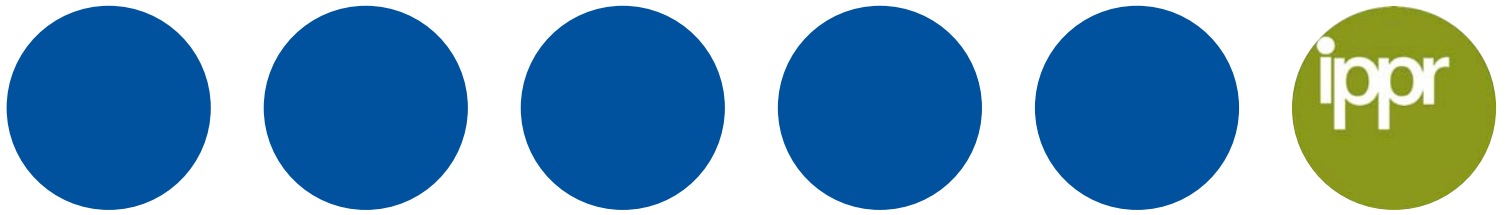


Commission
on Sustainable
Development
in the South East



The Problems of Success

Reconciling economic growth and quality of life in the South East

Julie Foley

WORKING PAPER **TWO**

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The Commission on Sustainable Development in the South East

The Commission's goal is for the South East to maintain its economic success and its position as one of Europe's most prosperous regions, while at the same time enhancing its environment and improving the well-being and quality of life of all its citizens. The Commission shall take into account the position of the South East with regards to London as a world city and as the frontier to mainland Europe, as well as considering the UK's inter-regional disparities.

The Commission will have six research and policy challenges:

- The South East is a leading growth region. Should there be limits to growth and if so where do those limits lie?
- Do we give GDP too much priority when measuring success? Should we reconceptualise what we mean by human development and quality of life so that they are not solely reliant on narrow economic indicators of success?
- Can and should the South East absorb all the new homes the Government says are needed?
- Is the South East grinding to a halt? How should additional transport infrastructure and services be paid for and should policy makers be taking radical action to tackle congestion and pollution?
- How can the South East encourage more efficient and sustainable use of resources as well as mitigate the predicted effects of climate change?
- Should we see the Greater South East as one of the world's 'mega-city' regions? Does the South East's inter-relationship with London and the other counties that make up the Greater South East require new ways of working and in what policy areas?

The Commission members include:

- Cllr Sir Sandy Bruce-Lockhart OBE, Leader of Kent County Council and Chairman of the Local Government Association (Commission Chairman)
- Cllr Nick Skellett, Leader of Surrey County Council and Chair of South East England Regional Assembly
- Richard Shaw, Chief Executive of Oxfordshire County Council
- Nick Pearce, Director, ippr
- Baroness Barbara Young, Chief Executive of the Environment Agency
- Alistair Rose, Regional Chairman for the South East, PricewaterhouseCoopers LLP
- Robert Douglas, Deputy Chair of the South East England Development Agency
- Cllr Dame Jane Roberts, Leader of Camden
- Nicholas Boles, Director of Policy Exchange
- Dr Valerie Ellis, Member of the Sustainable Development Commission
- Sue Regan, Director of Policy, Shelter
- Chris Huhne, MEP for the South East region
- Bob Davies, Chief Executive, Arriva
- Nick Townsend, Group Legal Director, Wilson Bowden

The Commission will produce a final report of its findings in the summer of 2005. For more information on the Commission's work visit: www.ippr.org/research/index.php?current=44

This working paper does not necessarily represent the views of the Commissioners.

The Problems of Success: Summary

Scope of the research

Surveys of public attitudes to quality of life reveal that there are a wide range of issues that people say they care about covering almost every area of public policy. While issues relating to health and crime, for instance, are important public policy areas they do not fall within the scope of the research for the Commission on Sustainable Development in the South East.

This second working paper for the Commission will focus on the natural resource use and environmental problems that tend to emerge from the pursuit of 'unsustainable' economic growth. We are using the term sustainable in its environmental rather than macroeconomic sense. We are focusing on *some* of the issues that tend to be perceived by people as representing the 'problems of success' – housing, transport, water and flood management and the environment (including pollution and access to green spaces and the countryside).

The principal objective of policy makers should be to improve quality of life

To date the overriding objective of public policy has been to increase growth in Gross Value Added (GVA) per head. Policy makers, both in the South East and in central government, need to widen how they measure success so that they are not solely reliant on economic indicators of performance.

The Government is currently reviewing its headline quality of life indicators as part of the review of the UK Sustainable Development Strategy. No matter what form the indicators take they will only be useful if they have enough political backing and are seen to influence policy across Whitehall. The Government could help to raise the profile of its quality of life indicators among the wider public by reporting on their performance annually as part of a 'State of the Nations and Regions' account.

Higher levels of individual consumption in the South East may have diminishing returns, are likely to be environmentally unsustainable and will not necessarily reduce social inequalities

In a comparatively affluent region like the South East, where the consumption levels of many are already high, seeking yet higher levels of consumption will have diminishing returns. What is probably of more interest to people in the South East is not their absolute but *relative* levels of consumption and how they compare to their peers and neighbours within the South East and with other UK regions. They may also be concerned with how they compare with other European regions but this is likely to be of more interest to policy makers in the South East.

The pursuit of higher levels of consumption will be environmentally unsustainable. In the South East it is already evident that increased demand for resources is pushing against environmental limits. Compared to other English regions, the South East has some of the highest rates of water use and waste production with more droughts during the summer months and a growing shortage of landfill space. Furthermore, the effects of climate change and the impact of planned new developments in the South East could potentially increase the risk of flooding during the wetter, winter months.

The pursuit of high levels of consumption will do nothing to reduce social inequalities between the richest and poorest in the South East. Despite being one of the most affluent UK

regions, there are wide disparities within the region especially along parts of the south coast. Tackling income inequality in the UK should be a priority for central government. The South East Economic Development Agency (SEEDA) should focus on encouraging 'directed growth' by redistributing resources towards those areas most in need.

With regards to issues directly related to economic growth, satisfying housing demand and dealing with traffic congestion are the top quality of life concerns of people in the South East

Surveys suggest that the majority of people in the South East are currently very satisfied with their quality of life. But the growth in congestion and the demand for more space for housing and traffic, both side-effects of traditional growth and expansion, are viewed by many people in the South East as a threat to their quality of life. After housing and transport, people are also concerned about the impact that further development could have on the countryside, other green spaces and pollution levels.

People's awareness of future environmental risks in the South East, such as water shortages and flooding, is limited. The Government and other public agencies have a responsibility to raise awareness of these longer term risks

The effects of water shortages and flooding in the South East will almost certainly intensify over future decades with climate change and increased development. People's awareness of these future risks does not appear to be as high as it should be. The Government and other public agencies need to raise public awareness of the longer term risks of more frequent water shortages or flooding so that people can make informed choices about the extent to which they are willing to accept these future risks. It is unclear whether people would put more pressure on public agencies to alter their approaches to development and/or strengthen flood defences and flood warning mechanisms if they had a better awareness of these longer term risks.

If the South East maintains its current rate of economic growth it will become increasingly difficult for the region to continue to offer its citizens a high quality of life *without offsetting policy measures for changing the behaviour of individuals and firms*

A continuation of the current rate of economic growth in the South East would see traffic levels, water use and air pollution steeply rise over the period to 2015. As an illustration of the scale of the effect, household water consumption could rise by about 16 per cent, air pollution by about 7 per cent and traffic levels by about 23 per cent by 2015. Doing nothing is therefore a politically risky option.

A higher rate of economic growth and population growth in the South East would inevitably cause traffic levels, water usage and air pollution to rise at an even higher rate. If policy makers pursued a lower rate of economic growth and population growth in the South East, traffic levels, water usage and air pollution would continue to rise but at a slower rate over the period to 2015. Slowing the rate of economic growth and population growth in the South East will therefore not be sufficient to address the environmental problems and resource shortages.

Illustrative economic and population growth scenarios in the South East in 2015			
South East scenarios (2001-2015)	Increase in road traffic	Increase in water use	Increase in air pollution
‘Business as usual’ growth scenario Economic growth rate of 2.8% Gross Value Added per year and population growth rate of 0.45% per year	22.7%	15.5%	7.4%
Lower growth scenario Economic growth rate of 2.2% Gross Value Added per year and population growth rate of 0.20% per year	17.3%	10.0%	2.4%
Higher growth scenario Economic growth rate of 3.4% Gross Value Added per year and population growth rate of 0.7% per year	28.8%	18.9%	12.8%
Source: Modelling commissioned by ippr using the Regional Economy–Environment Input–Output model.			

The South East needs to ‘get more from less’ by encouraging individuals and firms to adopt more sustainable consumption patterns in order to improve quality of life

The Government, South East agencies and authorities, firms and individuals need to take collective responsibility for improving quality of life in the South East. The challenge facing policy makers is to identify policy options that encourage and enable individuals and firms to consume resources more efficiently and produce less waste and pollution. Support for cleaner, more efficient technologies will play an important role in promoting greater resource efficiency. Some practical policy options include:

1. *Information*: E.g., labelling of household appliances so that consumers can make informed choices about the most energy and water efficient products or information about car sharing schemes.
2. *Incentives*: E.g., tax breaks for energy efficient technologies or road user charging where motorists who contribute the least to congestion pay less or water metering for changing people’s attitudes to water conservation.
3. *Regulation*: E.g., regulations that require firms to develop and supply more energy efficient buildings or fuel efficient vehicles.
4. *Infrastructure*: E.g., support for accessible and reliable public transport alternatives to the car such as more frequent local bus services.

For some of these options, South East agencies and authorities may have limited powers to influence the behaviour of individuals and firms in their region. Central government will therefore need to play an important role in funding infrastructure projects that support sustainable mobility and in developing fiscal incentives and regulations that promote resource efficiency.

