

The importance of social investment for UK economic strategy

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Paper Authors

Professor Dominic Abrams FBA – Professor of Social Psychology and Director of the Centre for the Study of Group Processes at University of Kent; Working Group Co-Chair

Professor Dame Henrietta L. Moore FBA – Founder and Director of the Institute for Global Prosperity and Chair in Culture, Philosophy and Design at University College London; Working Group Co-Chair

Jonathan Digby – Senior Policy Adviser (Public Policy), British Academy

Dr Adam Wright – Head of Public Policy, British Academy

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Professor Matthew Agarwala

Professor Charlotte Croffie

Professor Muthu De Silva

Professor Cameron Hepburn

Professor Aled Jones

Professor Jane Millar FBA

Professor Ann Phoenix FBA

Professor Kate Pickett

Professor Sean Smith

Professor Dennis J Snower

Professor Neil Stott

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Executive Summary

The UK's economic, social and environmental systems are deeply interconnected. Policymakers are aware of these interconnections, and that there are tools out there for better accounting for them in the economic strategy of government. However, shifting from narrower and more traditional ways of thinking about and measuring the economy and growth is complex and requires a careful, evidence-led, and joined-up approach.

With the support of multidisciplinary insights from the research community, policymakers have an opportunity to make these interconnections the basis of a long-term, holistic economic strategy, in which investments in health, education, wellbeing and social cohesion are a powerful foundation to improve the nation's economic performance while also enabling greater fundamental strengthening of societal resilience and capacity for change. These kinds of investments can not only reduce costs to the state, but also provide economic gains from improving long-run productivity. Such an approach will connect up and enable the Government's stated Missions and milestones, including its ambition to raise living standards across the whole country.

While the pursuit of economic growth is rightly a critical policy objective, it is essential to understand more than the single dimension that is captured by economic metrics alone. Accounting properly for social value doesn't diminish the importance of the pursuit of economic growth, but instead enhances it, revealing the strategies which create a range of co-benefits across the wide portfolio of challenging public policy issues within the purview of government. Societal and environmental well-being are fundamental to a well-functioning, prosperous society, and efforts to enhance them are essential if improvements in productivity and growth are to be realised. The good news is that the UK already collects a great deal of robust data against a variety of broader economic, social and environmental indicators, all of which are supported by an extensive body of literature already. These indicators, when analysed in the most effective ways, can be integrated and enhanced to provide a more comprehensive and longer view of the trajectory of citizen wellbeing and the nation's overall economic, social and environmental health.

The more effective use of these existing indicators would be supported by the adoption of a systems approach within government to join-up strategies cutting across departmental policy agendas, to better recognise and integrate within policymaking the understanding that our economic prosperity, societal wellbeing and environmental sustainability are tied closely together. Such an approach would need to be underpinned by a more proactive and inclusive policymaking process that is sensitive to how different groups are affected by different policies.

It is important to recognise that there are two lines of argument here that are distinct and complementary. The first is an argument for why a wider set of dimensions linked to social, environmental, health and wellbeing, are crucial for economic growth. The second is an underpinning and foundational argument setting out the interconnections between these dimensions, and why this broader understanding of social value in its most holistic sense is critical for long-term prosperity in all its forms. The Working Group's discussions considered both, and the paper tries to draw out the interplay and evidence bases for these arguments throughout.

We identify a number of policy considerations that will help to enable the shift in approach to economic policymaking set out in the paper, that holds social and environmental value as key pillars for economic prosperity:

Short-to-medium term considerations

- Adopt as consistent and standard practice a wider set of comprehensive and holistic economic, social and environmental indicators to complement and contextualise GDP.
- Embed social and environmental value in investment decision-making and policy development processes.
- Adopt a systems approach to enable joined-up policymaking across departments, supported through the establishment of an independent Office for Social and Sustainable Responsibility.

Long-term considerations

- Enable a more participatory and inclusive policymaking process recognising the diversity of participation and breadth of inclusion required for an integrated economic strategy.
- Reframe the official policy discourse on investment, to more clearly recognise the value of public spending in areas such as health, education, social security and social cohesion in delivering enhanced growth and productivity.

