

Statement 4

Measuring What Matters

Measuring what matters can provide an important foundation for Australia's efforts to lift living standards, boost intergenerational mobility and create more opportunities for more people.

Traditional macroeconomic indicators provide important insights, but not a complete or holistic view of the community's well-being. A broader range of social and environmental factors need to be considered to broaden the conversation about quality of life.

A number of countries have developed national or subnational frameworks to measure progress and well-being. While the specific indicators vary across frameworks, all of those reviewed here cover similar policy areas, like income and employment, personal and community safety, health, education, and the environment.

While Australia does not currently have an integrated approach to measuring what matters, it does publish a wide range of indicators through specialised reporting (such as Closing the Gap and the State of the Environment reports). An overarching framework could complement these processes by providing a fuller perspective and improving visibility of the progress made on agreed priorities.

The OECD Framework for Measuring Well-being and Progress provides an indication of where Australia stands. It shows the nation is making progress in some areas, like life expectancy and wealth, and highlights further room for improvement in others, like gender parity in politics, women's safety and household debt. The OECD Framework is designed to facilitate international comparisons, so some indicators would need to be adapted or expanded to properly account for the Australian context and align with our policy priorities.

This statement is the foundation of a conversation about how to measure what matters to Australians. It explores what we can learn from international progress and well-being reporting exercises and provides the beginnings of an Australian framework. The Treasury will continue to work and consult with a range of stakeholders to inform the development of a stand-alone Measuring What Matters Statement in 2023.⁸

⁸ More on Australia's performance against the OECD Framework and next steps on Measuring What Matters is available here: www.treasury.gov.au/consultation/measuring-what-matters-2022

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Measuring what matters

Measuring what matters is important for tracking and achieving progress. A coherent and comprehensive framework would help us better understand our economy and society and would support more informed policy making and improved accountability.

Traditional macroeconomic measures such as GDP play an important role but they only provide a partial view of a community's living standards. They do not incorporate social or environmental outcomes, or show whether certain groups are getting a fair share of national opportunities and prosperity.

Indicators that measure broader quality of life factors should be considered in addition to, not instead of, traditional macroeconomic measures. When policy processes consider these outcomes, they facilitate more holistic discussions of the type of economy and society Australians want to build together.

Broader measurement also allows society and governments to better evaluate the impact of decisions today on future outcomes. For example, education, healthcare, infrastructure and access to child care are key drivers of future labour force participation and productivity. Similarly, environmental stewardship today will impact living standards and the future health of tourism and agricultural industries, as well as trade partnerships.

Providing greater access to opportunities for more Australians also matters for long-term outcomes, including intergenerational equity. Advancing equality of opportunity is key to reducing disadvantage – especially among children – and improving people's ability to participate and contribute. This is good for individuals and the broader economy.⁹

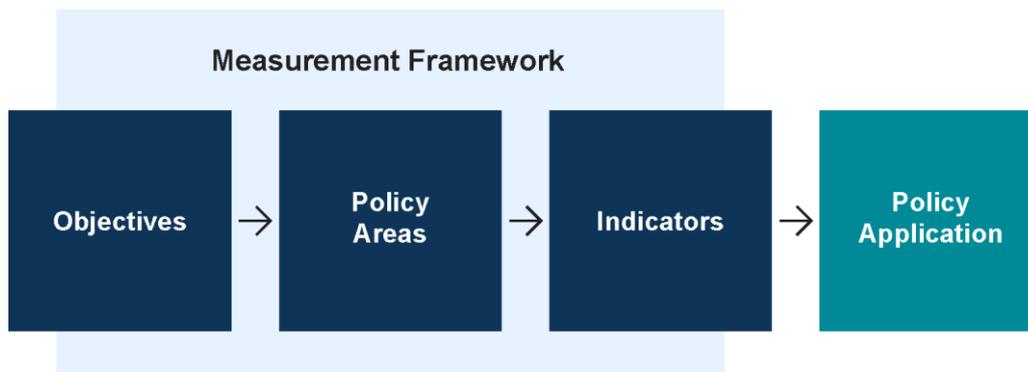
For all these reasons, the central challenge of progress reporting is bringing attention to the broader factors that underpin community well-being and longer-term economic prosperity, in a focused way.

⁹ The Heckman Curve shows age affects the return on education (Heckman [2022](#)). Earlier investment in a child's development leads to higher lifetime earnings, tax revenue, quality of life and productivity, reducing health, welfare and corrective service costs.

Frameworks to measure what matters

Frameworks to measure progress require making choices about the objectives of policy areas, and the indicators to monitor them (see Figure 4.1).

Figure 4.1: Progress and Well-being Measurement Framework elements



Source: Treasury

The **objectives** of most progress frameworks relate to living standards, quality of life, opportunity and meaning. For example:

- 'Meeting human needs, some of which are essential (e.g. good health), and includes people's ability to pursue their goals, thrive and feel satisfied with life'¹⁰
- 'People are able to lead fulfilling lives with purpose, balance and meaning to them'¹¹
- 'Well-being is a state of health or sufficiency in all aspects of life.'¹²

These objectives are intuitive, but can be difficult to measure directly. For this reason, progress and well-being objectives are usually examined by measuring progress in the **policy areas** that aim to achieve the desired outcomes. To be most useful, policy areas should be discrete and readily understood for the purposes of measurement. Examples include health, education and skills, employment, income and wealth, housing and the environment. Table 4.1 shows the high level of similarity in the policy areas covered by other countries' national frameworks.