The Problems of Success

“Real progress cannot be measured by money alone. We must ensure that economic growth contributes to our quality of life, rather than degrading it.” (Rt Hon. Tony Blair MP, Prime Minister, foreword to Quality of Life Counts, DETR, 1999)

“Economic growth may well have served post war politicians well as a reasonably accurate proxy for human wellbeing or contentment but now that the environmental, social and psychological externalities entailed in generating decades of economic growth in that way are weighing more heavily on people than ever before, there is a pressing need to reopen the debate about economic growth and wellbeing itself.” (Jonathan Porritt, Chairman of the Sustainable Development Commission, in Redefining Prosperity: Resource Productivity, Economic Growth and Sustainable Development, 2003)

What makes a successful region?

The Commission's goal is for the South East to maintain its economic success and its position as one of Europe's most prosperous regions, while at the same time enhancing its environment and improving the wellbeing and quality of life of all of its citizens.

The challenge for the Commission will be to define what makes a successful region. The Commission's goal already starts to explore this question as it recognises the need to maintain economic success while 'at the same time' enhancing the environment and improving quality of life. There is, however, a complex interaction between these objectives and while there are many synergies between them there are also trade offs which can make it much more difficult to reconcile these objectives in practice. A further challenge issued by the Commission's goal is the need to improve the quality of life 'of all' citizens in the South East. The Commission is concerned with how policy makers can improve the quality of life not only of affluent citizens but also those on lower incomes and the socially excluded.

The Commission will explore, as part of this working paper and others, what these challenges mean for a leading growth region like the South East. Between 1989 and 2000, the trend growth rate in real Gross Value Added (GVA) per head was estimated at 2.75 per year for the South East compared with an average of 2 per cent per year for the UK as a whole (EBS, 2004). The Government's Public Service Agreement (PSA) for regional economic performance has an objective to further increase the rate of economic growth in all the English regions including the South East (HMT, 2004). Progress towards this target is measured solely in terms of GVA per head, the regional counterpart of the more commonly used indicator of economic success, Gross Domestic Product (GDP) per head.

The first working paper for the Commission 'Going for Growth: Comparing the South East's Economic Performance' argued that the South East compares well with what are generally regarded as Europe's most prosperous substantive regions containing all the well known centres of commerce in Europe outside of London and Paris. It argued that further increasing the rate of economic growth in the South East does not seem a high priority relative to dealing with disparities in prosperity within the region and coping with natural resource use and environmental problems. This is not the same as arguing for 'no-growth' or even 'lower growth' (Robinson, 2004).

This second working paper will examine the 'problems of success' and if it is possible for the South East to reconcile further increasing the rate of economic growth with improving the wellbeing and quality of life of its citizens.

Untangling the terminology

Academics have long debated what makes us happy. In recent years, terms like ‘happiness’ or ‘life satisfaction’ and ‘wellbeing’ or ‘quality of life’ have become policy buzz words. Policy makers have, however, struggled to find a terminology appealing to ‘ordinary’ people. As with many other government buzz words, there is no consensus about what any of these terms actually mean: they have different meanings for different people. These terms do though appear to derive from different academic disciplines. Life satisfaction and happiness have tended to be rooted in psychological studies about human behaviour while wellbeing and quality of life have tended to emerge from the social sciences.

Most happiness surveys are based on self reported perceptions of happiness whereby people are asked to say how happy they feel about their lifestyles. There is strong evidence to suggest that genetics plays an influential role in determining happiness. Estimates suggest that variations in happiness are determined by as much as 50 per cent by genetic factors (Sheldon *et al* 2003; Lykken, 1999). But there are also lifestyle choices and experiences that can explain variations in happiness. Opinion poll evidence consistently shows that people who are most satisfied with their lives tend to be married or retired (e.g., MORI, 2004a). Whether a person has ‘happy’ genes or decides to get married falls outside the sphere of influence of policy makers. There are, however, other policy areas where government intervention can influence how satisfied people are with their lives. For instance, there is longitudinal evidence to suggest that unemployed people tend to be the least satisfied and that rewarding employment is associated with higher levels of life satisfaction (Di Tella *et al*, 2002).

From the perspective of the Commission, the terms ‘happiness’ and ‘life satisfaction’ appear too broad because the Commission is concerned with what policy makers can do to improve the places in which people live. It appears more useful to think about ‘wellbeing’ and ‘quality of life.’ These two terms tend to be used interchangeably although wellbeing tends to be applied much more subjectively while quality of life tends to be employed in a way that might be more objectively measurable. **For the purpose of this working paper we will principally refer to quality of life.** The difficulties we are having with the terminology serve to underline the challenge for policy makers to come up with a language that better resonates with people’s everyday needs and experiences.

Scope of the research

Surveys of public attitudes to quality of life reveal that there are a wide range of issues that people say they care about which cover almost every area of public policy. The most recent national survey of public attitudes to quality of life and to the environment underlined the diversity of issues that affect people’s quality of life although income, health and crime came out as the three top factors (DEFRA, 2002). Health and crime are important public policy areas but they do not fall within the scope of the Commission’s work which is principally concerned with how economic growth rates can directly affect quality of life outcomes.

Economic growth clearly offers many positive quality of life benefits to society. For instance, employment is an important component of GDP and as discussed involuntary unemployment and the fear of unemployment have adverse impacts on quality of life. The South East is one of three English regions that in Spring 2004 had employment rates approaching 80 per cent of the working age population – aged from 16–59/64. It also had one of the lowest unemployment rates, at around 4 per cent of the working age population using the internationally agreed measure of unemployment (ONS/LFS, 2004). The first working paper for the Commission argued that policy makers in the South East should now focus their efforts on dealing with the serious disparities in economic prosperity within the region, with certain groups (e.g. people with disabilities) and certain areas (e.g., Thanet) continuing to have relatively low levels of employment (Robinson, 2004).

This working paper will focus on the natural resource use and environmental problems that tend to emerge from the pursuit of ‘unsustainable’ economic growth. When economic policy makers refer to sustainable economic growth they tend to use the term in its macroeconomic sense referring to sustaining growth without a boom-and-bust cycle, accelerating inflation, or an unsustainable fiscal deficit. We are using the term sustainable in the sense of the prudent use of natural resources and the protection of the environment.

We are focusing on *some* of the issues that tend to be perceived by people as representing the ‘problems of success’ – housing, transport, water and flood management and the environment (including pollution and access to green spaces and the countryside).

Widening how we think about quality of life

For years, many observers have argued that GDP, as a measure of economic output, is an inadequate yardstick for quality of life. The economist Richard Easterlin highlighted the inadequacies of using GDP as a measure of quality of life in his 1974 essay ‘Does Economic Growth Improve the Human Lot?’ Yet the approach of successive governments, including the current administration, has been to focus on maximising GDP growth as a principal, if not overriding, policy objective.

There is, however, a growing awareness within government of the need to redefine how we think about and measure quality of life. Most notably the Cabinet Office’s Strategy Unit produced a report on Life Satisfaction (Donovan and Halpern, 2002) and the Sustainable Development Commission (SDC) has been holding workshops on redefining prosperity. A number of local authorities, such as Nottingham City Council, have been developing wider quality of life measures for assessing the services they provide to their local communities (Shah and Marks, 2004).

Consumption and quality of life

According to economists, people generally consume more because they believe it will improve their quality of life. This would lead one to expect that those with higher incomes and therefore more purchasing power experience a higher quality of life. When examining quality of life within a country, studies have consistently shown that richer people have a higher quality of life than those on lower incomes (e.g. Frey and Stutzer, 2002; Oswald, 1997). In the South East, this would imply that high levels of income and consumption are the key to a good quality of life and that pursuing high levels of growth in GDP/GVA per head is therefore the right aspiration for public policy. But there are clearly limitations to this approach. There are at least three ways in which higher levels of consumption may not lead to an automatic improvement in quality of life:

1. *Increased consumption can improve quality of life but it will have diminishing returns*
Richard Easterlin (1974) has warned of the effect of the ‘hedonic treadmill’ where even though rising incomes mean people can have more goods, the favourable effect of this on quality of life is negated by the fact that people want more as they progress. In a generally affluent region like the South East, where the consumption levels of many are already high, seeking yet higher levels of consumption is therefore likely to have diminishing returns. Max-Neef (1995) argues that above a certain threshold of consumption, there is no clear relationship between economic growth and quality of life. On the other hand, if levels of income and consumption were to decline it does not seem plausible that people would be as content with their quality of life.

What is probably of more interest to people in the South East is not their absolute but *relative* levels of consumption. In other words, how their levels of consumption compare to their peers and neighbours within the South East and with other UK regions. They may also be concerned with how they compare with other European regions but this is likely to be of more interest to policy makers in the South East. If

levels or rates of consumption fell behind other comparable regions then people's perceptions of their quality of life might decline. So long as the rate of growth in GVA per head continues to compare well with other regions, then people's perceptions of their quality of life in the South East are likely to remain high. But, following Easterlin's argument, a further *increase* in the rate of economic growth is unlikely to significantly enhance people's perceptions of their quality of life.

2. *Increased consumption will be environmentally unsustainable in both the short and long term*
For the South East, the concern is that increased demand for resources is outstripping supply and is pushing against environmental limits. Compared to other English regions the South East has some of the highest rates of water use and waste production with frequent droughts during the summer months and a growing shortage of landfill space. Furthermore, the effects of climate change and the impact of planned new developments in the South East could potentially increase the risk of flooding during the wetter, winter months (Environment Agency, 2004).

It has taken years to convince policy makers that resource consumption is not inextricably linked to economic growth. The Government's Sustainable Consumption and Production Strategy (DEFRA, 2003) recognises that high levels of economic growth can be secured without high levels of resource consumption. The real political hurdle lies in translating the rhetoric of 'getting more from less' into policy ideas that influence the choices of individuals and firms. It remains to be seen what role policy makers can play in encouraging individual and corporate consumers to use resources more efficiently and produce less waste and pollution.

