



Measuring what matters

KPMG submission

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Executive summary

KPMG Australia (KPMG) welcomes the opportunity to provide a submission to Treasury on its Measuring What Matters consultation (the consultation).

KPMG has examined this concept in detail and has prepared a framework covering 11 areas as detailed in this submission ranging from education, health (including mental health and addiction), living standards, environment, governance and housing.

KPMG welcomes the Government's plan to establish a comprehensive national framework to measure wellbeing (national framework), and reporting on this through a Measuring What Matters statement, in order to improve understanding of Australia's economy and society and support more informed policy making. Incorporating social and environmental outcomes is a critical part of this.

KPMG has examined this concept in detail and has prepared a framework covering 11 areas as detailed in this submission ranging from education, health (including mental health and addiction), living standards, environment, governance and housing. KPMG's proposed indicators can also be looked at through different lenses – such as gender, age, income quintile, or Indigeneity – to provide further insights into inequality in Australia.

Treasury has referenced the OECD Framework for Measuring Well-being and Progress as a good starting point for thinking about Australia, while also noting its limitations in data and coverage. KPMG's proposed framework could complement the OECD Framework and be adopted as part of a central set of indicators in Australia.

A national framework should evolve over time, and KPMG recommends a staged approach to ensure Australia's Measuring What Matters statement is comprehensive and effective in achieving its objectives.

There are a number of countries that have already implemented similar frameworks, often called wellbeing budgets, and KPMG considers Australia's framework should seek to align with existing international models, such as New Zealand's model or other countries part of the Wellbeing Economy Governments partnership (WEGo). Alignment to international models also enables Australia to benchmark ourselves with other countries to measure progress.

If you would like to discuss the contents of this submission further, please do not hesitate to reach out.

Yours sincerely,

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Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

Section 1:

KPMG recommendations

RECOMMENDATION 1:

KPMG recommends that due to the significant effort involved in measuring, tracking and reporting on a large number of indicators, a national framework to measure wellbeing should be implemented in a staged approach that evolves over time.

RECOMMENDATION 2:

KPMG notes that looking at trends is very important in understanding the data and measuring progress. As such, Australia's first Measuring What Matters statement should include best-fit data for relevant indicators.

RECOMMENDATION 3:

KPMG recommends that Australia's framework be aligned with international best practice. In order to achieve this, the Government should seek to collaborate with groups such as the Wellbeing Economy Governments partnership (WEGo).

RECOMMENDATION 4:

KPMG recommends that the Government should consider a regular reporting frequency in line with international best practice, preferably annually.

RECOMMENDATION 5:

KPMG recommends that Treasury should consider establishing an advisory board that includes membership from states and territories and relevant experts to help inform the work of Australia's framework.

RECOMMENDATION 6:

KPMG recommends that relevant indicators be looked at through different lenses – such as gender, age, income quintile, and Indigeneity – to provide further insights into inequality in Australia.

RECOMMENDATION 7:

KPMG recommends Australia's framework aligns with and considers progress towards Closing the Gap targets and reporting.

RECOMMENDATION 8:

As Australia's framework evolves, KPMG considers that data could be collected by state, region and post code in order to provide greater insights on regional issues.

RECOMMENDATION 9:

KPMG considers that natural capital is fundamental to Australia's economic success and wellbeing, and appropriate consideration of the value of nature will be critical as Australia's framework evolves.

RECOMMENDATION 10:

KPMG recommends expanding the range of metrics that measure gender equality over time.

Section 2:

KPMG insights

KPMG insights

Introduction

KPMG supports the Government's commitment to measure what matters in order to better understand our economy and society, and provide a foundation for Australia's efforts to lift living standards, boost intergenerational mobility and create more opportunities for more people.

The new chapter in the October 2022 Federal Budget entitled *Measuring what matters*, which sets out the Government's aspirations for tracking Australia's development in areas such as educational attainment, health outcomes and reduction in inequality, is a welcome step.

It is important the Government builds on this with a national framework for Australia, that is reported on in the proposed stand-alone Measuring What Matters Statement in 2023.

A national framework should evolve over time, and KPMG recommends a staged approach to ensure that it is comprehensive and effective in achieving its objectives.