10 OECD (2011), 'OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth'.

11 New Zealand Treasury (2019), 'The Well-being Budget'.

12 ABS (2001), 'Measuring Well-being, Frameworks for Australian Social Statistics'.

Table 4.1: Policy areas covered in national frameworks

| OECD Domains | New Zealand | Canada | United Kingdom | Germany | Iceland | Italy | Wales | Scotland |
|--------------------|-----------------------|--------|----------------|---------|---------|-------|-------|----------|
| Current Well-being | Income and Wealth | | | | | | | |
| | Social Connections | | | | | | | |
| | Knowledge and Skills | | | | | | | |
| | Environmental Quality | | | | | | | |
| | Health | | | | | | | |
| | Housing | | | | | | | |
| | Civic Engagement | | | | | | | |
| | Safety | | | | | | | |
| | Work and Job Quality | | | | | | | |
| | Work-Life Balance | | | | | | | |
| | Subjective Well-being | | | | | | | |
| Future Well-being | Natural capital | | | | | | | |
| | Human capital | | | | | | | |
| | Social capital | | | | | | | |
| | Economic capital | | | | | | | |

Note: Shaded areas are covered in national frameworks.

Source: National agencies; Centre for Policy Development (2022), 'Redefining Progress'

For each policy area, indicators are identified that can track and report on progress. Ideal indicators will be understandable and measurable, with timely and reliable data. They should also be comparable internationally and over time, and allow for disaggregation at a demographic or geographic level (Box 4.1).

Box 4.1 – What makes a good progress and well-being indicator?

According to the OECD and the internationally-accepted Civitas initiative, indicators should be:

- **Relevant:** indicators should be relevant to policy priorities.
- **Complete:** indicators should adequately cover all policy priorities.
- **Measurable:** indicators should have the potential for objective measurement.
- **Comparable:** indicators should be defined and measured consistently, to enable comparisons within a country and internationally.
- **Reliable:** preference should be given to indicators underpinned by objective and accurate data, which is not subject to different interpretations.
- **Understandable:** indicators should be unambiguous, easy to understand by decision-makers and key stakeholders, and be standardised where possible.

An effective framework will minimise the number of core indicators to support decision-making by avoiding unnecessary complexity.

Source: OECD (2011), 'Compendium of OECD Well-being indicators'; Civitas (2020), 'CIVITAS 2020 process and impact evaluation framework'

Progress frameworks overseas

Internationally, governments are placing greater emphasis on non-economic measures of progress and quality of life. Progress frameworks have been used by countries such as Scotland, Wales, Canada, New Zealand and Germany. These aim to raise the profile of non-economic outcomes and provide a picture of national progress and well-being (Table 4.2).

Most countries use their frameworks to communicate the importance of improving outcomes, and draw attention to the actions taken by government to achieve these outcomes. Some countries, like Canada and Germany, have used the process of developing a framework to promote a national conversation about progress goals, so have consulted on their frameworks over several years. A small number of countries, like New Zealand, have also incorporated frameworks into budget and policy-making processes (Box 4.2).

The frameworks all cover a relatively small number of core policy areas. However, the number of indicators used varies significantly – from 38 indicators in the UK's framework to 153 in Italy's. Most frameworks have more indicators than the 36 headline indicators included in the OECD Framework for Measuring Well-being and Progress, as multiple indicators are often used to capture important aspects of a single outcome, like distributional impacts.

Table 4.2: Selected international frameworks

| Jurisdiction / Organisation | Year implemented | No. policy areas | No. indicators |
|--|------------------|------------------|----------------|
| Scotland (National Performance Framework) | 2007 | 11 | 81 |
| Italy (Measures of Equitable and Sustainable Well-being) | 2010 | 12 | 153 |
| United Kingdom (Measures of National Well-being) | 2010 | 10 | 38 |
| OECD (Measuring Well-being and Progress) | 2011 | 15 | 82 |
| New Zealand (Living Standards Framework) | 2011 | 22 | 103 |
| Wales (Well-being of Wales) | 2015 | 7 | 46 |
| Germany (Well-being in Germany) | 2017 | 12 | 46 |
| Canada (Quality of Life Framework) | 2019 | 14 | 83 |
| Iceland (Well-being in Iceland) | 2019 | 13 | 39 |

Note: Policy areas are also called 'domains' in the well-being literature. While the OECD has 36 headline indicators, it also has a number of sub-indicators, bringing the total to 82.

Source: National agencies; Centre for Policy Development (2022), 'Redefining Progress'

Box 4.2: Well-being Budgets – New Zealand and international developments

A few countries have integrated frameworks with decision-making processes such as Budgets (Table 4.2). For example, New Zealand's 'Living Standards Framework' includes:

- Goals: transitioning to a climate resilient economy, improving health outcomes, improving outcomes for Māori people, reducing child poverty, lifting productivity and wages.
- Process: by law, all new policy proposals in the budget must state how they contribute to progress outcomes in the Framework.
- Reporting: annual budget describes how policy proposals contribute to progress outcomes with 3-yearly reviews evaluating the impact of policies on goals.

