Submission to Treasury – Measuring What Matters

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Aim

To acquaint Treasury with the concept of *Mental Wealth* and its significance in helping establish Australia as a Wellbeing Economy.

Background

The University of Sydney's Mental Wealth Initiative welcomes the Federal Government's aspirations to lay the foundations for a Wellbeing Economy that values inclusivity, collective wellbeing, and a more holistic view of national prosperity. As recognised in Budget Paper No. 1 – Statement 4 accompanying the October 2022 Budget, *Measuring What Matters* will be vital to assessing progress, building public trust through transparency and accountability, informing policy and investment priorities, and promoting community mobilisation. In exploring suitable measures to track Australia's transformation into a Wellbeing Economy, it pays to reflect on the ongoing dominance of Gross Domestic Product (GDP) as the essential indicator of national prosperity tracked by governments, the media, and the general public.

Over recent years, the Mental Wealth Initiative has been working to develop a practical alternative approach. This brief describes the approach, drawing on a commentary originally published in The Mandarin on July 27, 2022: *Mental Wealth: Measuring progress towards the wellbeing economy*.

Beyond GDP: There have been decades of development of dozens of comprehensive, multi-dimensional frameworks of national wellbeing and prosperity, with indicators often presented as dashboards. Considerable work in this tradition has been associated with the 'beyond GPD' research program triggered by work originally undertaken for the Sarkozy government in France (Stiglitz, Sen et al. 2010) and further developed for the OECD (Stiglitz, Fitoussi et al. 2018a, Stiglitz, Fitoussi et al. 2018b).

Indicator dashboards have the advantage of reflecting a holistic view of what a nation values, provide a more nuanced story of progress, and help draw attention to a multidimensional and coherent set of policies that will achieve more equal and sustainable society. However, dashboards of diverse indicators lack the simplicity and rhetorical power of a single measure of performance like GDP, whose current and projected value can be regularly reported on the evening news and progress be broadly and rapidly understood.

Also, what does success look like when relying solely on a dashboard approach? As the Budget Paper outlines, the number and selection of indicators comprising frameworks for national prosperity vary significantly across countries. The Scottish government has adopted 81 indicators for the measurement of progress toward their Wellbeing Economy. While laudable, this begs the question: ***if the measure of a government's good management of a Wellbeing Economy requires improvement across 81 indicators, does this new economic model have any hope of prevailing?*** Without an additional overarching indicator of progress, will policies and attention continue to gravitate towards fostering growth of GDP, with more holistic indicators being of secondary importance – particularly during economic downturns.

The Mental Wealth Initiative

University of Sydney's Mental Wealth Initiative is a transdisciplinary endeavour working to *measure, model, and forecast the Mental Wealth of nations* (Occhipinti, Buchanan et al. 2022). Appendix A provides a plain language overview of the Initiative. ***Mental Wealth is an overarching measure of national prosperity*** that captures but broadens GDP to include the currently invisible value created by social contributions (or social production) and investments made in social capital infrastructure that strengthens the social fabric and resilience of communities and nations.

Figure 1 provides a representation of Mental Wealth and its underpinnings. C_s denotes social contributions including unpaid time spent on the delivery of education and care of children, volunteering and charity work, care of the sick, elderly or disabled, civic engagement, ecological restoration/rewilding, to name a few. I_s denotes investments in social capital infrastructure not already captured in GDP (e.g., facilities, spaces, social centers, services and networks) that contribute to increasing community connectedness, civic vibrancy, and social prosperity. I_s also includes the social dimension underpinning the production of goods and services, i.e., informal on-the-job training and associated support structures. This measure of national prosperity is termed Mental Wealth in acknowledgement of our collective mental assets / brain capital that underpins economic and social production. Brain capital encapsulate mental capital, mental health, brain health, and collective wellbeing.

As figure 1 shows, growing and deploying brain capital is dependent on the interaction of a broad range of factors usually included on dashboards as indicators of a Wellbeing Economy such as healthy life expectancy, early childhood education, employment conditions, housing affordability, financial security, etc.