1.0 Introduction

For more than a decade, the UK has been experiencing a harmful combination of low growth, stagnant productivity and persistently serious levels of inequality. While this has been a trend across much of the developed world, the UK's productivity gap with France and Germany has doubled since 2008 and income inequality is higher in the UK than in any other major European economy.² Satisfaction with public services, which have been under considerable pressure for years, remains low, while demographic changes will see demand for public services outstrip the working-age population, particularly as the proportion of the population with multiple and complex needs continues to rise.³

This situation is both economically unsustainable and damaging for wellbeing, social cohesion and political stability. A public that does not feel that these challenges are being addressed may well become increasingly politically polarised and distrustful of government, making it still harder to tackle complex structural issues.⁴ There is also a distinct intergenerational dimension to these challenges; while the effects of climate change and AI technologies are already being felt across society, in the longer term it is today's young people and future generations that will be most affected by these and therefore by any decisions that policymakers take now to mitigate their harmful impacts.

Tackling these issues will require more than just pulling the usual economic levers; while these remain important, there will need to be a fundamental shift in how policymakers think about and approach economic policy. This paper argues that our social and environmental systems are inextricably linked to our economic systems, the success of each therefore being tied closely together. Consequently, social and environmental policy agendas will be critical to a long-term holistic strategy to tackle the UK's structural economic challenges and addressing the scale of inequalities in the UK. The strategy for a more productive economy needs to encompass wider, shared notions of human flourishing and living well within a set of complex and dynamic systems that work together to produce intersecting and cascading benefits.

This paper makes the case for social investments as the basis of a joined-up economic strategy. Our analysis asserts that investments in people's health, education and wellbeing, in social cohesion and in reducing inequalities are a necessary foundation for strengthening and revitalising the economy, while also helping to enable greater societal resilience and capacity for change.⁵ We also emphasise the roles of voluntary work, childcare and social care, which have a substantial impact on people's lives, sustain our social fabric and can help to drive growth.⁶ However, we argue that policymakers should be attentive to more than just the traditional economic metrics. There are many other aspects of people's lives beyond paid work that are fundamental to citizen wellbeing and a well-functioning society which the UK already collects data on, that should be taken into account alongside GDP. When considered together, these can provide a more comprehensive reflection of the nation's overall economic, social and environmental health.

² Resolution Foundation & Centre for Economic Performance, LSE (2023), [Ending Stagnation: A New Economic Strategy for Britain](#), p. 7.

³ House of Lords (Public Services Committee) (2022), [Fit for the future: Rethinking the public services workforce](#), p. 3.

⁴ Curtice, J. (2024), 'Trust and confidence in Britain's system of government at record low', National Centre for Social Research.

⁵ Given the interconnections between these systems, crises such as public health emergencies will therefore have significant economic, social and environmental impacts. See the British Academy's work on [The COVID Decade](#) and research funded as part of the Academy's [Global Convening Programmes](#).

⁶ CBI (2023), [Five ways the UK's broken childcare system is preventing economic growth](#).

Furthermore, we highlight the value of adopting systems thinking and whole-systems approaches to support the more effective use of these existing indicators for policymaking. Systems approaches will enable different departments to work more effectively together on shared aims, challenges and objectives. However, it will require better data-sharing and collection of more relevant and compatible data in order to achieve well-thought through policies and joined-up strategies cutting across departmental policy agendas. Moreover, systems must be understood in both their horizontal and vertical aspects, so policy will be most likely to succeed if policymakers embed a proactive approach to engaging citizens and fostering greater participation and co-production that can ensure that economic policies are aligned to local, regional and national contexts.

This paper captures the discussions of the Sustainability and Social Value Working Group for the British Academy's Economic Strategy Programme. The paper focuses primarily on practical approaches that can be adopted by policymakers to establish a more comprehensive economic strategy, whilst also alluding to the fundamental interconnections between social, environmental and economic wellbeing that are integral to such a strategy.

When taken together these two components of the working group's discussions show the complexities in any strategy focused on delivering economic growth. There is a reciprocity at play, whereby pursuing the values-led foundation will encourage a systemic approach, while the attentiveness to measures already in place on social, environmental and economic growth and well-being are a path to the former. There are, already, pragmatic paths to move us towards embedding the ambitions of realising wider value in our policies for growth. But accounting properly for economic and social value doesn't diminish the importance of the pursuit of economic growth, but instead enhances it, revealing the strategies which create a range of wider co-benefits across the wide portfolio of challenging public policy issues within the purview of government. This argument is understood by many policymakers but establishing the evidence for it within a consensually developed framework may help consolidate the case for the holistic approach to measuring value and the systems approach to economic strategy set out in the paper.

2.0 Fundamental considerations

2.1 How economic, social and environmental policy agendas are inherently connected

The UK today faces a range of complex policy challenges, including the structural transformation posed by the transition to a decarbonised economy and the impacts of emerging digital technologies like Artificial Intelligence. These are not discrete challenges; rather, they are deeply cross-cutting owing to the inherent connections between economic, social and environmental policy agendas. Investing resources into addressing their social and environmental objectives will therefore be essential to help policy makers achieve their economic objectives.