3. *Increased consumption will not necessarily reduce social inequalities within the region*
The pursuit of high levels of consumption and economic growth will do nothing to reduce social inequalities between the richest and poorest in the South East. The evidence within European countries is that levels of economic growth and levels of income inequality are not closely related (Robinson, 2001). Despite being one of the most affluent UK regions, there are wide disparities within the region. The South East has persistent pockets of deprivation which are made all the more unacceptable by the surrounding prosperity. Some of the most disadvantaged communities are along parts of the south coast: Hastings, Thanet, Brighton and Hove, Medway, Portsmouth, Southampton and the Isle of Wight. A recent survey of South East residents revealed that 81 per cent of people felt that resources should be targeted at coastal and other deprived areas in the region (MORI, 2004b). There is some evidence to show that greater income inequality within societies is generally associated with lower levels of overall quality of life in European countries (Alesina *et al*, 2001). Tackling income inequality in the UK should be a priority for central government. The South East Economic Development Agency (SEEDA) should focus on encouraging 'directed growth' by redistributing resources to areas most in need.

The Government's approach to quality of life

The UK Government's Sustainable Development Strategy (1999) states that "sustainable development is about delivering a better quality of life, now and for generations to come" (DETR, 1999). Integral to this definition are the concepts of intra-generational and inter-generational equity in terms of the distribution of the rights and opportunities for a better quality of life for current and future generations. The Government has proposed that a better quality of life is achieved through four simultaneous objectives:

1. social progress which recognises the needs of everyone;
2. effective protection of the environment;
3. prudent use of natural resources; and
4. maintenance of high and stable levels of economic growth and employment.

The inclusion of social and environmental objectives distinguishes the Government's approach to quality of life from conventional economic thinking. It takes a wider view by not only focusing on the contribution that economic growth and employment make to quality of life. At the same time, however, the fourth objective, often referred to as the 'prosperity' objective, causes difficulties for the pursuit of the other objectives in practice. It is worth noting that a commitment to high and stable levels of economic growth is not the same as arguing for an 'increased' rate of economic growth as implied in the Government's regional performance PSA target.

Professor Tim Jackson of Surrey University (2004) has identified two key weaknesses with the Government's objectives:

- The prosperity objective confuses ends and means. Increasing levels of employment is a policy aim, while economic growth is, at best, a means to an end and not a legitimate end in itself.
- When the prosperity objective conflicts with the other three objectives for improving social progress and achieving environmental goals, the prosperity objective tends to take precedence.

The Government is currently reviewing the UK Sustainable Development Strategy, a revised version of which will be published in early 2005. Disquiet about the fourth objective has meant that as part of this review the Government is thinking about options for reformulating the fourth objective. Instead of the 'maintenance of high and stable levels of economic growth and employment' alternative options under consideration include 'sustainable economic growth' or 'sustainable economic development.' In this case, 'sustainable' has a more integrated meaning referring to both socially and environmentally sustainable growth/development. Developing new wording for the fourth objective would be a positive step, but only if this new wording is put into practice across all the government departments.

Measuring quality of life

Alternative GDP measures

There have been many attempts to create a better measure of quality of life than GDP which include adjusted GDP measures such as the Index of Sustainable Economic Welfare (ISEW) and composite indicators such as the Human Development Index (HDI).

Adjusted GDP measures build on GDP per head by adding activities which occur outside the market, such as unpaid domestic work, and subtracting the value of activities which damage human welfare, such as pollution. The UK's ISEW rose until the mid 1970s, then stayed level and began to decline again, while GDP per head continued to rise (Jackson and Marks, 1994). ISEWs calculated for other developed countries all show the same pattern of levelling off and then decline. The ISEW has been criticised for not being methodologically robust because it is based on a series of valuations that are subjective and open to criticism (Ekins, 2001).

For instance, the ISEW allocates a monetary value to environmental costs such as carbon emissions, but putting a price on these kinds of costs is highly contentious. There is no consensus about how they should be valued internationally which causes problems for the comparability of ISEWs calculated in different countries. Proposals for adjusted GDP measures have been around for many years but their complexity and methodological weaknesses have meant they have largely been confined to academic debates and have failed to materialise into practical policy tools.

Composite indicators combine GDP with other welfare indicators by weighting the relative performance of indicators. The most well known composite indicator is the United Nations HDI. It takes GDP per head and combines this with longevity as measured by life expectancy

at birth and education levels. The education component gives a two thirds weighting to adult literacy and a one third weighting to the combined primary, secondary and tertiary enrolment ratio. Composite indices use objective and measurable indicators but the weighting process is subjective and so subject to criticism. But the fact that the HDI is one of the best known measures for human welfare suggests that it is possible to build international consensus around the use of composite indicators.

The Government's Quality of Life Index

To avoid the criticisms and practical complexities associated with adjusted GDP and composite indicators, the Government has developed a 'balanced scorecard' based on fifteen headline quality of life indicators (see table 1). The scorecard rates the progress of the indicators using symbols which are either positive, signalling significant change in the direction of meeting the objective, or negative, signalling significant change in the direction away from meeting the objective.

Table 1. The Government's fifteen headline quality of life indicators	
Indicator	Measure(s)
Economic output	Gross value added per head
Investment	Manufacturing investment as a percentage of manufacturing output
Employment	Percentage of working age people in work
Poverty and social exclusion	<ul style="list-style-type: none"> • Working age people in workless households • Working age people without qualifications • Children in relative low income households • Households experiencing fuel poverty
Education	Percentage of 19 year olds with level 2 qualifications
Health	Life expectancy at birth
Housing	Percentage of homes not meeting the 'decent homes' standard
Crime	Recorded robberies, vehicle-related thefts and burglaries
Climate change	Carbon dioxide emissions
Air quality	Days when air pollution is moderate or higher - individual sites
Road traffic	Traffic increase on all roads
River water quality	Percentage of river lengths of good or fair chemical and

	biological quality
Wildlife	Percentage change in farmland and woodland bird population indices
Land use	Percentage of new homes built on previously developed land
Waste	Household waste and recycling
Source: DETR, 1999	

The Government's fifteen headline quality of life indicators can be commended for striving to provide an annual picture of quality of life across the nation. The most recent survey revealed that, compared to the other English regions, the South East performed very well according to economic indicators, such as employment and GVA per head. But the South East had the greatest increase in traffic on all roads between 1993 and 2002 and one of the highest levels of household waste per person in 2002–2003 (DEFRA, 2004). (See Appendix 1 for a summary of the South East's performance across the Government's fifteen quality of life indicators).

Nevertheless, on closer inspection, the indicators themselves look like they have been meshed together from existing government strategies rather than being a thoughtful collection of issues that people really care about. They also have some obvious limitations. The quality of life indicators measure quantifiable outcomes such as air pollutants. They do not account for other outcomes, such as access to green spaces and the countryside, whose benefits to society may be difficult to measure because they are subjective or intangible. However, the Urban Green Spaces Task Force found that the quality of parks and open spaces in an area can be a useful indicator of whether it is a good place to live (Urban Green Spaces Task Force, 2002). In the South East, residents are not only concerned about protection of the countryside in rural areas but also the maintenance of parks and green spaces in urban areas (MORI, 2004b).

For some indicators it is arguable that a package of measures is needed. For the indicator looking at road traffic, the percentage traffic increase on all roads is measured. What we know from quality of life surveys is that what tends to annoy drivers is the time they spend waiting in traffic jams delaying them reaching their point of destination. Motorists get particularly frustrated by the time they spend in busy traffic conditions, reflecting the stress and uncertainty of driving in congestion (Steer Davies Gleave, 2004). Measuring journey delays would therefore provide a useful reflection of the impact that traffic congestion can have on people's day to day lives. Road vehicles can also affect the safety of people living in communities where traffic levels are high. Measuring, for instance, the number of people killed or seriously injured by traffic would provide an indicator of the direct impact that road traffic can have on people. For the road traffic indicator, a combination of measuring traffic volume, journey delays and traffic accidents would be more helpful to policy makers.

For the indicator looking at investment, manufacturing investment as a percentage of manufacturing output is measured. This is despite manufacturing now representing less than a fifth of the UK economy and an even smaller proportion in the South East (Brooks and Robinson, 2003). Presumably the interest in manufacturing investment is that it could potentially create employment opportunities, goods and services. But manufacturing investment is itself a process and measuring it will not reveal any positive outcomes that this investment could bring to society. It is therefore unclear why measuring manufacturing investment is a helpful measure of quality of life.

While it would be helpful to improve and amend the Government's current set of fifteen headline quality of life indicators it is questionable whether it would be useful to go back to the drawing board and develop a completely new set of indicators. Inevitably no set of headline indicators can ever be perfect. The Government intends to review the headline quality of life indicators next year. No matter what form the indicators take they will only be useful if they have enough political backing and if the environmental and social indicators, and not just the economic indicators, are seen to influence policy across Whitehall. Their success requires integration at all levels of policy making. The Government currently produces an annual report on the performance of the headline indicators nationally and at the regional level, but this report is fairly low profile and mainly aimed at policy makers. To help raise the profile of the quality of life indicators amongst the wider public, the Government should report on their performance annually as part of some kind of 'State of the Nation and Regions' account.

Quality of life indicators in the South East

As part of the consultation for the South East's Integrated Regional Framework, the South East England Regional Assembly (SEERA) in partnership with other South East authorities, agencies and regional NGOs have developed twenty five regional quality of life objectives, with indicators to measure their performance, which build on the Government's fifteen indicators (SEERA *et al*, 2004). In a clear attempt to build consensus amongst the different interests involved in the development of the framework, the indicators cover a diverse range of issues from the provision of decent housing, to addressing poverty, to reducing air pollution, to enhancing and conserving biodiversity. But it is difficult to believe that people in the South East would give all twenty five indicators equal priority. The indicators would be more useful to policy makers if they were weighted to reflect their relative importance to people's quality of life in the South East.

The South East's twenty five objectives are categorised under the headings of the Government's four quality of life objectives and as result they are subject to exactly the same weaknesses discussed above. In particular they fail to challenge the view that economic growth should be the over-riding policy objective. As a consequence, the indicators mask the potentially difficult policy trade offs that the pursuit of higher rates of economic growth can pose for social and environmental concerns.