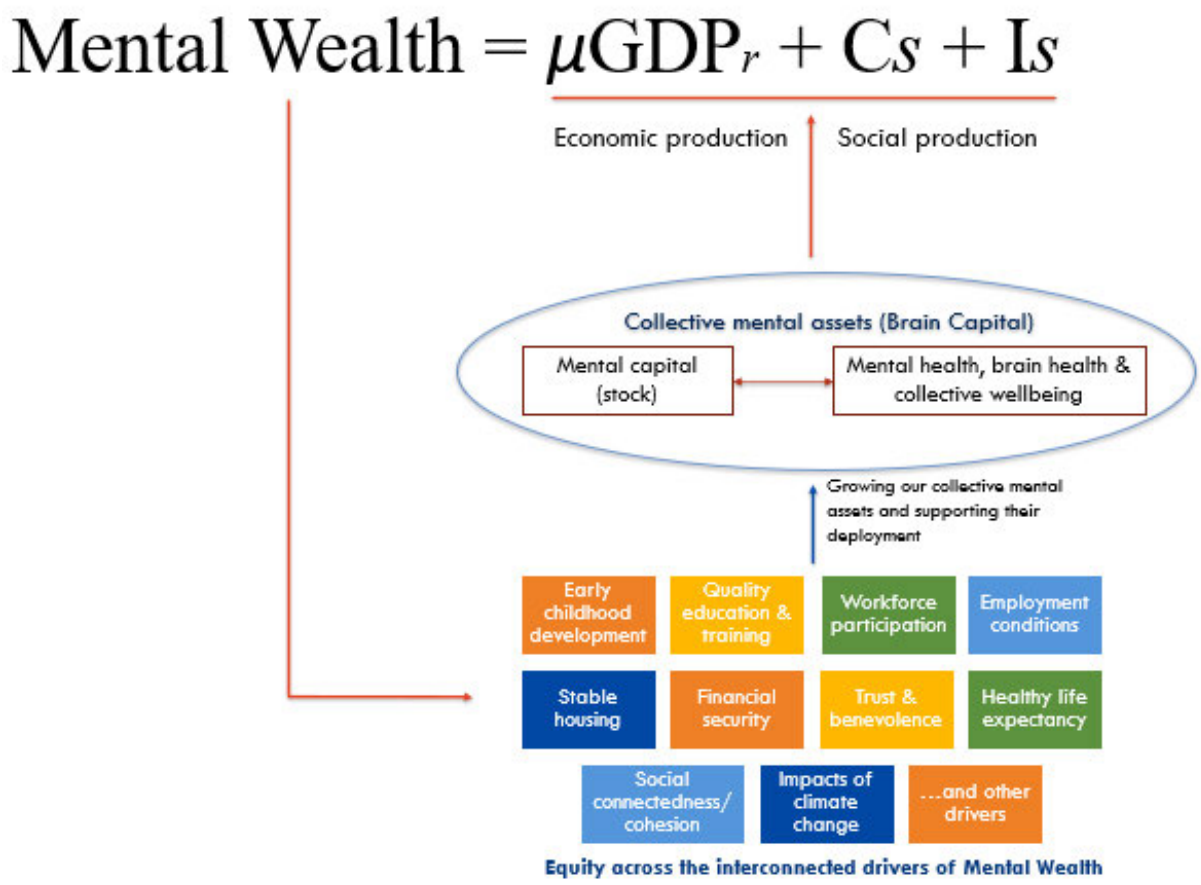

Figure 1. Mental Wealth and its underpinnings. μ denotes the devaluation coefficient (the downward adjustment to GDPr to account for the proportion of expenditure not underpinned by mental capital); GDPr denotes real GDP calculated using the expenditure approach; Cs denotes social contribution (the value of delivered services for a given period for which no contract or financial remuneration is received); Is denotes social capital investment (the sum of a country's investment in social capital infrastructure not already captured in GDP A non-market valuation method is applied to estimate the monetary value of social contributions and social capital infrastructure in a systematic way.

Participation in unpaid socially productive activities builds trust through reciprocity, develops social connectedness, improves individual and collective quality of life, physical and mental health, labour market outcomes through skills training and access to the labour force, and it enhances the economic viability and resilience of entrepreneurial ventures. Socially productive activities have the potential to reduce demand on government services. The value of such activities is not insignificant. In Australia, unpaid care work not included in GDP was valued at A$650 billion in 2009-10, equivalent to approximately 51% of GDP (Hoenig and Page 2012).

A recent brief by the Mental Wealth Initiative estimated that the decline in volunteering over the two-year period since the beginning of the pandemic equates to a $11.98 billion loss to Australia's Mental Wealth (Appendix B). This represents a significant contraction in Australia's social production. While employment has recovered almost 93 per cent of the 2020 March to May loss by the start of 2021 (Australian Bureau of Statistics 2021) volunteer participation rates have remained depressed, depleting our nation's social prosperity.