Arguments emphasising the complementarity between economic and social policy are well-established. There is a wealth of evidence showing that investments in human capital and the externalities that stem from these play an important role as a driver of economic development and growth.⁷ For example, a range of evidence has shown that education is key to higher earnings and productivity and that early-childhood education is a critical factor in an individual's wellbeing and productivity, and is particularly beneficial for those from disadvantaged backgrounds.⁸ It is estimated that the UK would see an increase in GDP per capita of 1.7% by closing the gap in pre-primary education attendance with that of the OECD average.⁹

Health is also a key aspect of human capital and therefore a contributor to both wellbeing and productivity. A number of studies have demonstrated the positive impact that improvements in public health can have on economic growth. The final report of the IPPR Commission on Health and Prosperity concluded that a healthier population is "Britain's greatest untapped route to prosperity".¹⁰ On the flip side, tracking the implementation of prevention strategies is also essential as poor health can prevent people from working, increases pressure on public health services and the welfare system and leads to reduced tax revenue for government. This is a particularly critical issue for the UK given that the number of economically inactive adults due to ill-health peaked at 2.8m last year, an increase of 700,000 from 2019, representing up to £5bn in lost tax revenue.¹¹

⁷ Lucas, R.E. (1988), 'On the mechanics of economic development', *Journal of Monetary Economics*, vol. 22, pp. 3–42.; Grant, C. (2017), *The contribution of education to economic growth*, Institute of Development Studies, p. 2.

⁸ Valero, A. (2021), *Education and economic growth*, Programme on Innovation and Diffusion; UNICEF (2022), *Pre-primary education*; Garcia, J. L., Heckman, J. J., Leaf, D., Prados, M. J. (2016), *The life-cycle benefits of an influential early childhood program*, Institute of Labor Economics, IZA DP No. 10456; Lu, S. (2021), 'Which investments in human capital will boost productivity growth?', *Economics Observatory*.

⁹ Lu, 'Which investments in human capital will boost productivity growth?', *Economics Observatory*.

¹⁰ NHS Confederation (2022), *The link between investing in health and economic growth*; Atun, R., Fitzpatrick, S. (2005), 'Advancing economic growth: Investing in health', Chatham House; Thomas, C., O'Halloran, J., Parkes, H., Hawkey, D., Williamson, A., Patel, P., Poku-Amanfo, E., Quilter-Pinner, H. (2024), *Our greatest asset: The final report of the IPPR Commission on Health and Prosperity*, IPPR.

¹¹ BBC (2024), 'Sick people leaving workforce at record highs'; Thomas, C. et al. (2024), *Our greatest asset*, IPPR.

There is increasing recognition, as argued in the 2021 Dasgupta Review, that our social and economic systems are ‘embedded within Nature, not external to it’.¹² A recent report found that a 1% increase in global temperatures would lead to a 12% decline in world GDP. The economic costs of environmental inaction are mounting.¹³ As the new government has indicated, environmental policy can form a crucial component of economic strategy, with Net Zero representing an opportunity for driving growth and furthering the UK’s economic and energy security.¹⁴ Following the 2015 Lancet Commission’s conclusion that “tackling climate change could be the greatest global health opportunity of the 21st century”, researchers are increasingly exploring the critical links between climate change and population health and the co-benefits that can arise from, for example, reducing emissions which can improve air quality.¹⁵ Additionally, while we are dependent on our natural environment for our food systems and the regulation of our climate, there is also a growing body of evidence showing that the public consider green spaces to be crucial for not just our physical health but also our mental wellbeing.¹⁶

Despite these clear connections between policy agendas, government approaches to key elements underpinning large parts of the economy have remained too narrow. For example, policymakers have largely disregarded social innovation (establishing new sets of relationships, interdependencies, demands and priorities through social activity) and its role in driving economic innovation. Such innovation is necessarily intertwined with various aspects of infrastructure. Traditional definitions of infrastructure have tended to focus on the nation’s physical capital, like roads, railways and buildings, while ignoring social forms of infrastructure that have a substantial impact on people’s lives and can help to drive growth.¹⁷

Some of this value can be quantified; the OBR estimated last year, for example, that the extension of 30 hours free childcare could enable 60,000 more parents to be in employment by 2027-28.¹⁸ Additionally, greater investment in social care, which employs more people than the NHS, could help to reduce economic inactivity amongst 50-64 year olds, boost the number of women in employment (as they are seven times more likely than men to take on unpaid caring responsibilities) and generate long-run savings.¹⁹ As the evidence demonstrates, such investments in the nation’s human capital can also have a range of cascading benefits, including through enhancing capacities and capabilities, producing collective belonging and commitment to society, and improving social solidarity and cohesion, which then bring their own economic and social benefits.²⁰

¹² Dasgupta, P. (2021), *The Economics of Biodiversity: The Dasgupta Review Headline Messages*, p. 3.