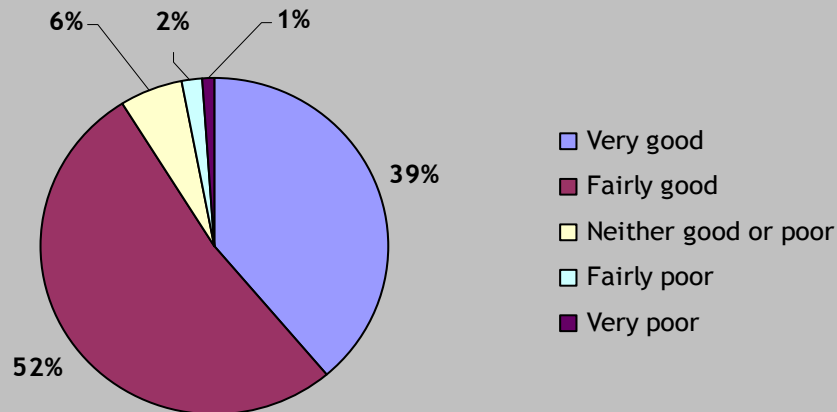
Quality of life issues in the South East

The issues that matter in the South East

Despite the proliferation of quality of life surveys, policy makers have tended to focus their attention on developing indicators, often very sophisticated, complex ones, without first appreciating what the quality of life priorities of people actually are. As part of the Commission's research we have therefore sought to develop a better understanding of the issues that matter to people in the South East.

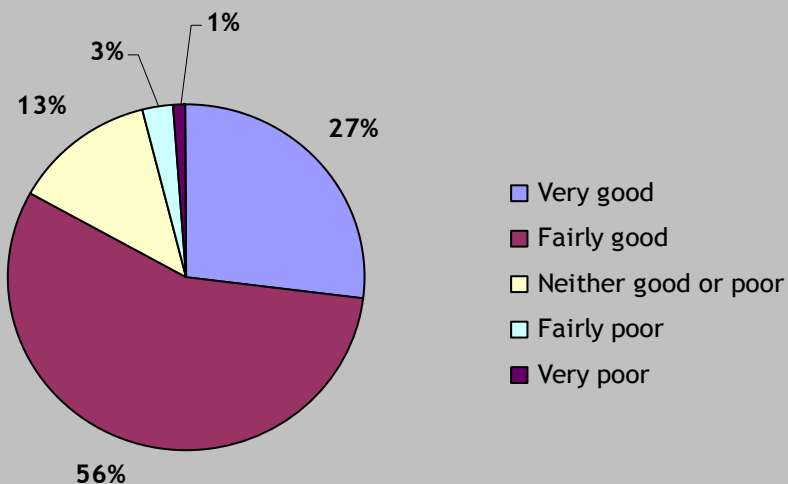
There have been a number of surveys of quality of life attitudes in the South East undertaken by the district, unitary and county councils as well as regional authorities. But the information on quality of life attitudes in the South East remains fairly patchy, particularly at the district and unitary levels. The surveys undertaken at different spatial scales are not directly comparable as they ask people different questions and give them different options for deciding their responses. There are some major issues, such as water resource use and flood risk, where there is surprisingly little comprehensive information on people's attitudes. Comparative information on the quality of life experiences of other English regions is similarly sparse.

Figure 1: How people rate their quality of life in the South East, 2004



Source: MORI, 2004b

Figure 2: How people rate their quality of life in England, 2001



Source: DEFRA, 2002

The most recent region wide survey was undertaken by MORI for SEERA. Figure 1 shows that 91 per cent of residents in the South East said their quality of life is good, including 39 per cent who said it is very good. The areas with the highest quality of life ratings were in Berkshire, East Sussex, Hampshire and Oxfordshire (MORI, 2004b; MORI, 2004c).

The most recent national survey, conducted by the Department of Environment, Food and Rural Affairs (DEFRA) in 2001, found that quality of life across the English regions was relatively high. Figure 2 shows that in 2001, 83 per cent of residents in England said their quality of life was good including 27 per cent who said it was very good (DEFRA, 2002). There was little difference in the quality of life experienced by people in the different English regions according to DEFRA's survey. For instance, 80 per cent of residents in the South East said their quality of life was good including 20 per cent who said it was very good, while 75 per cent of residents in the North East said their quality of life was good including 14 per cent

who said it was very good. More residents in the South East reported a 'very good' quality of life compared to the other English regions (DEFRA, 2002).

DEFRA's national survey and MORI's South East survey are not directly comparable. MORI's research has more up-to-date results for the South East although DEFRA's research looked at a wider range of quality of life issues. While it is clear that people in the South East are generally very content with their quality of life, it is not possible to determine whether people in the South East have a significantly better quality of life than other English regions.

Intriguingly, MORI's South East survey found that 98 per cent of commuters working in London said they were satisfied with their quality of life, with those working in London more likely to be satisfied than those who work elsewhere (MORI, 2004b). As a generalisation, a typical South East commuter living in an area like Guildford is likely to live in a three to four bedroom house working in a professional occupation with an above average income. It is possible that South East commuters have simply got used to over-crowded trains or congested roads and adapted their assessment of their quality of life by resigning themselves to the stresses associated with commuting. But this is probably unlikely as commuters, particularly those who travel on public transport, continue to appear frustrated by delayed or cancelled trains even though this is a fairly regular occurrence. It is perhaps more likely that the high overall standard of living in towns such as Guildford outweighs any disadvantages associated with commuting. However, this is merely an observation and there are many arguments to explain why South East commuters appear satisfied with their quality of life.

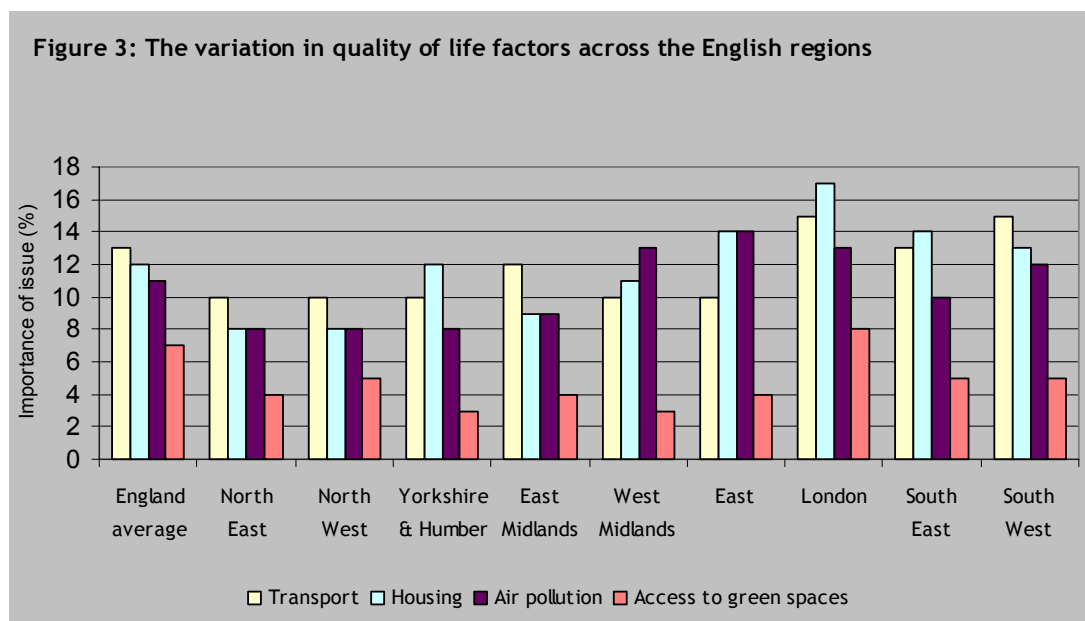
Quality of life surveys suggest that the majority people in the South East are currently very satisfied with their quality of life. But, what is perhaps more useful for policy makers is to focus on the issues that could be detrimental to quality of life in the near future. Table 2 shows that when residents in the South East were asked what issues they thought were a problem, the top issues were the cost and availability of housing and traffic levels, above job availability or the lack of amenities (MORI, 2004b).

Table 2: For each of the following issues, which is a serious problem, a problem, or not a problem in the South East?					
	Serious problem	Problem	Not a problem	Don't know	Net Problem
Cost of housing	66%	19%	7%	8%	85%
Traffic Levels	53%	29%	10%	8%	82%
Housing shortage	34%	24%	26%	15%	58%
Public Transport	22%	28%	31%	19%	50%
Lack of amenities	10%	18%	52%	20%	28%
Job Availability	8%	20%	50%	22%	28%
Poor quality/lack of parks	5%	16%	62%	17%	21%
Source: MORI, 2004b Note. In this survey respondents were able to choose more than one issue when answering the question.					

The same table would look different for a region like the North East. The availability of jobs is a much higher priority in the North East where there are higher levels of unemployment. Housing is also an important issue in the North East although people's housing priorities are different. The provision of decent housing¹, is a higher priority than managing housing shortages. There is an over-supply of housing in many parts of the North East and so demand for new housing developments is not as acute as in the South East (ippr North, 2004; North East Assembly, 2004).

Growth in congestion and the demand for more space for housing and traffic, both side-effects of traditional growth and expansion, are viewed by many people in the South East as a threat to their quality of life. For instance, when people were asked what concerns they had with building homes more quickly in the South East, 35 per cent were concerned that it would decrease the amount of open or green space available, 32 per cent were concerned that it would increase traffic while 12 per cent were concerned that it would put pressure on water supply and sewerage systems (MORI, 2004c).

Figure 3 shows how quality of life factors relating to transport, housing, pollution and access to green spaces, varied across the English regions. Transport, housing and air pollution were of more concern in the Greater South East – London, the East of England and the South East - compared to the other English regions. These concerns appear more acute in London than the South East. In this survey, transport, housing and pollution were consistently rated as higher priorities than access to green spaces across the English regions including the South East.



Source: DEFRA, 2002.

Note. In this survey respondents were able to choose more than one issue of importance to them.

Information on quality of life priorities at the district and unitary levels is very limited. The Best Value Performance Indicators (BVPIs) provide a source of comparable information at the local authority level for better understanding how quality of life priorities vary within the South East. The BVPIs ask respondents about what is needed to improve the places in which they live. From the BVPIs we pulled out the results for issues relating to transport, housing, pollution and access to green spaces. Appendix 2 shows the BVPI results for a representative sample of fourteen areas we chose to examine in the South East and maps the results against population density and average household income.