Mental Wealth and the Wellbeing Economy

Overcoming some of the key limitations of existing dashboards and indices, the Mental Wealth metric monetises the value generated by both the economic and social productivity of a population. Rather than being an aggregated index of wellbeing indicators, Mental Wealth is a measure of the economic and social value that arises from the deployment of a nation's mental assets underpinned by good population health, education, community connectedness, environmental health and diversity, civic participation, trust etc. Put simply, ***Mental Wealth is a measure of the strength of a Wellbeing Economy*** that will be instrumental in assessing the future success of policies and investments to improve Australia's prosperity under this new economic frame.

Interest in Mental Wealth is growing both nationally and internationally. The Initiative enjoys the support of leading academics, economists, industry leaders, and politicians. It includes among its international collaborators, the OECD's New Approaches to Economic Challenges Unit, the US-based Brain Capital Alliance, the Swiss Tropical and Public Health Institute, former members of the World Economic Forum's Global Future Council on Mental Health; the UK based SIPHER Consortium in systems science for public health and economic research; and CSART, an international alliance of centres of excellence in systems modelling, simulation, and global health.

Social wellbeing is the foundation of cohesive, resilient, and flourishing communities and nations. The pandemic, climate change, economic insecurity, polarization, declining trends in youth mental health, misinformation, and undesired effects of social media are converging to cause enormous socio-political and economic consequences that are weakening democracies, corroding communities, and posing threats to social stability and national security. The ability to monitor and rapidly respond to changes in the Mental Wealth of the nation is becoming vitally important.

Conclusion

In summary, the Mental Wealth Initiative:

- Has developed a more holistic measure of national prosperity (Mental Wealth) that captures the value generated by both economic productivity and social productivity, that underpins community cohesion and stability, and social and economic system resilience.

- Is using complex systems modelling and simulation to establish an early warning system for downturns in Mental Wealth and understand the extent to which policy-mediated changes across economic, social, and health sectors could enhance national prosperity.
- Is working to equip nations with the tools they need to measure, track, and invest to deepen their Mental Wealth.

Mental Wealth provides a single overarching measure against which governments can assess their performance as stewards of a Wellbeing Economy and should not be overlooked in the development of The Australian Government's Measuring What Matters Statement in 2023.

Staff from the Mental Wealth Initiative would welcome the opportunity to provide further detail about this work to Treasury officials at your convenience.

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Mental Wealth: A new measure of national prosperity

An initiative of the Brain and Mind Centre in partnership with the Sydney Business School, University of Sydney

THE UNIVERSITY OF SYDNEY

Contents

Executive Summary

Mission

The mission of the Mental Wealth Initiative is to:

- Augment and improve Gross Domestic Product (GDP) to achieve a more holistic measure of national prosperity that captures both economic and social wellbeing called Mental Wealth
- Equip nations with the tools they need to properly measure, track, and invest to deepen their Mental Wealth
- Use advanced modelling and simulation to establish an early warning system for downturns in Mental Wealth and test innovative policy responses

The Context

The COVID-19 pandemic has claimed millions of lives. It has precipitated the worst global recession in nearly a century, pushing 97 million people into poverty. It has exposed the fragility of economic, health and social systems, and the consequence of unequal and divided societies. Factors such as poverty, poor housing conditions and overcrowding, and inadequate local infrastructure fueled COVID-19 transmission and hindered effective national responses. Tensions between individual rights and civil responsibility divided communities and exacerbated anti-government sentiment and civil unrest. Rates of depression, anxiety and psychological distress increased, particularly in young people. This can have profound long-term consequences, for individuals, communities, and the economy.

People are questioning if the goal of 'returning to normal' is enough, calling instead for the reconstruction of economic, social and health systems to achieve healthier, more equal, cohesive, and resilient societies, capable of responding more effectively to future global challenges.

What we measure is important. It makes the invisible visible. In the post-pandemic period, we have a unique opportunity to fundamentally rethink what has real value, and how we define, measure, model and forecast national prosperity.

The Solution

We have developed a metric for quantifying Mental Wealth, a more holistic measure of national prosperity. Mental Wealth accounts not only for economic productivity but also social productivity, underpinned by collective cognitive and emotional wellbeing, social cohesion, and civil contributions. Mental Wealth is a comprehensive measure of the value created by collective human activity.

The Mental Wealth Initiative (MWI) aims to report annually on the Mental Wealth of the nation.