New Zealand is the only country that requires all new policy proposals to specify their contribution to well-being and be evaluated on this basis.

Source: New Zealand Treasury (2021), 'Our Living Standard Framework'

The OECD Framework for Measuring Well-being and Progress

The OECD Framework for Measuring Well-being and Progress can be used to understand how Australia performs on key policy areas compared to other OECD countries.¹³ This section considers how Australia compares to the average outcome across the OECD and whether Australia is improving over time on the indicators.

How Australia compares internationally

Overall, Australia is performing well against the OECD Framework, but there is room for improvement. Australia is at or better than the OECD average on 21 of the 32 headline indicators for which international comparison is possible. This is based on the most recent year for which data was available for Australia, and all other OECD countries. Australia's performance is also stable or improving for 17 of the 31 headline indicators for which outcomes can be compared over time.

Many of the outcomes where Australia's performance is at or above the OECD average and improving over time are more traditional indicators. These include household income, household wealth, employment rates and the capital base that supports the economy (defined by the OECD Framework as 'produced fixed assets'¹⁴). In addition, Australia performs strongly on life expectancy, time spent on social interactions and premature mortality.

For some areas where Australia performs above the OECD average, performance is declining over time. These include measures of life satisfaction, the amount of social support Australians feel they can rely upon, and test scores for secondary school students. Voter turnout is another example where Australia's rank is stable at number one in the OECD, but the indicator is falling over time (from 95 per cent in 2007 to 90 per cent today).¹⁵

Areas where Australia performs below the OECD average but is stable or improving over time include gender parity outcomes in politics, the number of people working long hours in paid employment and greenhouse gas emissions per capita.

For 5 indicators, Australia has experienced declines in performance and is below the OECD average. These include environmental indicators like species extinction and the level of raw materials used per Australian in everyday life (known as 'material footprint'). It also

13 OECD (2020), 'Better Life Initiative: Measuring Well-Being and Progress'.

14 Produced Fixed Assets are the value of a country's stock of produced economic assets (including buildings, machines, software, and inventories).

15 OECD (2021), 'How's Life? Well-Being'; AEC (2022), 'Voter turnout – previous events'.

includes the gender gap between men and women who feel safe walking home at night and levels of household debt.

Finally, there are 4 indicators where comparison with the OECD is not currently possible. Differences in data collection approaches mean that Australian measures of the gap in life expectancy by educational attainment, the level of trust in others, housing overcrowding rates and access to green space are not directly comparable to other countries based on the OECD's Framework.

Strong performance over time and relative to other countries does not mean better outcomes are not needed or that they are not achievable. Governments must make judgements about where further progress can and should be made. For many indicators, further context and consideration is necessary to determine whether Australia's performance is acceptable. An example is the gender pay gap.¹⁶ The gender pay gap has been slowly narrowing over time, however it remains a significant barrier to women's economic equality. Another example is greenhouse gas emissions. While Australia's per capita greenhouse gas emissions have fallen over the past 2 decades, this measure provides no information on whether Australia has met its emissions reduction targets in the past, or is on track to meet future targets.

The nature of the data, including their quality, is important for interpreting performance. The timing of data collection, how it is collected, and at what level of detail, is essential to understand when measuring progress and well-being. Some of the key caveats in understanding the indicators are presented in Box 4.3. More detail on the indicators, their measurement, definition and specific caveats is presented online.¹⁷

16 Defined by the OECD as the difference between male and female median wages as a share of the male median wage for full-time employees.

17 More information is provided online at www.treasury.gov.au/consultation/measuring-what-matters-2022.

Figure 4.2: Australia’s performance against OECD indicators

| At/better than OECD average and stable/improving | | Worse than OECD average but stable/ improving | At/better than OECD average, but declining | Worse than OECD average and declining |
|--|-----------------------------------|---|--|---------------------------------------|
| Household income | Produced fixed assets | Gender parity in politics | Financial net worth of general governments | Red list index of threatened species |
| Household wealth | Having a say in government* | Long hours in paid work | Voter turnout | Household debt |
| Employment rate | Homicides | Time off | Life satisfaction | Gender gap in feeling safe |
| Housing affordability | Premature mortality | Greenhouse gas emissions | Social support | Labour underutilisation |
| Life expectancy at birth | Exposure to outdoor air pollution | 80/20 income share ratio | Student skills in science | Material footprint |
| Education attainment among young adults | Social interactions | Gender wage gap | Trust in government | |
| | | | Gender gap in hours worked | |
| | | | Students with low skills | |
| | | | Negative affect balance | |

Note: Asterisks denote assessment based on OECD average only. Indicators without recent and consistent data from the OECD are not presented. This includes the following indicators: gap in life expectancy by education, trust in others, housing overcrowding rates and access to green space. Source: [OECD 2022](#), [ABS Time Use Survey](#), [ABS General Social Survey](#), [AEC](#).