- 1 An important first stage would be clearly outlining the objectives of the national framework. This would provide a clear set of goalposts against which to measure effectiveness and assess policies.
- 2 Following this, the Government should undertake an exercise to identify which indicators are already being measured, and assess which should continue or be replaced by something else. KPMG considers that this step should include appropriate consultation processes.
- 3 The Government could seek to expand the framework by identifying gaps and adding further indicators to measure outcomes in these areas.
- 4 Once a framework is well established, a target setting and/or benchmarking exercise may be valuable.

Finally, KPMG notes that looking at trends is very important in understanding the data and measuring progress. As such, Australia's first Measuring What Matters statement should include best-fit data for relevant indicators.

RECOMMENDATION 1:

KPMG recommends that due to the significant effort involved in measuring, tracking and reporting on a large number of indicators, a national framework to measure wellbeing should be implemented in a staged approach that evolves over time.

RECOMMENDATION 2:

KPMG notes that looking at trends is very important in understanding the data and measuring progress. As such, Australia's first Measuring What Matters statement should include best-fit data for relevant indicators.

Alignment with international models

A number of governments have already implemented similar frameworks to measure wellbeing, known as wellbeing “economies” or “budgets”, and KPMG considers Australia’s framework should seek to align with existing international models where feasible.

The Wellbeing Economy Governments partnership (WEGo) is a collaboration of national and regional governments promoting the sharing of expertise and transferrable policy practices.¹ The aims are to deepen their understanding and advance their shared ambition of building wellbeing economies. WEGo currently comprises Scotland, New Zealand, Iceland, Wales and Finland. KPMG recommends Australia seek to align with these models where possible.

Alignment to international models also enables Australia to benchmark ourselves with other countries to measure progress.

As an example, New Zealand has established a Living Standards Framework which aims to prompt thinking about policy impacts across the different dimensions of wellbeing, as well as the long-term and distributional issues and implications of policy.²

A Living Standards Framework Dashboard is available to complement the framework by providing a range of indicators for wellbeing outcomes.³ This dashboard supports New Zealand’s wellbeing reporting, including its first Wellbeing Report which was published in 2022.

New Zealand’s framework measures a large number of indicators over three areas: Individual and collective wellbeing; institutions and governance; and the wealth of Aotearoa New Zealand. Under the terms of the Public Finance (Wellbeing) Amendment Act 2020, New Zealand’s Treasury department is required to provide an independent report on the state of wellbeing in New Zealand at least every four years.

Australia could consider moving towards something similar to the New Zealand model, including expanding the number of indicators and moving to a periodic reporting process, preferably annually, as our own framework evolves.

RECOMMENDATION 3:

KPMG recommends that Australia’s framework be aligned with international best practice. In order to achieve this, the Government should seek to collaborate with groups such as the Wellbeing Economy Governments partnership (WEGo).

RECOMMENDATION 4:

KPMG recommends that the Government should consider a regular reporting frequency in line with international best practice, preferably annually.

RECOMMENDATION 5:

KPMG recommends that Treasury should consider establishing an advisory board that includes membership from states and territories and relevant experts to help inform the work of Australia’s framework.

¹ <https://weall.org/wego>

² <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>

³ <https://lsfdashboard.treasury.govt.nz/wellbeing/>

KPMG wellbeing index framework

The OECD Framework for Measuring Well-being and Progress is well known and the inspiration for many countries' approaches.⁴ KPMG has developed a framework for a wellbeing index that could complement the OECD Framework for Measuring Well-being and Progress and be adopted as part of a central set of indicators in Australia.

The proposed framework measures indicators of wellbeing that represent key policy areas such as education, health (including mental health and addiction), living standards, environment, governance and housing.

In order to measure progress in each of these areas and support decision making in relevant policy areas, each of these indicators is supported by sub-indicia. The sub-indicia are measurable and comparable statistics, which in most cases can be drawn from existing and continuing data sources.

Furthermore, these sub-indicia can be defined and measured consistently to enable regional and international comparisons where relevant.

A number of these indicators can also be looked at through different lenses – such as gender, age, income quintile, and Indigeneity – to provide further insights into inequality in Australia, not just from an economic perspective but also for areas such as health and education outcomes. The model should be able to highlight trends in sub-data to policy makers; for example, a decline in male PISA (OECD Program for International Student Assessment) scores in some categories may suggest targeted policy intervention is required.