The MWI is building computer simulation models to capture the complex interactions between economic, social, and health systems. Such models can forecast a nation's Mental Wealth and identify different combinations of policies and initiatives that could enhance national prosperity and strengthen the social fabric and resilience of nations. In developing the capability to measure, model and forecast the Mental Wealth of nations, the MWI will provide decision makers and communities with the tools needed to understand where their most strategic investments lie.

Metrics and modelling alone are insufficient for this task. The social and economic recovery of nations requires the combined instruments of science, policy, politics, public resolve, social legislation, and international cooperation to shift us onto a new path.

Why Mental Wealth?

Discussions of post-pandemic reconstruction include renewed interest in moving beyond GDP to recognise 'human capital', 'mental capital', 'brain capital' and 'wellbeing' as assets fundamental to economic reimagining, productivity, and national prosperity.

Mental Wealth (first outlined by John Beddington and colleagues*) unifies these concepts and brings together the academic literatures on the social determinants of mental health, wellbeing, human and social capital, and progressive economic theory.

The MWI defines 'Mental Wealth' as *a measure of national prosperity that captures the value generated by the deployment of collective mental assets and supporting social infrastructure.*

Mental Wealth is underpinned by a nation's collective ***mental capital*** (cognitive and emotional resources) interacting with ***mental health and wellbeing*** (that allows citizens to work productively and creatively, develop strong relationships, contribute to their community, and reach their potential). But mental health is one of the most neglected areas of public health. Even before the pandemic, depression and anxiety were among the leading causes of disability globally, according to Global Burden of Disease Mental Disorders Collaborators (2019). Multiple sources confirm that suicide is among the leading causes of years of life lost in high income countries. Yet only two per cent of government health budgets globally are allocated to mental health, according to the United Nations Children's Fund.

Despite growing attention and action in recent years by leading global development organisations to improve mental health outcomes and enhance mental assets, progress thus far has been disappointing.

The Mental Wealth metric and limitations of GDP

The Mental Wealth Initiative aims to supplant GDP as the predominant measure of economic success and national prosperity.

The concept of GDP emerged from the UK and US war economies in the 1930s and 1940s. It is not an adequate indicator of modern national prosperity. A higher GDP does not mean that the gains from the growth are evenly distributed. Also, its scope is limited to monetised production, excluding non-market, non-government activities altogether. A nation's 'social productivity' is not captured.

Social productivity includes activities such as unpaid care of the elderly, the education and care of children, volunteering, environmental restoration, participation in community groups, and other civil contributions that contribute to strengthening the social fabric and resilience of communities and nations. Such activities, and investments made in infrastructure to support them, are the missing components of the GDP equation. If valued monetarily, these activities contribute substantially to a nation's prosperity. In Australia, the value of unpaid care work alone was estimated to be A$650 billion in 2009-10, equivalent to approximately 51% of GDP.

GDP makes visible only part of the picture of societal wellbeing and the wealth of nations

*Beddington *et al. The mental wealth of nations.* Nature. 2008; 455(7216):1057-60.

The Mental Wealth metric will broaden GDP by applying a non-market valuation method to incorporate the value of social contributions (social productivity) as well as government and non-government expenditure on (investment in) the social infrastructure that supports productivity not already captured in GDP (Figure 2). This approach will reveal and properly account for sources of collective wellbeing and national prosperity currently invisible to the economy.

In quantifying a single monetary measure of the Mental Wealth of a nation and reporting it routinely, the MWI will stimulate national prosperity through investments to promote collective cognitive and emotional wellbeing, social cohesion, and civil contribution.

The MWI is working to measure, model and forecast the Mental Wealth of nations.

Harnessing computer simulation for better decision making

Additionally, we are bringing together expertise in mathematics, biostatistics, epidemiology, psychology, psychiatry, social science, policy, economics, business to undertake ***complex systems modelling*** to forecast a nation's Mental Wealth.

This empirical work will draw on our extensive experience in systems modelling and will build on work already undertaken and currently underway to model the interacting social, economic, and health system drivers of mental health.

The final product will provide an interactive decision support tool to help understand how policies and strategic investments across economic, social, and health systems could enhance Mental Wealth and deliver healthier, more resilient societies capable of collectively responding to future global challenges.