¹ 'Decent housing' refers to housing that meets the statutory minimum standard for housing, is in a reasonable state of repair and provides a reasonable degree of thermal comfort.

Appendix 2 shows there is no clear trend for either population density or household income in relation to affordable housing, public transport, parks and open spaces, traffic congestion and pollution. Mirroring the region wide results, concern about affordable housing and traffic congestion were viewed as important in all areas. The results show one area where concern about traffic congestion appears to be significantly higher than other areas. This is Southampton which is a densely populated, urban centre with an average household income below the UK average. Emissions from increasing road traffic have been contributing significantly to air pollution in the South East (Environment Agency, 2004). There is growing evidence of a link between traffic emissions and health problems such as asthma and other respiratory diseases (Committee on the Medical Effects of Air Pollutants, 2001) which may help to explain why concern about traffic congestion is high amongst residents in Southampton.

It is not possible to conclude from appendix 2 that people living in poorer or more densely populated areas are more or less concerned about affordable housing, public transport, parks and open spaces, traffic congestion and pollution than people living in more affluent or less densely populated areas of the South East.

Facing up to difficult choices

Every political party likes to promote the concept of 'choice.' Levett *et al* (2003) argue that every choice we make is conditioned and constrained by the choices others have already made and this in turn conditions future choices. They illustrate this point using the example of car dependency, which is particularly relevant to the South East. The region has high levels of car ownership with motorists in the South East driving more miles by car compared to most other English regions (NTS, 2004). Households in the South East also have one of the highest levels of greenhouse gas emissions from private vehicles compared to other English regions (ONS, 2004b).

Car ownership can offer people the freedom to travel in a flexible way. But a high level of car use is collectively adding to the congestion and pollution problems experienced by the population of the South East. This in turn is inhibiting the choices of others, as fewer people can now choose to cycle on roads that are not clogged up with cars or live in areas free from traffic noise where children can play safely in the front of their homes.

Indeed, the choices that people make today have the potential to influence the choices available to people in the future. The fact that so many people in the South East choose to travel by car today is cumulatively adding to air pollution which will affect the health of their children by increasing their vulnerability to respiratory problems. This example highlights the classic conundrum facing policy makers about how to balance the rights of the individual against the rights of wider society, as well as how to balance the rights of people today against the rights of people tomorrow.

It is important, however, not to create a false divide by pitting individual choices against the good of society. Ultimately, society is made up of individuals and all of us as individuals will have to manage the consequences of our choices. The choices of individuals in the South East will collectively contribute to the quality of life of the region, and there must be collective responsibility for finding the solutions.

Contradictions in individual preferences

Most quality of life surveys are based on asking people about their individual preferences at a particular point in time. But there are often contradictions in people's preferences. For instance, most people in the South East recognise the need for new housing, yet at the same time are generally opposed to any new housing developments being built near where they live. Table 3 shows that half of residents agree that more housing is needed and about a third disagree. But the proportions are reversed when people are asked about more homes in their local area with only a third now agreeing and about half disagreeing (MORI, 2004c).

Table 3: To what extent do you agree or disagree that . . .

	disagree	agree	net agree
More homes are needed in the South East	32%	50%	+18%
To tackle housing shortages, more homes need to be built more quickly in the South East	38%	44%	+6%
More homes are needed in my local area	52%	34%	-18%
Source: MORI, 2004c			

The survey revealed that people living in town centres, particularly in Oxfordshire, Buckinghamshire and Hampshire, were more likely to agree with the need for new housing in their local area compared to those living in rural areas, particularly in Kent and West Sussex. The results clearly illustrate that people are often reluctant to face up to difficult trade offs when it comes to weighing up the advantages and disadvantages of new housing developments versus the quality of life impacts. The contradictions and inconsistencies in people's preferences highlight the limitations of quality of life survey evidence as a basis for policy making.

What do we not know enough about . . .

There are a number of areas where it would be useful for policy makers to have more information about quality of life issues in the South East. There is a need for a better understanding of the distributional impacts of environmental problems and longer term quality of life priorities.

- *Environmental problems and distributive justice in the South East*
A number of studies suggest that environmental problems are likely to disproportionately affect the poorest and most vulnerable in society. An ippr survey of child pedestrian accidents across England found that children from the most deprived tenth of wards were three times as likely to be pedestrian casualties compared to their counterparts in the least deprived tenth of wards (Grayling *et al*, 2002). Research by the Environment Agency has found that industrial sites are disproportionately located in deprived areas in England. There are five times as many sites in the wards containing the most deprived 10 per cent of the population, and seven times as many emission sources, than in wards with the least deprived 10 per cent. In addition, there is substantial evidence that the elderly, disabled and less affluent are particularly vulnerable to flood impacts because they are more likely to live in a floodplain and are less likely to have insurance (Fielding *et al*, forthcoming; Walker *et al*, 2003).

There is also research to suggest there is a lack of environmental assets, such as public parks, in poorer areas. A recent survey of nearly 20,000 New Deal for Communities residents found that 10 per cent of respondents listed poor quality or lack of parks and open spaces as one of their top ten local priorities (Brook Lyndhurst Ltd, 2004).

There is limited information on the distributional effects of environmental problems or assets within the South East. This is a research area where it would be useful for the public agencies in the South East to commission more in depth work. It is

nonetheless reasonable to assume that the national picture is broadly reflected within the regions and that such problems will affect the poorest in the South East hardest.

- *Future quality of life priorities in the South East*
The famous Brundtland report for the 1987 World Commission on Environment and Development (WCED) proposed that sustainable development should refer to: "...development that meets the needs of present generations without compromising the ability of future generations to meet their own needs" (WCED, 1987). Integral to most definitions of sustainability is the promotion of both inter-generational and intra-generational justice. In the South East, water shortages and flood risk present shorter term pressures and their effects will almost certainly intensify over future decades with climate change and increased development.

The South East is already referred to as a 'semi-arid' region with current levels of abstraction that are unsustainable – with the exception of London, the South East consumes more water per person than any other English region (Environment Agency, 2004). According to the UK Climate Impacts Programme, winters are likely to become wetter and summers drier across the UK, with the most dramatic changes in the South East. Climate change may well mean that droughts in the South East become more frequent (UKCIP, 2002).

The irony is that while the South East is facing water shortages, it is also increasingly at risk from flooding. Over 235,000 properties in the South East have been identified as being at risk from flooding (Environment Agency, 2004). The South East faces some of the greatest development pressures outside of London. The Sustainable Communities plan has targeted Milton Keynes and Ashford as two of the growth areas. Milton Keynes is already well established as Britain's fastest growing urban area and its current planning target will require growth of 27,500 homes by 2016. The plan's proposals will increase this to 32,500. The other major growth area is Ashford where 31,000 new homes will be built by 2031 (ODPM, 2003). One of the research themes of the Commission will be to examine the impact of future housing developments on water shortages and flood risk in the South East.

Quality of life surveys tend to provide a snapshot of current quality of life concerns but they rarely capture people's awareness of potential future risks or problems they might not have yet experienced. The media attention given to recent high profile flood events has highlighted the social and economic devastation that floods can have on communities. However, the insurance industry have concerns that people, especially the less affluent, still have a low awareness of flood risks (ABI, 2004).

The Government and other public agencies have a responsibility to raise public awareness of these future risks so that people can make informed choices about the extent to which they are willing to accept them. It is unclear whether people would put more pressure on the Government and other public agencies to alter their approaches to development if they had a better awareness of the impacts of flooding over the longer term. They might put pressure on the Government and other public agencies to improve flooding warning mechanisms and to invest in developing engineering solutions for strengthening flood defences. When assessing quality of life priorities in the South East and elsewhere it is important to consider both current as well as future quality of life priorities.

Impact of economic and population growth on traffic, water use and air pollution in the South East

The Environment Agency, in partnership with the Regional Development Agencies, has developed the Regional Economy–Environment Input–Output (REEIO) model that can

explore the environmental effects of different rates of economic growth and population growth at the regional level. To better understand the impact of economic growth on quality of life in the South East we commissioned Cambridge Econometrics to use the REEIO model to examine the projected impacts of three illustrative economic growth rates: maintaining the current economic growth rate, a lower economic growth rate and a higher economic growth rate. The modelling also examines the impacts of three population growth rates: maintaining the current population growth rate, a lower population growth rate and a higher population growth rate.

The REEIO model uses 2001 as its base year and can run scenarios looking out as far as 2015, it cannot forecast land-use effects and therefore cannot forecast congestion levels. It also cannot forecast flood risk and so this was not considered in the modelling. The results presented below show the impacts on air pollution, traffic levels and water consumption looking out to 2015. The modelling accounts for air pollution from a variety of sources including transport, industrial and commercial sources. Traffic is measured in terms of both passenger and freight traffic. For water consumption, only household water use is measured although households represent the largest user of water in the South East. Between 55 per cent and 59 per cent of the demand for the public water supply in the South East is from households (EA, 2001a; EA 2001b). The results are indicative of the scale and direction of the impacts rather than precise predictions. The assumptions used in the modelling are outlined in appendix 3.