Table 1 outlines KPMG's proposed sub-indicia and a description of what it captures. Existing data sources for these indicators, where applicable, have also been included.

MAIN INDICIA	SUB-INDICIA	WHAT DOES THIS CAPTURE?	DATA SOURCE
Education	Preschool enrolment and attendance rate	How many children are enrolled and attend preschool?	<u>ABS</u>
	Reading, mathematical and scientific literacy rates in secondary school students	How competent are secondary school students in reading, mathematics and science?	<u>PISA / OECD</u>
	Educational attainment	How skilled is our labour pool?	<u>ABS / Census</u>
Health	Life expectancy (years)	How long are we living?	<u>ABS</u>
	Disability adjusted life years (DALYs)	How well are we living?	<u>Global Health Data Exchange</u>
	Age-standardised rate of potentially avoidable deaths per 100,000 population	How well are the health systems performing?	<u>AIHW</u>
Mental health	Mean satisfaction with family and life overall (0-10 scale)	How satisfied are families with their relationships and life overall?	<u>HILDA</u>
	Age-standardised treatment rates for mental health per 100,000 population	How available are mental health services and how much do we use them?	<u>AIHW</u>
	Age-standardised rate of suicide per 100,000 population	How prevalent is death by suicide?	<u>ABS</u>
Addiction	Proportion of persons aged 14 or over smoking daily	How prevalent is the addiction to smoking?	<u>AIHW</u>
	Proportion of persons aged 12 or over consuming more than two standard drinks per day	How often do people exceed the lifetime risk category of alcohol consumption?	<u>AIHW</u>
	Proportion of persons consuming methamphetamine and other stimulants in the last 12 months	How many people have recently used methamphetamine and other stimulants?	<u>AIHW</u>

⁴ <https://www.oecd.org/wise/measuring-well-being-and-progress.htm>

Living standards	Equivalised disposable household income	How much income does each household earn per week after having income tax and the Medicare levy deducted?	<u>ABS</u>
	Income equality (Gini coefficient)	How dispersed or concentrated is our income distribution?	<u>ABS</u>
	Household net worth	Average household net worth	<u>ABS</u>
Environment	Waste generated per capita	How much waste is generated by the Australian resident population on a per capita basis?	<u>ABS</u>
	Greenhouse gas emissions per capita	How many tonnes of greenhouse gas emissions are generated by the Australian resident population on a per capita basis?	<u>ABS</u>
	Statistics in relation to restoring existing native vegetation, planting local species in cleared areas, protecting grasslands ⁵	The value of natural capital in Australia	
Governance	Average percent trust in NGOs, business, government and media	What is the level of trust in government and institutions?	<u>Edelman trust barometer</u>
Time use	Unpaid work (proportion who volunteer; or hours spent volunteering per annum)	(1) What proportion of the population does volunteer work?; or (2) On average, how many hours do our residents spend on volunteer/charity work?	(1) <u>PHIDU</u> ; (2) <u>HILDA</u>
	Community participation (interactions with the community, participation in sporting activity)	How frequent do our residents participate in community activities, ranging from socialising (chat with neighbours, friends, etc) to participating in organised activities?	<u>HILDA</u>
	Work travel times (Average commute time per day, per week)	On average, how many hours do employed persons spend on commuting daily/weekly?	<u>HILDA</u>
Housing	Affordability: Price to income ratios	How affordable is housing given our incomes? (measured by the Price to Income Ratio)	<u>OECD</u>
	Overcrowding and underutilisation of social housing	What proportion of households are overcrowded/underutilised in social housing?	<u>AIWH</u>
	Homelessness (proportion of the population that are homeless)	What is the rate of homelessness?	<u>ABS</u>
Gender equality	Ratio of female to male labour force participation rate	What is the gender workforce participation gap?	<u>WGEA</u>
	Gender pay gap (%)	What is the difference between the average earnings of women and men?	<u>WGEA</u>

⁵ <https://consult.dceew.gov.au/nature-repair-market-exposure-draft>

RECOMMENDATION 6:

KPMG recommends that relevant indicators be looked at through different lenses – such as gender, age, income quintile, and Indigeneity – to provide further insights into inequality in Australia.