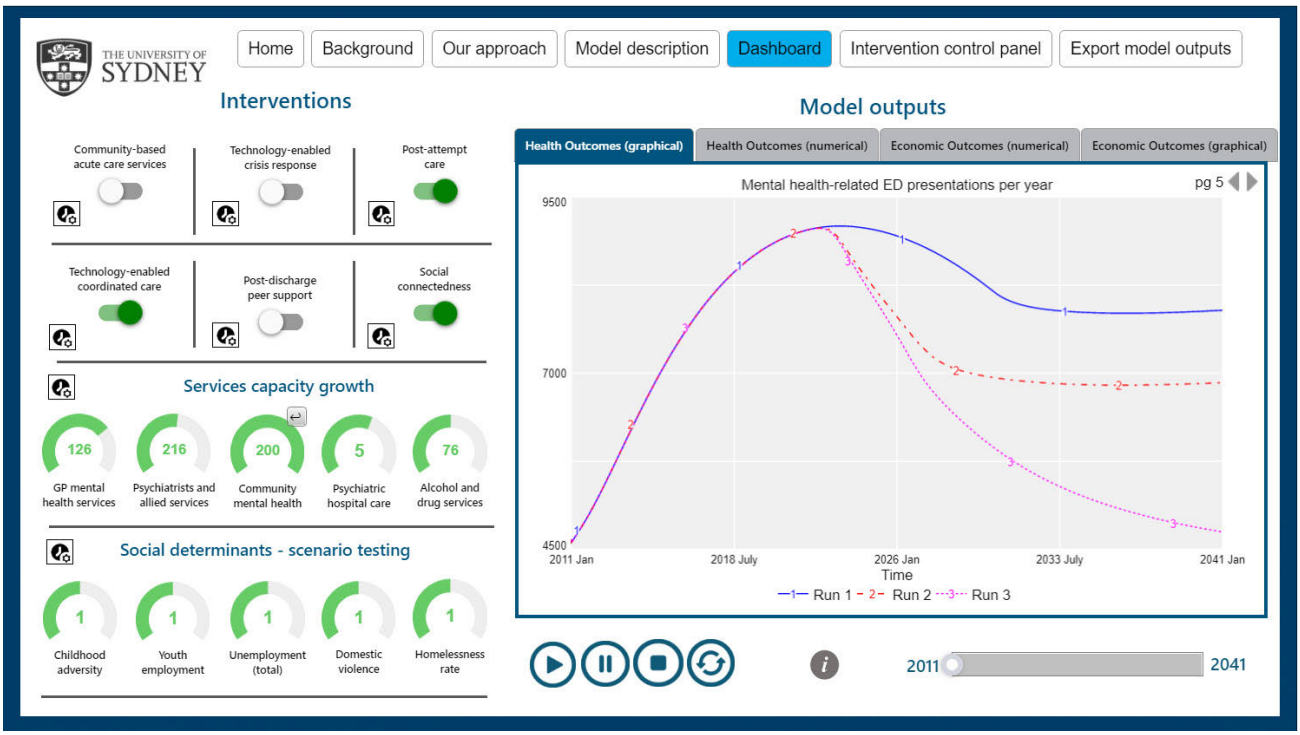

Figure 1: An example interface of an interactive decision support tool informing mental health investments and actions