Box 4.3: Interpreting OECD indicators carefully

OECD indicators should be interpreted carefully when considering performance.

- *Timing:* OECD data on progress and well-being performance is often published with a delay. While most indicators have data up to 2020, some indicators do not have data since 2006. This reflects the time it takes to generate consistent, coherent and accurate data. This means that indicators are often *lagging* indicators – useful to understand past performance but may not reflect events that are likely to drive progress. For example, the impacts of COVID-19 and geopolitical instability have affected, and will continue to affect, progress – both in Australia and in OECD peers.
- *Comparability:* Data published by the OECD is often sourced from the national statistical agencies of different countries, or other government and community entities. The resourcing of these agencies and entities can vary, and with it the quality of data collection. This makes comparability between jurisdictions risky, as the data reported does not include any information as to the level of *certainty* of result, especially where indicators rely on survey-based approaches that are more accurate with a larger (but costlier) sample.
- *Aggregation:* The indicators are often for Australians on average. This may not reflect the circumstances of those at the margins, or specific groups in society. For example, aggregated data does not highlight the inequalities that lead to differing outcomes for groups such as First Nations people, women, people living with a disability and young people. Some indicators are better suited than others to provide insights for the quality of life of demographic groups. For example, the average amount of time off for someone in full-time work, which is a social headline indicator, is useful to understand quality of life of those in paid employment, but less relevant for those outside the labour force, like retirees.
- *Priority:* Strong performance against a progress indicator does not necessarily mean there is less opportunity or need for further improvements in that field.

Source: What Works Well-being (2022) 'Analysing and interpreting your results', OECD (2022) 'Measuring Well-being and Progress: Well-being Research', and Treasury

Limitations of the OECD Framework

While the OECD Framework allows for international comparisons, it is only a starting point for understanding Australia's quality of life and progress.

The OECD Framework is not tailored to Australia's circumstances, so it does not capture important aspects of the Australian context and overlooks some of our national priorities. For this reason, other countries have adapted the OECD Framework to reflect their specific objectives, policy areas and indicators. One example is climate change, which affects communities in different regions in different ways (Box 4.4).

Box 4.4: Climate change, the environment, and Australian quality of life

A stable climate and healthy environment are intrinsic to the economy and Australians' quality of life.

Australia's environment hosts recreational activities and cultural heritage. It also supports the economy and communities by providing natural resources including food and fuels. However, recent reviews highlight that Australia's natural environment and iconic places are under threat, and the current environmental outlook is poor.¹

Climate change presents specific challenges to Australia, through physical and transitional impacts. Physical impacts are caused directly by a changing climate, for example a greater number of days of extreme heat that will limit productive working hours and impact individuals' health. Transitional impacts relate to global and domestic efforts to reduce greenhouse gas emissions, and capture the opportunities presented by a green economy. See Budget Statement 3 for additional information on the fiscal impacts of climate change.

Decarbonising, adapting to physical impacts, and adjusting the economy to take advantage of opportunities will be critical to the sustained well-being of Australians. Global and domestic decarbonisation efforts also influence the extent of future physical impacts, and thus the amount of adaptation required.

Understanding climate change in the Australian context requires tracking Australia's progress towards its agreed emissions reduction goals, as well as understanding the impacts climate change is having on our natural environment and communities, and how Australia is adapting to these changes.

1 Independent Review of the Environment Protection and Biodiversity Conservation Act 1999 and the most recent State of the Environment Report (2021)

Applying OECD policy areas to a national context

Australia's performance against the OECD and other countries should be interpreted carefully given Australia's unique context. This includes understanding the limitations of the OECD Framework for measuring the progress and well-being of different cohorts of Australia's diverse population. It also includes taking account of Australian conditions such as the structure of local markets and policy settings, community aspirations and social cohesion, and resilience to natural disasters and climate change. The following OECD indicators demonstrate some of these nuances and challenges when adapting the OECD Framework to Australia.

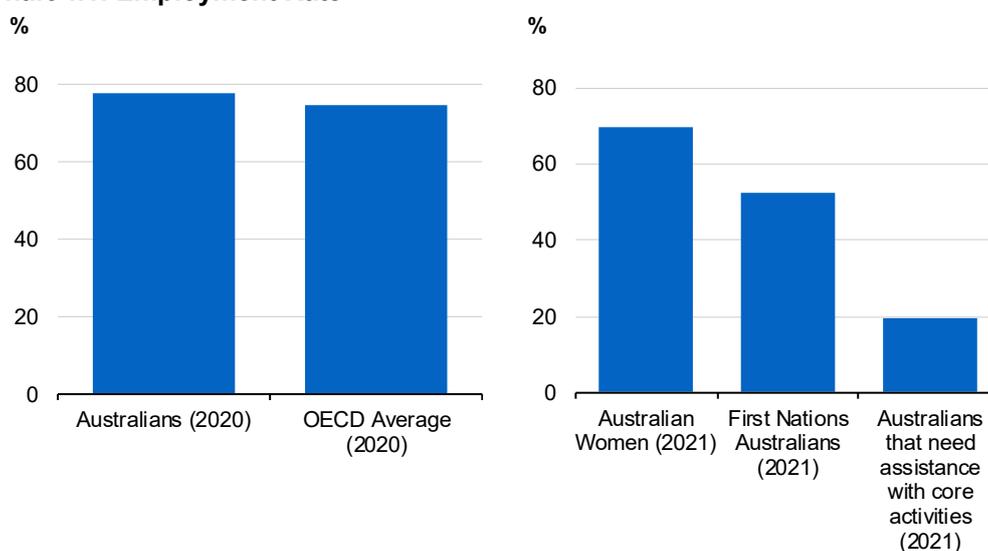
Employment rate and differences across cohorts

