moment-by-moment studies (i.e. how do you feel now?) as opposed to questions about long-term satisfaction (i.e. how satisfied are you with life?). Stephen suggested that this was being taken up by colleagues although whether they went down this route or instead longitudinal studies (i.e. how satisfied are you as a married person?) was still to be determined.*