RECOMMENDATION 7:

KPMG recommends Australia's framework aligns with and considers progress towards Closing the Gap targets and reporting.

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Considerations for developing Australia's framework in the future

Measuring and valuing nature in economic decision making

KPMG supports the comments in Budget Statement 4: Measuring what matters stating that "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."

A sustainable economy fundamentally relies on a healthy and valued natural environment. The effects of carbon emissions from human activity on the climate are a daily reminder that degrading the natural environment has real costs for humankind.

KPMG's 2022 report *Natural Capital: Why it's vital to value nature* recommends that the Government place nature at the heart of its wellbeing budget, with protecting the environment made a key goal (as it is in New Zealand's Wellbeing Budget, first launched in 2019). With this designation, and in a similar way to gender-responsive budgeting decisions, policies and spending decisions that explicitly support sustaining the natural environment should be given proper recognition and weight.

The report advocates fully accounting for nature in the decisions governments and businesses

make. Valuing nature's services and considering nature as a capital asset is a vital first step in this process. We acknowledge the steps taken by the Australian Bureau of Statistics and other organisations towards estimating the economic contribution of the services the natural environment provides, but consider more must be done to address this challenge.

RECOMMENDATION 9:

KPMG considers that natural capital is fundamental to Australia's economic success and wellbeing, and appropriate consideration of the value of nature will be critical as Australia's framework evolves.

Gender-responsive budgeting (GRB)

Gender is another important issue to consider in any national wellbeing framework. In its *2022 Global Gender Gap Index*, the World Economic Forum noted that Australia ranked 38th for the narrowness of its gender gap in economic participation and opportunity. Australia's standing also fell from the previous year in educational attainment, falling to a rank of 87th in 2022 after eliminating the gap in the 2021 index.⁶

KPMG's 2022 report *Budgeting for gender equality* examines how gender-responsive budgeting can be used to accelerate progress towards gender equity and create confidence across the community that progress is happening.

GRB can act as a powerful enabler for the successful delivery of a gender equality strategy, both in terms of the direct impact on policy funding and the signal that it sends to the community about the transparency and accountability that the Government is applying in carrying out the strategy.

As an example, the New South Wales Government's *Women's Opportunity Statement* identifies five priority areas for reform, including increasing women's workforce participation, supporting women's health needs and respect for women and their financial security.⁷ The statement identifies indicators of progress which could be leveraged for a broader national wellbeing framework, including:

- Gap in labour force participation rate between women and men

⁶ https://www3.weforum.org/docs/WEF_GGGR_2022.pdf

⁷ https://www.nsw.gov.au/sites/default/files/2022-07/20220701_01_2022-23-Budget-Paper-Womens-Opportunity-Statement-Glossy.pdf

- Difference in average hours worked per week by women and men
- Reduced net childcare costs for households identified as facing high workforce disincentive rates
- Gender pay gap
- Proportion of women on ASX200 boards
- Proportion of female CEOs in ASX300 companies
- Female representation on government boards
- Proportion of females in public sector senior leadership
- Proportion of female business owner managers
- Proportion of private funding, including venture capital, provided to female-founded or co-founded start-ups.

RECOMMENDATION 10:

KPMG recommends expanding the range of metrics that measure gender equality over time.

	Gender pay gap
Income outcomes for women	Average weekly total earnings (men versus women)
	Length of parental leave (weeks)
Social dynamics	Time spent in work (minutes per day)
	Percentage of total work that is unpaid
	Upper secondary (%)
Education outcomes for women	Bachelors (%)
	Masters (%)
	Proportion of seats held by women in national parliaments
Political empowerment outcomes for women	Proportion of women in ministerial level positions

Gender dashboard

KPMG is also developing on an interactive dashboard that displays data on gender equality, and compares Australia's global standing with other countries. The dashboard utilises data to benchmark the current state and evolution of gender parity across four key dimensions.

These metrics would be useful to consider when evolving the national wellbeing framework.

Indicators used in the dashboard have been outlined in Table 2.

Table 2	
CATEGORY	INDICIA
	Ratio of female to male labour force participation rate
Labor market outcomes for women	Share of managers
	Share of part time employment
	Share of seats on boards



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