Measuring national employment provides insights into how well the nation's human capital is being used. However, aggregate measures of employment obscure differences in outcomes across different groups.

The OECD employment rate indicator is the share of those aged 25–64 who report having worked in paid employment in the past week. Australia ranks well, with a level of employment above the OECD average for the past 16 years.

However, this metric does not capture some of the key challenges in Australia’s labour market. For example, not all people have equal opportunities to participate in work. First Nations Australians and Australians with disability are much less likely to be employed. Women are also less likely to be employed than men.

Chart 4.1: Employment Rate



Note: Data is based on the OECD’s calculation of employment rates, which is employed people as a share of people aged 25–64 years old. While the left-hand chart is based on data from the OECD, the right-hand chart is based on the most recent Australian Census. Requiring assistance with core activities is a narrow definition of disability in the Australian Census; a broader measure indicates that around 48 per cent of Australians with a disability are employed (AIHW 2021).

Sources: OECD (2022); ABS Census of Population and Housing (2022)

Housing affordability in the Australian context

Measuring housing affordability goes beyond house prices and rents. Affordability includes the cost of maintaining a home, obtaining finance and servicing a mortgage.

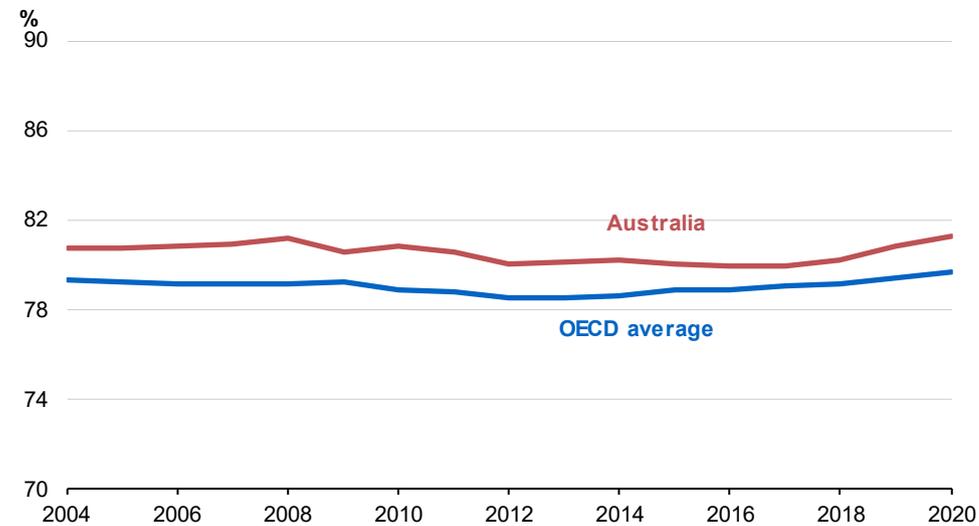
The OECD indicator on housing affordability only measures some of these factors. It assesses the share of household gross adjusted disposable income available after deducting housing costs. This includes rent (actual and imputed), maintenance and utilities which measure the servicing costs of housing. For Australia, this measure has been stable and higher than the OECD average from 2004 to 2020 (last comparable year of data).

However, this metric is not effective at assessing housing affordability in Australia as it does not directly capture the upfront-costs or mortgage serviceability costs of housing. For

example, the time required to save for a 20 per cent deposit has worsened since the start of the pandemic.

Further, focusing on average disposable income after housing costs does not capture variation between income levels or quality of housing.¹⁸ Data from the Australian Institute of Health and Welfare shows that lower-income households are likely to spend greater proportions of income on housing costs.¹⁹ There are also variations between regions and capital cities, with housing ownership costs higher in capitals, particularly in Sydney and Melbourne.²⁰

Chart 4.2: Share of disposable income available after deducting housing costs



Source: OECD (2022), Treasury

Students' achievement

The OECD's student literacy measure does not adjust for attendance levels. This is significant for Australia, as it does not adequately assess the circumstances of students in remote Australia, including First Nations Australians who tend to have lower participation in formal education (Chart 4.3).

The OECD's Programme for International Student Assessment assesses 15-year-old students in reading literacy, mathematical literacy and scientific literacy. In 2018, 14,300 students from 740 schools sat the test in Australia with data reported by jurisdiction, gender, socioeconomic background, First Nations status and geolocation.