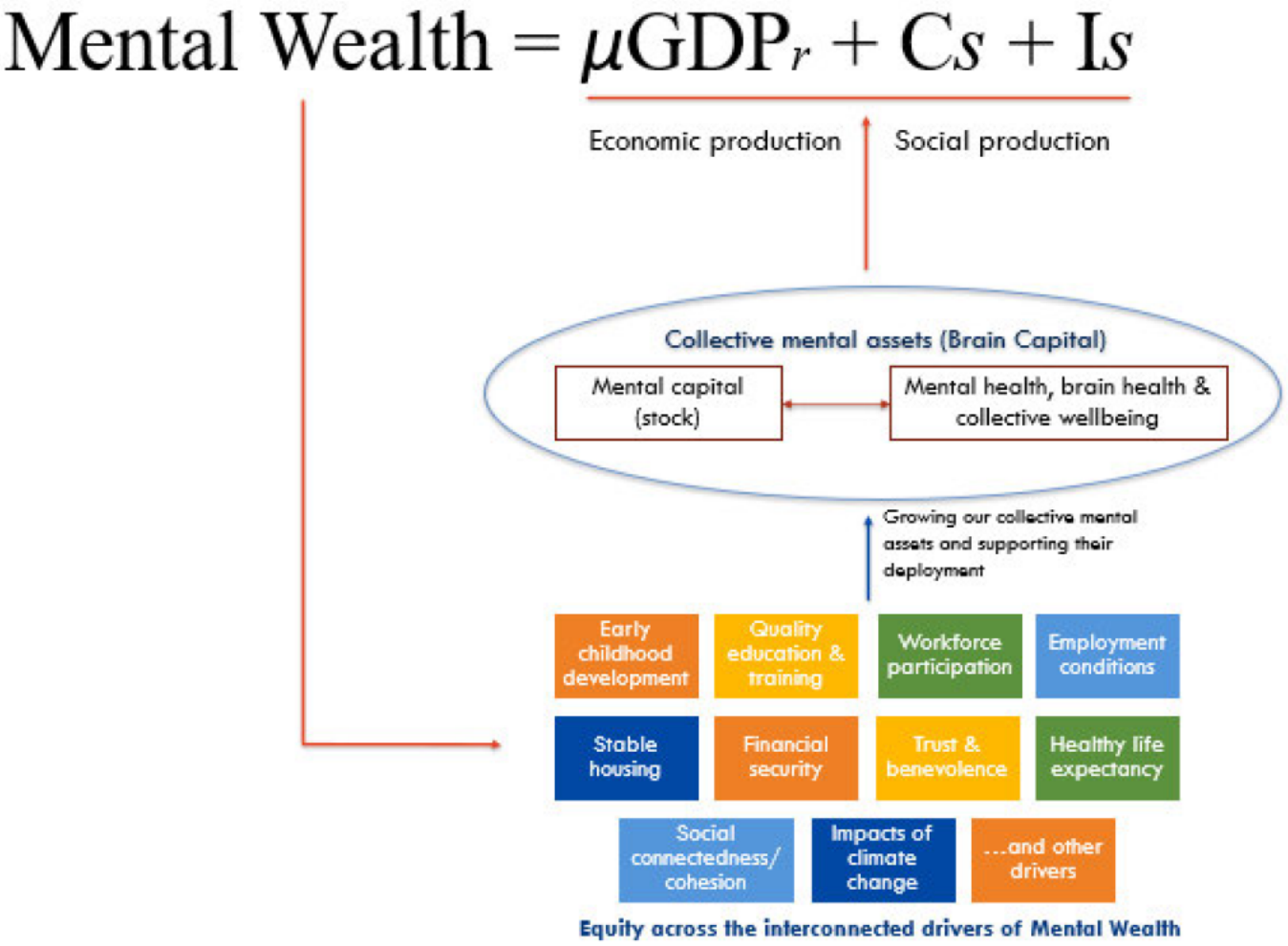

Figure 2. Mental Wealth and its underpinnings. μ denotes the devaluation coefficient (the downward adjustment to GDPr to account for the proportion of expenditure not underpinned by mental capital); GDPr denotes real GDP calculated using the expenditure approach; Cs denotes social contribution (the value of delivered services for a given period for which no contract or financial remuneration is received); Is denotes social capital investment (the sum of a country's investment in social capital infrastructure not already captured in GDP A non-market valuation method is applied to estimate the monetary value of social contributions and social capital infrastructure in a systematic way.

The interactive simulation model will not only forecast future trajectories of Mental Wealth and other outcomes but also allow decision makers to ask 'what if' questions. It will allow them to turn policies and initiatives on and off, scale services up and down, stagger their implementation and test the impacts of different combinations of interventions against business as usual. All simulations will be projected over a 10–20-year period to allow impacts of major reforms to be fully realised, as well as to encourage a long-term strategic outlook.

We are working with our international collaborators to explore opportunities to replicate this approach in diverse nations. Once established, this prototype could form the basis of subnational applications to better understand the distribution of Mental Wealth across regions. The work of the MWI and its partners aims to make a more compelling case for governments to invest strategically in policies and programs that build mental capital and foster the mental health and wellbeing.

Read more:

- *Measuring, modelling, and forecasting the Mental Wealth of Nations*. Frontiers in Public Health, 2022, Vol 10: https://doi.org/10.3389/fpubh.2022.879183.
- *Mental wealth: Measuring progress towards the wellbeing economy*, The Mandarin, 28th July 2022: https://www.themandarin.com.au/195705-mental-wealth-measuring-progress-towards-the-wellbeing-economy/
- *Mental health: Build predictive models to steer policy.* Nature 2021; 597: 633-636: https://www.nature.com/articles/d41586-021-02581-9
- *Mental wealth and jobs: without it, we're just pouring water into a leaking bucket.* The Conversation, 1st September 2022: https://theconversation.com/mental-wealth-and-jobs-without-it-were-just-pouring-water-into-a-leaking-bucket-189539

About Us

The MWI is a multi-faculty enterprise of the University of Sydney's Brain and Mind Centre (BMC) in partnership with the University of Sydney Business School, and in collaboration with research leaders across the Faculty of Medicine & Health, the School of Economics, and the Sydney Law School.