Table 4: Impact of different economic growth and population growth forecasts on traffic, water use and air pollution in the South East

South East scenarios (2001-2015)	Increase in road traffic	Increase in water use	Increase in air pollution
1. Current economic growth and current population growth forecast (base) Current economic growth forecast: 2.8% GVA per year Current population growth forecast: 0.45% per year	22.7%	15.5%	7.4%
2. Lower economic growth and current population growth forecast Lower economic growth forecast: 2.2% GVA per year Current population growth forecast: 0.45% per year	18.1%	12.5%	3.2%
3. Lower economic growth and lower population growth forecast Lower economic growth forecast: 2.2% GVA per year Lower population growth forecast: 0.20% per year	17.3%	10.0%	2.4%
4. Higher economic growth and current population growth forecast Higher economic growth forecast: 3.4% GVA per year Current population growth forecast: 0.45% per year	28.0%	16.3%	12.1%
5. Higher economic growth and higher population growth forecast Higher economic growth forecast: 3.4% GVA per year Higher population growth forecast: 0.7% per year	28.8%	18.9%	12.8%
Source: Modelling by Cambridge Econometrics, commissioned by ippr, 2004			

Figure 4: The economic growth and population growth forecasts modelled

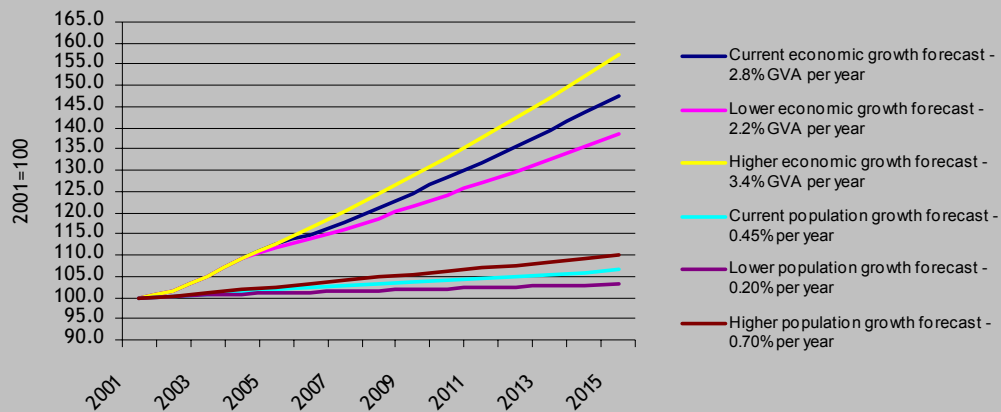


Figure 5: Impact of different economic growth and population forecasts on road traffic levels in the South East (vehicle kilometres)

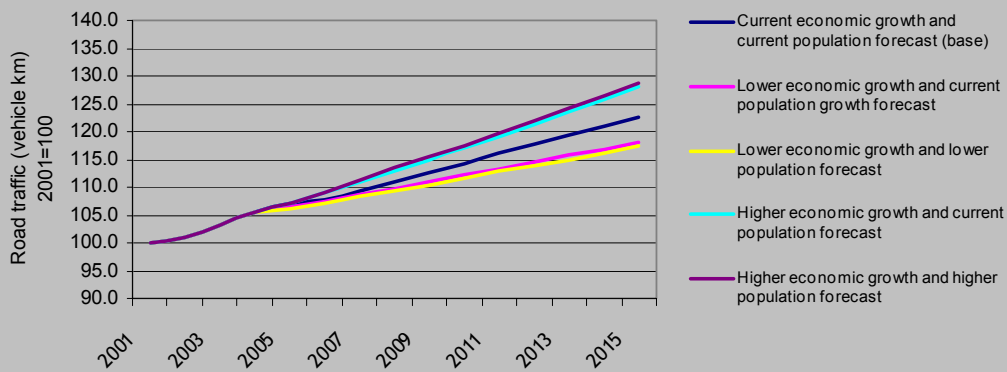


Figure 6: Impact of different economic growth and populatrion forecasts on emissions of nitrogen oxides(NOx) in the South East (excludes power generation)

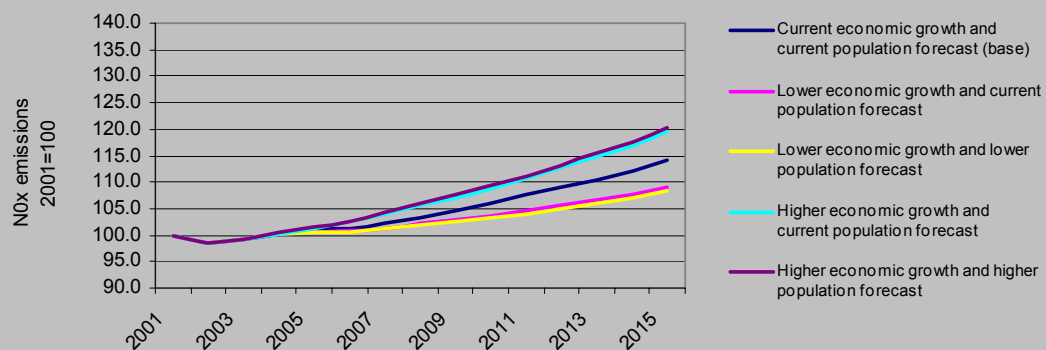


Figure 7: Impact of different economic growth and population forecasts on emissions of black smoke (PM10) in the South East (excludes power generation)

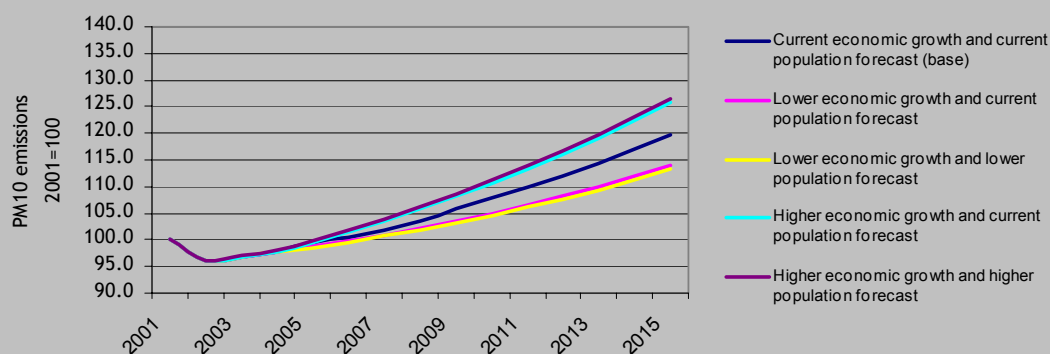
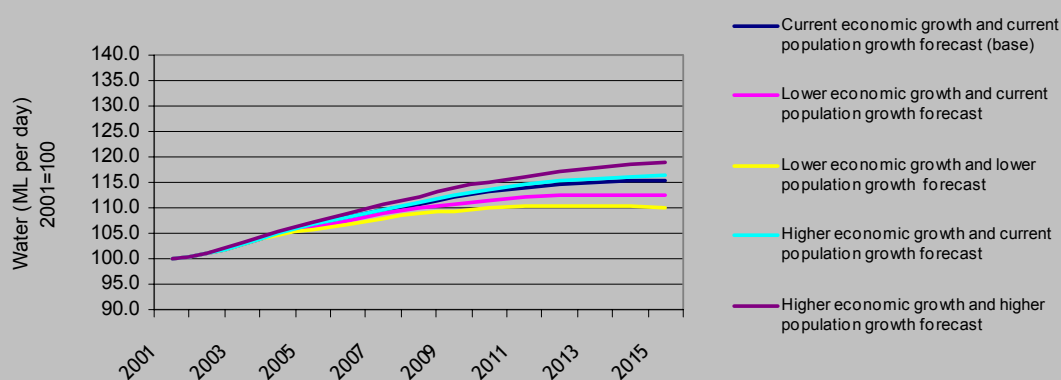


Figure 8: Impact of different economic growth and population growth forecasts on water use in the South East



There are several broad observations that can be drawn from the REEIO modelling results:

- Under the scenario for a continuation of the current economic growth and current population growth rate (the base scenario), traffic levels, water use and air pollution are set to steeply rise in the South East over the period to 2015.
- Under the scenarios for a higher economic and/or higher population growth rate, traffic levels, water usage and air pollution would be even higher over the period to 2015. The higher growth scenarios cause the fastest rate of growth in traffic levels.
- Under the scenarios for a lower economic growth and/or lower population growth rate, traffic levels, water usage and air pollution continue to rise but at a slower rate over the period to 2015. The lower growth scenarios cause the slowest rate of growth in household water consumption.

The modelling results clearly illustrate that 'doing nothing' is not an option as traffic levels, water use and air pollution are set to steeply rise in the South East over the period to 2015. The results show that the lower growth scenarios only serve to reduce the rate at which traffic levels, water use and air pollution could be expected to grow. Some commentators have argued that resource shortages and environmental problems could be addressed by slowing population growth and achieving an 'optimal' level of population. The results appear to question this argument. Slowing population growth has a marginal impact on traffic levels, water use and air pollution in the South East. Figures 5 to 8 show there is little difference in

the effect of the scenario for a lower economic growth rate compared with the scenario for a lower economic growth and population growth rate.

Slowing the population growth rate in the South East has the most impact on reducing the rate of growth in household water consumption, although it offers little prospect for reducing the rate of growth in traffic levels. This is because there is a fixed element to household water consumption (closely correlated to household size) whereas traffic levels are more responsive to both the growth in income and price signals. Research has shown that even a fairly small increase in the costs of fuel can have a significant impact on changing travel behaviour and reducing traffic levels (Glaister, 2001).

Changing the behaviour of individuals and firms

The modelling results suggest that slowing the rate of economic growth and population growth in the South East would not alone be sufficient to address rising traffic levels, water use and air pollution. Clearly, other policy levers are also needed to encourage individuals and firms to use resources more efficiently and create less pollution and waste. New and emerging technologies are likely to play a vital role in encouraging resource productivity – from innovations in simple technologies like water efficient toilet flush systems and energy efficient fridges to more complex technologies for fuel efficient vehicles.

Policy makers need to identify policy options that encourage and enable individual and firms to take collective responsibility for improving quality of life in the South East. The kinds of policy options that could be employed for promoting more sustainable consumption can be thought of under four headings:

1. *Information* – raising awareness of more sustainable products and services; e.g., labelling of household appliances so that consumers can make informed choices about the most energy and water efficient products or information about car sharing schemes.
2. *Incentives* – rewarding individuals who use resources efficiently; e.g., tax breaks for energy efficient technologies or road user charging where motorists who contribute the least to congestion pay less or water metering for changing people's attitudes to water conservation.
3. *Regulation* – requiring products to meet minimum efficiency standards; e.g., regulations that require firms to develop and supply more energy efficient buildings or fuel efficient vehicles.
4. *Infrastructure* – making it easier for people to change their behaviour; e.g., support for accessible and reliable public transport alternatives to the car such as more frequent local bus services.

If policy makers are to change behaviour they will also need to change the attitudes of individuals and firms to sustainable consumption. One way of doing this is to highlight the economic benefits. For instance, energy efficient technologies will save energy and reduce the energy bills of both households and firms.