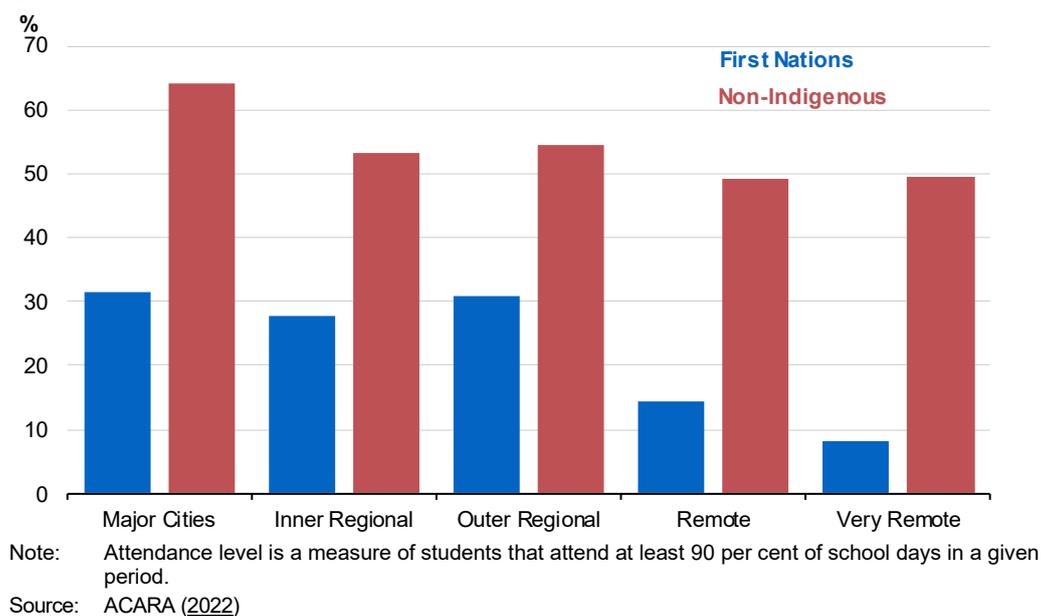
¹⁸ OECD (2021), 'Selection of housing affordability measures used in OECD and EU countries'.

¹⁹ AIHW (2022), 'Housing affordability'; OECD (2020), 'Affordable Housing Database'.

²⁰ AIHW (2022), 'Housing affordability'.

Australia’s performance has been mixed and the proportion of students with low skills has been increasing. In 2018, around 22 per cent of students were assessed as having low skills in mathematics literacy (up from 14 per cent in 2003), 20 per cent in reading literacy (up from 14 per cent in 2009) and 19 per cent in science literacy (up from 13 per cent in 2006). Despite this worsening performance over time, Australia still has a lower percentage of low-skilled students than the average of OECD countries.

Chart 4.3: Year 10 attendance level



Australia’s National Assessment Program – Literacy and Numeracy (NAPLAN) test results cannot easily be compared internationally but provide valuable insights into the performance of Australian students. Students are assessed in the domains of reading, writing, language conventions and numeracy relative to a minimum standard, which is defined as the standard of knowledge and skills without which a student will have difficulty making sufficient progress at school.²¹

Australian data for Year 9 students between 2008 and 2021 indicates no statistically significant change in the share of students achieving the minimum numeracy and spelling standard, but the share meeting reading standards has shown a statistically significant decline.²² These measures are a valuable complement to internationally comparable measures such as attendance rates.

²¹ ACARA (2021), ‘National Assessment Program – Literacy and Numeracy Achievement in Reading, Writing, Language Conventions and Numeracy: National Report for 2021’.

²² ACARA (2022) ‘Time Series’.

Red List Index

Australia has a unique natural environment, including an estimated 650,000 species, most of which are only found in Australia and most of which are yet to be formally described.²³ For these reasons, the OECD's internationally-comparable measure of ecosystem health overlooks a number of Australia's specific biodiversity challenges.

The OECD indicator is based on the International Union for Conservation of Nature assessment of birds, mammals, amphibians, reef-forming corals and cycads. It provides an internationally consistent approach to one dimension of health of ecosystems and the environment, and it is by no means a complete measure of environmental progress. The Index covers a wide range of life across different jurisdictions, but it does not include all species groups of significant conservation concern to Australia, like reptiles and the majority of plants native to Australia.

In Australia, the Red List Index is usually supplemented by other indicators, like the Australian Threatened Species Index,²⁴ for a more complete story. This is also used by government in Portfolio Budget Statement reporting.