The MWI enjoys the support of leading academics, economists, industry leaders, and politicians. It also includes among its international collaborators, the Swiss Tropical and Public Health Institute, former members of the World Economic Forum's Global Future Council on Mental Health; the UK based SIPHER Consortium applying systems science in public health and economic research; and CSART, an international alliance of centres of excellence in systems modelling, simulation, and global health.

Get involved

We need your support to realise our goal.

Contact us to become a Mental Wealth Sponsor.

Mental Wealth Initiative Co-Director, A/Professor Jo-An Occhipinti (née Atkinson) speaking at the National Press Club of Australia on *The impact of Covid-19 on the Mental Wealth of Australia.*

Leading the Mental Wealth Initiative

A/Professor Jo-An Occhipinti (Co-Director)

A/Professor Occhipinti is Co-Director of the Mental Wealth Initiative and Head of Systems Modelling, Simulation & Data Science at the Brain and Mind Centre. She is an epidemiologist and complex systems scientist leading transdisciplinary teams in developing computer simulation models to inform policy and planning. She works with policy makers nationally and internationally to use these tools to understand the likely impacts of policy decisions before they are implemented in the real world.

Professor John Buchanan (Co-Director)

Professor Buchanan is the Co-Director of the Mental Wealth Initiative and a Professor in the Business Information Systems Discipline at the University of Sydney Business School. He is an expert in labour market structuring and its implications for skills and education. He is currently focusing on the evolution of working life transition, the dynamics of workforce development and the connection between work, health and wellbeing.

Professor Ian Hickie AM (Founder)

Professor Ian Hickie AM is an internationally renowned researcher in clinical psychiatry. He was an inaugural Commissioner on Australia's National Mental Health Commission, overseeing accountability for mental health reform in Australia. He was also a founding director of headspace, an organisation operated by clinicians from the BMC's Youth Mental Health team to help young people navigate mental health issues.

Meet our Expert Advisory Panel

Hon. Malcolm Turnbull, AC
Former Prime Minister of Australia

Professor Allan Fels, AO
Economist, Lawyer, Melbourne Institute of Applied Economic and Social Research

Professor William Hynes
Economist and Head of New Approaches to Economic Challenges, OECD, Paris

Lucy Turnbull, AO
Businesswoman, philanthropist, urbanist

Dr Harris Eyre, Neuroscientist
Head of Brain Capital Alliance, San Francisco

Hon. Dr Craig Emerson
Economist & former politician (Australian Labor Party)

For more information

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The Decline in Volunteering: what does it mean for Australia's Mental Wealth?

November 2022

Research Team: Kristen Tran, A/Prof. Jo-An Occhipinti, Prof. John Buchannan, Dr Troy Henderson, Andrea Natsky, Raphael Hasudungan, Prof. Ian B. Hickie

The Decline in Volunteering: what does it mean for Australia's Mental Wealth?

Volunteering in Australia is undergoing a period of major change. The rate of volunteering through an organisation has declined over time, with the pandemic having had a major impact over the last two years.[1] The 2021 Census reported a 19% decline in the number of Australians volunteering since 2016.[2] The ANU Centre for Social Research and Methods (CSRM) estimated a drop from 36% in 2019 to 26.7% in April 2022 in the proportion of adults who had volunteered formally over the 12 months prior to the time of survey.[3]

Volunteers have been a cornerstone in supporting Australia's crisis resilience, giving crucial aid to communities affected by floods, fires, and the ongoing impacts of COVID-19. Volunteering in the community and through organisations contributes to a nation's prosperity. It strengthens the relationships between citizens, communities, business, and public institutions. These relationships and the services volunteers provide are invaluable in building resilience and mobilising community resources to meet individual and collective challenges and needs. The value of these volunteer generated services are recognised as contributing to Australia's Mental Wealth, a more holistic measure that extends the boundary of GDP to additionally capture the value generated by "social productivity" or the civil contributions of citizens.[4] Mental Wealth is a measure that recognises the critical role that brain capital and collective wellbeing play in a nation's economic and social prosperity. The Mental Wealth metric provides a framework for quantifying the loss to social prosperity of the reduction in volunteering due to the pandemic.