In the South East, traffic congestion is a major quality of life concern. Congestion adds to the cost of industry and commerce through delays and unreliable journeys. There is long established evidence that people value the savings they get from reducing the amount of time spent travelling. Research for the Department for Transport (DfT) estimated that a national road user charging scheme could achieve as much as £10 billion worth of time savings a year – at 2010 traffic levels and 1998 prices (Road Pricing Feasibility Study, 2004).

Some tough decisions for influencing the behaviour of individuals and firms in the South East will rest with central government. For instance, fiscal incentives for rewarding resource efficiency in the South East will require government intervention. This does not imply there is no role for regional and local agencies and authorities in the South East. For instance, there is nothing to stop South East agencies and authorities working together to introduce tolling on

major motorway routes or working in partnership with water companies to promote further water metering. A range of both softer and harder policy options will be explored in more depth in the Commission's forthcoming working papers.

Key findings

The principal objective of policy makers should be to improve quality of life.

To date the over-riding objective of public policy has been to increase growth in GVA per head. Policy makers, both in the South East and in central government, need to widen the ways they measure success so that they are not solely reliant on economic indicators of performance.

The Government is currently reviewing its headline quality of life indicators as part of the review of the UK Sustainable Development Strategy. No matter what form the indicators take they will only be useful if they have enough political backing and are seen to influence policy across Whitehall. The Government could help to raise the profile of its quality of life indicators amongst the wider public by reporting on their performance annually as part of a 'State of the Nations and Regions' account.

Higher levels of individual consumption in the South East may have diminishing returns, are likely to be environmentally unsustainable and will not necessarily reduce social inequalities.

In a comparatively affluent region like the South East, where the consumption levels of many are already high, seeking yet higher levels of consumption will have diminishing returns. What is probably of more interest to people in the South East is not their absolute but *relative* levels of consumption and how they compare to their peers and neighbours within the South East and with other UK regions. They may also be concerned with how they compare with other European regions but this is likely to be of more interest to policy makers in the South East.

The pursuit of higher levels of consumption will be environmentally unsustainable. In the South East, it is already evident that increased demand for resources is pushing against environmental limits. Compared to other English regions, the South East has some of the highest rates of water use and waste production with more droughts during the summer months and a growing shortage of landfill space. Furthermore, the effects of climate change and the impact of planned new developments in the South East could potentially increase the risk of flooding during the wetter, winter months.

The pursuit of high levels of consumption will do nothing to reduce social inequalities between the richest and poorest in the South East. Despite being one of the most affluent UK regions, there are wide disparities within the region especially along parts of the south coast. Tackling income inequality in the UK should be a priority for central government. SEEDA should focus on encouraging 'directed growth' by redistributing resources towards those areas most in need.

With regards to issues directly related to economic growth, satisfying housing demand and dealing with traffic congestion are the top quality of life concerns of people in the South East.

Quality of life surveys suggest that the majority of people in the South East are currently very satisfied with their quality of life. But people in the South East are already noticing how the pressures for growth could have a detrimental impact on their quality of life.

Policy makers in the South East should be measuring and prioritising what really matters to people in their region. The growth in congestion and the demand for more space for housing and traffic, both side-effects of traditional growth and expansion, are viewed by many people in the South East as a threat to their quality of life.

After housing and transport, people are also concerned about the impact that further development could have on the countryside, other green spaces and pollution levels.

People's awareness of future environmental risks in the South East, such as water shortages and flooding, is limited. The Government and other public agencies have a responsibility to raise awareness of these longer term risks.

Quality of life surveys provide a snapshot of people's current quality of life concerns but they rarely capture people's awareness of potential future risks or problems they might not have yet experienced. The effects of water shortages and flooding in the South East will almost certainly intensify over future decades with climate change and increased development. People's awareness of these future risks does not appear to be as high as it should be.

The Government and other public agencies need to raise public awareness of the longer term risks of more frequent water shortages or flooding so that people can make informed choices about the extent to which they are willing to accept these future risks. It is unclear whether people would put more pressure on public agencies to alter their approaches to development and/or strengthen flood defences and flood warning mechanisms if they had a better awareness of the impacts of flooding over the longer term.

The choices of individuals need to contribute collectively to the improvement of quality of life in the South East for today's and tomorrow's citizens.

Policy makers are often faced with reconciling what people say they want with what is good for society. For instance, most people in the South East recognise the need for new housing especially affordable housing. Yet at the same time they are generally opposed to new housing developments being built any where near where they live because of concerns about countryside protection, pressures on natural resources, and the impacts of more traffic.

The choices that people make today will also influence the choices available to people in the future. For instance, the fact that so many people in the South East choose to travel by car today is cumulatively adding to air pollution which will affect the health of their children by increasing their vulnerability to respiratory problems.

It is important, however, not to create a false divide by pitting individual choices against the good of society. Ultimately, society is made up of individuals and all of us as individuals will have to manage the consequences of our choices. There must therefore be collective responsibility in the South East for the options for improving the quality of life of today's and tomorrow's citizens.

If the South East maintains its current rate of economic growth it will become increasingly difficult for the region to continue to offer its citizens a high quality of life *without offsetting policy measures for changing the behaviour of individuals and firms.*

A continuation of the current rate of economic growth in the South East would see traffic levels, water use and air pollution steeply rise over the period to 2015. As an illustration of

the scale of the effect, household water consumption could rise by about 16 per cent, air pollution by about 7 per cent and traffic levels by about 23 per cent by 2015. Doing nothing is therefore a politically risky option.

A higher rate of economic growth and population growth in the South East would inevitably cause traffic levels, water usage and air pollution to rise at an even higher rate.

If policy makers pursued a lower rate of economic growth and population growth in the South East, traffic levels, water usage and air pollution would continue to rise but at a slower rate over the period to 2015. Slowing the rate of economic growth and population growth in the South East will therefore not be sufficient to address the environmental problems and resource shortages facing the South East.

The South East needs to ‘get more from less’ by encouraging individuals and firms to adopt more sustainable consumption patterns in order to improve quality of life.

The Government’s Sustainable Consumption and Production Strategy recognised that resource consumption is not inextricably linked to economic growth. The challenge facing policy makers is to identify policy options that encourage and enable individuals and firms to consume resources more efficiently and produce less waste and pollution. The policy options include:

1. *Information* – e.g., labelling of household appliances so that consumers can make informed choices about the most energy and water efficient products or information about car sharing schemes.
2. *Incentives* – e.g., tax breaks for energy efficient technologies or road user charging where motorists who contribute the least to congestion pay less or water metering for changing people’s attitudes to water conservation.
3. *Regulation* – e.g., regulations that require firms to develop and supply more energy efficient buildings or fuel efficient vehicles.
4. *Infrastructure* – e.g., support for accessible and reliable public transport alternatives to the car such as more frequent local bus services.

Price incentives, such as road user charging, may require political leadership as they may not be popular in the short term. In some cases, agencies and authorities in the South East may have limited powers to influence the behaviour of individuals and firms in their region. Central government will need to play an important role in funding infrastructure that supports sustainable consumption or mobility and in developing fiscal incentives and regulations that promote resource efficiency.

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Appendix 1

Summary of the South East's performance across the Government's fifteen headline quality of life indicators.

Headline indicators	Latest figures for the South East region	Regional change
<i>Economy</i>		
H1 Economic output	GVA was £18,511 per head in 2002 (England average was £15,646 per head)	An increase of 96% since 1990
H2 Investment	Manufacturing equated to 4.4% of manufacturing in 1998 to 2001 (England average was 4.4%)	Earlier comparable data are not available
H3 Employment	79.0% of working age people were in work in 2003 (England average was 75%)	A decrease of 1.6 percentage point since 2000
<i>Social</i>		
H4 Poverty and social exclusion	7.9% of working age people were in workless household and 10.8% were without qualifications in spring 2003 (England averages were 11.2% and 14.8% respectively) 12% of children lived in families with relatively low incomes before housing costs and 20% after housing costs in the period 2002-3 (England averages were 20% and 29% respectively) 6.7% of single elderly households experienced fuel poverty in 2001 (England average was 8.4%)	A decrease of 1.6 and 6.3 percentage points respectively since 1996 Reliable estimates for change are not available A decrease of 8.1 percentage points since 1996
H5 Education	80% of 19 year-olds had level 2 qualifications in spring 2003 (England average was 76%)	A rise of 12 percentage points since 1996
H6 Health	Life expectancy at birth was 77.2 years for males and 81.5 years for females in the period 2000-2002 (England figures were 76.0 and 80.6 years respectively)	An increase of 2.3 and 1.4 years for males and females, respectively, since 1991-1993
H7 Housing	28.8% of dwellings failed to meet the 'Decent Homes' standard in 2001. (England average was 33.1)	Earlier comparable data are not available

H8 Crime	<p>British Crime Survey rates per 10,000 households in 2002-3:</p> <p>All burglary: 346</p> <p>All motor vehicle theft: 1,062</p> <p>Recorded crime rates per 100,000 population in 2002-3 were:</p> <p>1,396 thefts of and from a vehicle (England average was 859)</p> <p>507 burglaries in dwellings (England average was 859)</p> <p>82 robberies (England average was 217)</p>	<p>A decrease of 27% since 1990</p> <p>A decrease of 33% since 1990</p> <p>Increased from 27 robberies in 1990</p>
Environment		
H9 Climate change	<p>Total emissions of carbon dioxide were 19 million tonnes carbon or 2,300 kg carbon per head in 2000. (England emissions were 114 million tonnes or 2,300 kg per person)</p>	<p>Earlier comparable data are not available</p>
H10 Air quality	<p>Number of days in 2003 when air pollution was moderate or higher: Harwell (rural) 90; Lullington Heath (rural) 100; Rochester (rural) 89; Southampton Centre 48. (England average was 51 days in urban areas and 68 days in rural areas)</p>	<p>It is not feasible to present change since the early 1990s</p>
H11 Road traffic	<p>85 billion vehicle kilometres were covered by motor vehicles in 2002; 82% of these were in cars and taxis (England total was 419 billion vehicle kilometres with 81% in cars and taxis)</p>	<p>Traffic increased on major roads by 21% since 1993</p>
H12 River water quality	<p>57% of river lengths were of good chemical quality and 94% were good or fair in 2002 (England averages were 65% and 94% respectively)</p> <p>77% of river lengths were of good biological quality and 99% were good or fair in 2000 (England averages were 68% and 95% respectively)</p>	<p>An increase of 18 and 10 percentage points respectively since 1990</p> <p>An increase of 10 and 4 percentage points respectively since 1990</p>
H13 Wildlife	<p>The population index for woodland species for the South East has declined by</p>	