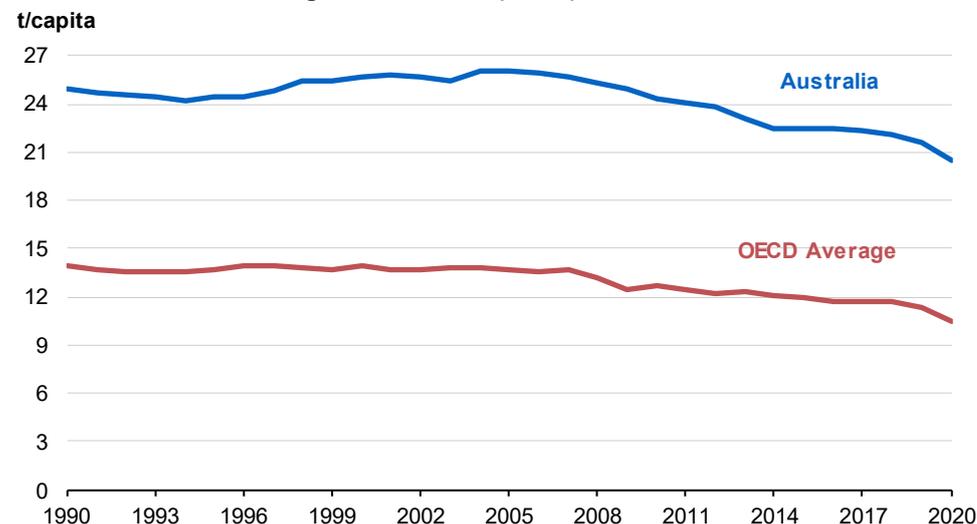
Greenhouse Gas Emissions

The OECD measures greenhouse gas emissions per capita but does not assess the stock of greenhouse gases or their climate impact. While current emissions are an important indicator of action on climate change, more is needed to understand and fully illustrate climate change's impact on quality of life.

While Australia has the highest greenhouse gas emissions per capita of OECD nations, the OECD indicator shows Australia's emissions have fallen in recent years. This should not be taken to imply that Australia is doing well or could not do better to meet policy objectives or environmental outcomes. The indicator does not show whether Australia is on track to meet its legislated emissions reductions targets, or whether the cumulative decline across OECD countries will be sufficient to reduce the impact of climate change in line with the Paris Agreement.

²³ DCCFEW (2021) 'Australia State of the Environment'.

²⁴ TSX (2020), 'The Australian Threatened Species Index'.

Chart 4.4: Greenhouse gas emissions (CO₂e)

Stocks of greenhouse gases in the atmosphere are more relevant and informative indicators when it comes to progress in reducing greenhouse gas emissions in the context of addressing climate change.

More broadly, understanding the impact of climate change requires a suite of detailed, bespoke indicators. In Australia's case, the State of the Environment Report provides detail on Australia's environmental stock, reflecting the unique circumstances of Australia's natural ecosystems. Australia is also implementing a system of Environmental Economic Accounting, which will address this particular issue by providing a more complete picture of the environment's contribution to economic and human activity and the impact that the economy has on the environment. A large proportion of GDP is dependent on nature, and so a healthy natural capital base is fundamental to Australia's economic success and well-being. Fundamentally, every aspect of our civilisation relies on the natural environment.

Australian measurement approaches

Australia has a number of processes and reporting frameworks aimed at informing progress related outcomes (Table 4.3). These include economic and non-economic measures. Some examples include life outcomes of First Nations peoples (Closing the Gap), cognitive development of children as they commence their first year of full-time school (Australian Early Development Census), and the natural environment (State of the Environment Report).

Progress frameworks are not a replacement for these detailed reporting processes. Their high-level nature provides a comprehensive view of how broad policy decisions can affect quality of life. This means there is an important role for other reporting and measurement –

particularly at finer levels of detail – to help complement the effectiveness of frameworks. Such reporting may go to detail of outcomes underneath the aggregates, in terms of geographic or cohort outcomes, or detail to better identify the specific problem needing to be addressed.

There are also processes that use progress and well-being related metrics in policy design, implementation and evaluation. These include the Commonwealth Performance Framework, performance reporting and evaluation for individual policies and programs, and some intergovernmental agreements (Box 4.5). These reporting regimes aim to enhance accountability and support decision-making in individual policy areas.

Australia does not have an overarching progress and well-being national framework or centralised set of indicators.

Table 4.3 – Example processes and reporting related to progress

- | | |
|---|--|
| <ul style="list-style-type: none"> • Australia’s Welfare Report (1993–present) • Report on Government Services (1995–present) • State of the Environment Report (1999–present) • Household, Income and Labour Dynamics in Australia (2001–present) • Footprints in Time: Longitudinal Study of Indigenous Children (2008–present) • Australian Early Development Census (2015–present) • Environmental Economic Accounting Strategy and Action Plan (2018–present) • National Housing and Homelessness Agreement (2018–present) | <ul style="list-style-type: none"> • National Agreement on Closing the Gap (2008–present) • The National School Reform Agreement (2019–2023) • 2020–25 National Health Reform Agreement • National Aboriginal and Torres Strait Islander Early Childhood Strategy (2021–present) • National Preventive Health Strategy 2021–2030 • Australian Disability Strategy 2021–2031 • National Mental Health and Suicide Prevention Agreement (2022–2026) • Women’s Budget Statement (ongoing) • Annual Climate Change Statement (by end of 2022) |
|---|--|

Sources: Australian and state/territory government agencies, Melbourne Institute: Applied Economic and Social Research

The Australian Institute of Health and Welfare ‘Australia’s Welfare Report’ is the only report that looks at national progress and well-being in a broad sense. The report presents a broad range of information on progress and living standards, their determinants, the welfare system and contextual factors (such as demography and socioeconomic factors). The Institute’s approach uses a number of measures commonly reported internationally, which are supplemented with other Australian-specific data and indicators that cannot be readily compared against other jurisdictions.