The Mental Wealth Initiative has estimated that the decline in volunteering over the two-year period since the beginning of the pandemic is equivalent to a ***$11.98 billion loss in Australia's Mental Wealth***[i]. This was estimated using an input-based approach by applying a universal value (i.e., median hourly earnings), to the total decline in hours of voluntary contributions.[5] CSRM have estimated there to be 2.3 million less volunteers in 2021 and 1.86 million less in 2022 compared to pre-covid levels, and median time spent volunteering to be 80 hours over a 12 month period.[3,6] Seeing this decline of volunteering participation in monetary terms allows for an expanded picture of the extent of the ***contraction of collective human activity*** as a result of the pandemic, with volunteering numbers hit harder during this period than paid work. Employment recovered almost 93 per cent of the 2020 March-May loss by the start of 2021,[7] whereas volunteer participation rates have remained lowered, depleting our social prosperity. Reframing public conceptions of prosperity as including integrated economic and social components, provides an impetus for policies, investments, and actions focused on activities that generate Mental Wealth, including volunteering. The conceptualisation of Mental Wealth provides a powerful reference point for thinking through how to better generate socially valued outcomes. These insights could enhance our understanding of future trajectories and how best to support more resilient and dynamic volunteering ecosystems.

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[1] This was estimated by combining data from the ABS median hourly earnings with the Reference period August 2021 [$36 per hour] and the MWI's estimated total decline in volunteering hours over the April 2020 – April 2022 period of 332.8 million hours.
The total decline in volunteering hours was calculated using the Biddle et al. (2021,2022) reported median hours spent volunteering for each volunteer over a 12-month period [80 hours] and multiplying this by the estimated reduction in volunteers for each of the two periods April 2020-21 [2.3million] and April 2021-22 [1.86million].

* Please refer to the Appendix for further information on the Economic Value of Volunteering in Australia 2006-2021 using alternate data from the ABS General Social Survey, Census and Australian National Accounts.

APPENDIX: The Value of Volunteering in Australia 2006-2021

YEAR	**MWI ESTIMATE** **Value of Volunteering Hours ($billion)**	ABS ESTIMATE Value of Volunteering Hours ($billion)	Total hours of unpaid voluntary work through an organisation	Participated in unpaid voluntary work through an organisation	Total Persons in voluntary work for an organisation	Median Hourly Earnings[12] ($)	Population[13]
2021	**8.45**		*NA*	*NA*	2,933,646[3]	36.0	25,766,605
2020	**17.62**		489,500,000[4]	25%[4]	*NA*	36.0	25,694,393
2019	**19.38**		596,200,000[5]	30%[5]	*NA*	32.5	25,522,169
2016	**8.52**		*NA*	19%[7]	3,600,000[7]	29.6	24,385,600
2014	**21.25**		743,300,000[6]	31%[6]	*NA*	28.6	23,625,600
2013	**13.69**	17.30[1]	520,500,000[1]	*NA*	*NA*	26.3	23,319,400
2011	**8.00**		*NA*	17.80%[8]	*NA*	25.0	22,485,300
2010	**12.49**		*NA*	38%[9]	6,400,000[9]	24.4	22,477,400
2007	**13.27**	14.6[2]	623,000,000[2]	*NA*	*NA*	21.3	21,181,000
2006	**8.40**		*NA*	34%[10]	5,227,000[10]	20.1	20,852,000

The Value of Volunteering (contribution to social prosperity) has been estimated using an input-based approach by applying a universal value (i.e., median hourly earnings), to the total hours of voluntary contributions[11]. Data used here has been sourced from the Australian Bureau of Statistics General Social Survey, Census and Australian National Accounts.
Where data on 'total hours of unpaid work through an organisation' was not available, 'total persons in voluntary work for an organisation' was combined with the median hours spent volunteering for a volunteer over a 12-month period [80 hours][14] to obtain this estimate.
Where both total hours and total persons were not available, the proportion that 'participated in unpaid voluntary work through an organisation' was combined with population at the time to obtain an estimate of total persons in voluntary work for an organisation.
Where information was not available on any of these categories, the estimates for these years have been omitted [2008,2009,2012,2015,2017,2018].

Disclaimer: It is acknowledged that the MWI's estimation of the Value of Volunteering across years heavily reflects the variation in sources that have been used to calculate these estimates. As such, estimates obtained from using Census data are noticeably lower than those obtained using the General Social Survey and the Australian National Accounts. A consistent data source capturing the yearly 'total hours of unpaid voluntary work through an organisation' is needed for the future reporting of the National Economic Value of Volunteering.

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