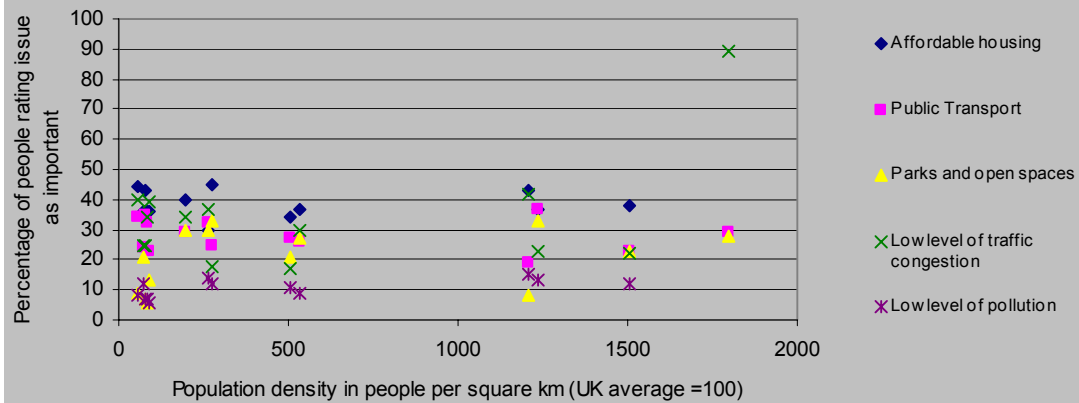
	<p>6% since 1994, based on 25 species (England averages: 6% decline, based on 33 species)</p> <p>The population index for farmland species for this region has declined by 12% since 1994, based on 18 species (England averages: 5% decline, based on 19 species)</p>	
H14 Land use	<p>Between 1999 and 2002 an average of 63% of new houses were built on previously developed land. (England average was 59%)</p>	<p>An increase of 9 percentage points on the 1989-1993 average</p>
H15 Waste	<p>529 kg per person of household waste was produced in 2002-3 (England average was 521 kg per person)</p> <p>104kg per person was recycled or composted in 2002-3 (England average was 76 kg per person)</p>	<p>A rise of 8% since 1998-9</p> <p>A rise of 59% since 1998-9</p>
Source: DEFRA, 2004		

Appendix 2

Which of these things are the most important in making somewhere a good place to live?

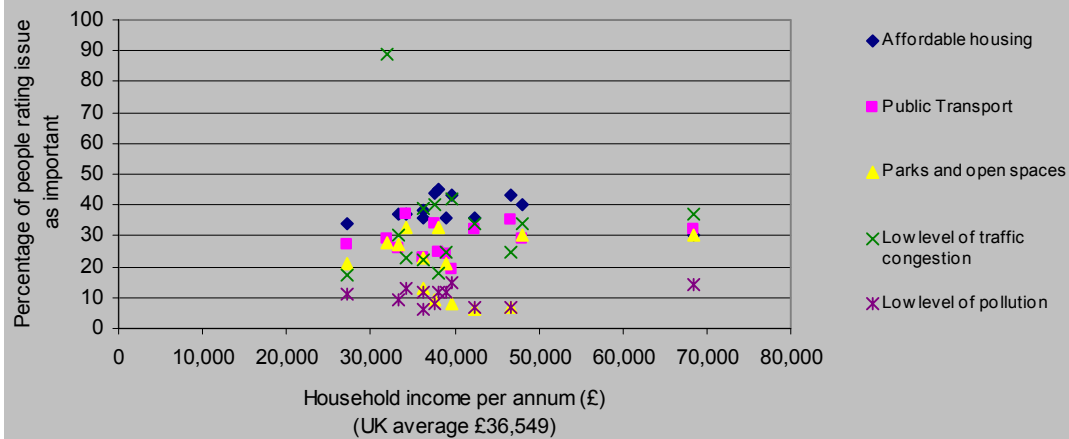
			Importance expressed as percentages (%)				
Authority	Household income per annum (£)	Pop. density (people per sq km, UK index = 100)	Affordable housing	Public transport	Parks and open spaces	Low level of traffic and congestion	Low level of pollution
UK average	36,549	100					
Milton Keynes	38,085	277	45%	25%	33%	18%	12%
Medway	33,325	535	37%	26%	27%	30%	9%
Thanet	27,245	505	34%	27%	21%	17%	11%
Ashford	38,882	73	36%	24%	21%	25%	12%
Brighton and Hove	34,221	1235	37%	37%	33%	23%	13%
Southampton	31,882	1796	-	29%	28%	89%	-
Guildford	48,096	197	40%	29%	30%	34%	-
Slough	36,245	1506	38%	23%	23%	22%	12%
Elmbridge	68,524	262	30%	32%	30%	37%	14%
Cherwell	36,341	92	36%	23%	13%	39%	6%
Oxford City	39,712	1210	43%	19%	8%	42%	15%
South Oxfordshire	46,689	78	43%	35%	7%	25%	7%
West Oxfordshire	37,716	55	44%	34%	9%	40%	8%
Vale of White Horse	42,360	82	36%	32%	6%	34%	7%
<p>Source: The most recent BVPI results provided to ippr by each local authority; household income data from Joseph Rowntree Foundation (2004, forthcoming); population density data from ONS (2004).</p> <p>Note: The table only shows the BVPI results relating to housing, transport, pollution and access to green spaces and so the percentages for each area do not add up to 100%. - means the information was not available.</p>							

Quality of life issues mapped against population density for a sample of areas within the South East



Source: BVPI results provided to ippr by each local authority; population density data from ONS (2004a).

Quality of life issues mapped against household income for a sample of areas within the South East



Source: BVPI results provided to ippr by each local authority; household income data from Joseph Rowntree Foundation (forthcoming).

Appendix 3

REEIO model assumptions for the environmental effects of different economic growth rates in the South East

Underlying Environmental Data

The environmental data underpinning the results presented are those collected as part of the REWARD project (a partnership lead by the Environment Agency with the participation of the Regional Development Agencies - including SEEDA - and the National Assembly for Wales: see <http://www.reward-uk.org>). The exercise to construct the regional environmental data proved to be a considerable undertaking. While they are considered to represent the best available estimates available at that point in time the limitations of the data are also recognised.

The limitations are perhaps greatest in the case of the data on water demand, particularly for non-household demand where for various reasons it was not possible to use water company-specific data. The data also do not consider the demand for water satisfied through firms' own supplies (boreholes or other own abstraction). The report supporting the data (http://www.reward-uk.org/REWARD_Water.pdf) details the methods used to construct the data. For England and Wales as a whole it is thought that the data gives a shortfall in industry and business water use of 500 ML per day, around 7% of identified water use.

Key assumptions

The baseline projections are based on the following key assumptions:

Economy (base projection)

- Over 2001–15 the South East economy grows by 2.8% per annum.
- The strongest growth is predicted in services, and particularly transport and communications and financial & business services. Manufacturing is forecast to grow by around 2.5% per annum.
- The population in the South East grows by just under 0.5% per annum over the period, from 8.02 million in 2001 to 8.54 million in 2015.

Water demand

- Over 2001-2015 the growth in per capita water demand slows from 3% to 0% per annum, representing an approximate middle case of the four long-term scenarios presented in A Scenario Approach to Water Demand Forecasting (Environment Agency, 2001).
- There is a modest trend towards more of the population being in metered households, with the proportion increasing by 0.5 percentage points per annum.

Transport

- Passenger road traffic grows at about half the rate of GVA growth (based on the experience of the decade from 1993; road traffic grew more rapidly, relative to GVA, in the 1980s).
- Freight road traffic grows at slightly faster than half the rate of GVA growth (based on the experience of the decade from 1993).
- Passenger rail travel grows at about the same rate as GVA growth (based on the experience of the period 1995-2002; this represents a marked upturn from the experience of the previous decade).

- Freight rail travel grows at about the same rate as GVA growth (less rapid than the period 1995–2002 but a marked upturn from the experience of the previous decade).
- The share of diesel cars relative to petrol cars in the car stock increases at 0.75 percentage points each year. Engine fuel economy for both cars and lorries improves at the rate 0.5% per annum.
- No allowance is made for the possibility, for example, that if road capacity does not keep pace with traffic growth then congestion may increase and fuel economy may worsen.

Energy demand

- The energy efficiency of manufacturing (energy use per unit of output) generally improves by just under 5% per annum (the improvement is more marked in some of the energy-intensive industries including chemicals).
- The energy efficiency of services improves by around 3.5% per annum.

Power generation

- There is no change over time, or in any of the scenarios, in the quantity of power generated in the South East, or in the fuel used and emissions generated.
- In the results the power generation sector has been excluded (because the location of power generation across the UK is not much related to the location of demand for power).

Air pollution per unit of fuel consumption

- There is no change over time, or between scenarios, in air pollution per unit of fuel consumption.
- The figures measure air pollution of each type for the South East as a whole and the year as a whole.
- No allowance is made for the possibility, for example, that if road congestion grows then peak concentrations of air pollution at particular times and localities may rise more rapidly than the average across the region and year.

Lower growth and population assumptions

- Key assumptions varied from the base case:
- Over 2001-15 the South East economy grows by 2.2% per annum. The weaker growth (compared to the base projection) is felt across the economy.
- The average annual growth in population is 0.25 percentage points slower than in the base case

Higher growth and population assumptions

- Key assumptions varied from the base case:
- Over 2001-15 the South East economy grows by 3.3-3.5% per annum. The stronger growth (compared to the base projection) is focused on service sectors.
- The average annual growth in population is 0.25 percentage points faster than in the base case

Source: Cambridge Econometrics, 2004



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