The ABS has also looked at overall national measures through the ‘Measures of Australia’s Progress’ framework.²⁵ This included topics on society, the economy, the environment and governance.

²⁵ ABS (2014), ‘Measures of Australia’s Progress’.

Australia stands to benefit from a national framework or central set of indicators. Overseas, such frameworks and indicators have helped:

- provide common understanding of objectives across levels of government (an important feature for Australia’s federal system, with delivery responsibilities between governments)
- enable more consistent evaluation of policy against progress, which can help to inform who is best placed to take policy action and address issues with policy implementation
- highlight the interactions between different policy levers and how they impact people, to improve quality of life while avoiding unintended consequences.

Box 4.5: Australian Government Reporting and Progress Measurement

Commonwealth Performance Framework

The Commonwealth Performance Framework requires Commonwealth entities and companies to report on how their performance is measured and assessed under the *Public Governance, Performance and Accountability Act 2014* and the *Public Governance, Performance and Accountability Rule 2014*. They include the following elements:

- Portfolio Budget Statements (PBS) are portfolio based and provide high level non-financial performance information, including key activities, performance measures and targets for current and ongoing programs, and the expected performance for the current year. The key activities, performance measures and targets must be mapped to the Corporate Plan. The PBS must also provide prospective performance information for proposed new budget measures that require a new program or significantly change an existing program.
- Corporate Plans are entity based and the primary planning document of Commonwealth entities. The Corporate Plan is forward looking and sets out the purpose(s) and the key activities that will achieve the purpose(s), and how performance will be measured and assessed for the reporting period (a minimum 4-year period). The Corporate Plan also describes the operating context, including the environment in which the entity will operate, the capability and cooperation with others required to undertake its key activities, the key risks and risk management approach, and how any subsidiaries will contribute to achieving the entity’s purpose(s).

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Box 4.5: Australian Government Reporting and Progress Measurement (continued)

- Annual Performance Statements are backwards looking and report on the actual performance results for the past year against the performance measures and targets in the Corporate Plan and PBSs. They also include an analysis of the factors that have contributed to the entity's performance results. The Annual Performance Statements are published as part of Annual Reports.

Policy and program development and evaluation

Measures of progress are often included in program and policy advice to government (e.g. briefings, reports and Cabinet submissions, including regulatory impact statements). Departments' routine policy and program design, implementation and evaluation activities may draw on data related to progress outcomes, including official sources such as the ABS and Productivity Commission Report on Government Services. The Government has committed to embedding a culture of evaluation in the Australian Public Service (APS) to support better outcomes for Australians and better quality government spending. Funding in the 2022–23 October Budget will help to identify priority areas for improvement, and support reinvestment in APS capability, including best-practice program development, evaluation and delivery.

Intergovernmental agreements

The Australian Government makes use of progress and well-being related metrics in policy design, implementation and evaluation in several intergovernmental agreements. Examples include the National Housing and Homelessness Agreement and the National School Reform Agreement. Progress metrics that relate to policy areas (e.g. health, education, employment) are captured in these processes.

Source: Treasury (2022); Department of Finance (2021, 2022)

A way forward

Countries around the world are exploring ways to better measure what matters and Australia can learn from their experience.

The international frameworks analysed in this statement cover a similar set of policy areas, and often encompass both traditional macroeconomic indicators and broader metrics of well-being and progress. These include measurements of income and employment, personal and community safety, political engagement, health, education and climate change.

The OECD Framework for Measuring Well-being and Progress provides an indication of what Australia might learn from adopting such a framework. It shows that Australia is making progress on some issues, like life expectancy and wealth, and highlights further

room for improvement on others, such as gender parity in politics, women’s safety and household debt.

Many countries have taken inspiration from the OECD Framework, but adjusted and extended the specific indicators to properly capture their local context. The international comparability of the OECD’s metrics make them an ideal starting point, but some need to be adapted to properly capture Australia’s priorities. In Australia, particular attention would need to be paid to our unique natural environment, variation in outcomes across key cohorts and the specific characteristics of our economy.

An Australian framework would aim to provide a high-level view of Australia’s progress and well-being to improve visibility of key indicators at a national level. It would complement, rather than replace, the rich set of specialised reporting processes such as Closing the Gap and the State of the Environment reports. These and other in-depth reporting processes will remain essential to provide finer levels of detail on specific policy areas.

In 2023, the Government will release a new stand-alone Measuring What Matters Statement tailored to Australia. Treasury will continue to research and consult experts and other stakeholders on what the Statement should measure, how the Statement should link to other frameworks and goals – including at the state and territory level – and how the Statement should be communicated.

The 2023 Measuring What Matters Statement will be an important next step in facilitating a more informed and inclusive policy dialogue on how to improve the quality of life of all Australians. Treasury looks forward to working with stakeholders and experts on this important project.²⁶

²⁶ The Treasury invites views on this Budget Statement and the development of a Measuring What Matters Statement in 2023. Feedback can be provided at www.treasury.gov.au/consultation/measuring-what-matters-2022.