¹³ Bilal, A., Kanzig, D. (2024), *The macroeconomic impact of climate change: Global vs local temperature*, National Bureau of Economic Research.

¹⁴ The Labour Party (2024), *Labour Party Manifesto*, p. 51.

¹⁵ Matthew Bell, *The critical link between health and climate change*, Frontier Economics; Wang, H., Horton, R. (2015), *Tackling climate change: the greatest opportunity for global health*, The Lancet, Volume 386, Issue 10006, 1798 – 1799.

¹⁶ See research from the British Academy and Power to Change that shows these spaces were particularly important aspects of social infrastructure for recreation and socialising during the COVID-19 lockdowns: The British Academy and Power to Change (2023), *Space for community: strengthening our social infrastructure*; Zia, N., Barke, J., Garling, O., Harries, R. (2023), *Community perceptions of social infrastructure*, Institute for Community Studies and Bennett Institute for Public Policy.

¹⁷ The British Academy and Power to Change (2023), *Space for community: strengthening our social infrastructure*.

¹⁸ Office for Budget Responsibility (2023), *Economic and fiscal outlook: March 2023*, p. 21.

¹⁹ Future Social Care Coalition (2023), *Carenomics: Unlocking the economic power of care*, pp. 4-6; Kelly, R., Langley, L., Fell, M., Richardson, E. (2024), *No kidding: How transforming childcare can boost the economy*, KPMG UK and BusinessLDN; Galandini, S., Spoor, C. (2024), *Valued: Breaking the link between paid and unpaid care, poverty and inequalities across Britain*, Oxfam

²⁰ OECD (2001), *The well-being of nations: The role of human and social capital*, p. 35; Lima de Miranda, K., Snower, D. (2020), *‘Recoupling economic and social prosperity’*, Global Perspectives, February; Khan, S. (2024), *The Khan Review: Threats to social cohesion and democratic resilience: A new strategic approach*, p. 40-42; Lalot, F., Abrams, D., Broadwood, J., Davies Hayon, K., & Platts-Dunn, I. (2022), *‘The social cohesion investment: Communities that invested in integration programmes are showing greater social cohesion in the midst of the COVID-19 pandemic’*, Journal of Community & Applied Social Psychology, 32(3), 536-554.

²¹ Gershuny, J., Sullivan, O. (2019), *What we really do all day: Insights from the Centre for Time Use Research*, Pelican Books.

The capacity of social investment and innovation to underpin economic growth is also dependent on the availability of people's time. Time not spent working for an employer or business may well be time that contributes significantly to economic growth. Additionally, as shown in the work by the [Centre for Time Use Research](#), many people spend significant proportions of their lives in ways that contribute to a well-functioning, prosperous society, including time spent caring for others or volunteering, but which are not valued in the same way as time spent at work and cannot be captured by economic metrics alone.²¹

2.2 New measures of social value/progress that can sit alongside traditional economic metrics

Currently, economic policy is targeted at maximising narrow metrics like GDP. While the convenience of drawing on such well-used measures is clear, it is far from optimal or sufficient as a way of characterising the strength and growth potential of the economy or society as a whole. Specifically, GDP can provide useful information for policymakers about the size and state of the economy, but does not provide much insight into the wider wellbeing of the population or how much social and environmental value is being produced which, as discussed above, can have considerable economic impacts.

Given the limitations of GDP as a measure of economic performance, what other metrics are available to help support a more integrated economic strategy? The UK has the advantage of being a data-rich country with a plethora of economic, social and environmental indicators that can be of significant use to policymakers. The ONS, for example, has begun to track Gross Inclusive Income to provide a broader measure of the economic welfare of the population beyond the activity and assets currently included in GDP, reflecting the economic value of unpaid activity such as housework, caring responsibilities and ecosystem services.²² However, at present, different government departments focusing on different, but interrelated, areas of policy are not necessarily joining up their thinking about how we capture the connections between them. Embedding a coherent and consistent strategy for measuring wider social value that intersects across different government departments can yield benefits through joined-up decision-making and policymaking. For example, the Scottish Government have a set of 'National Indicators', including a range of economic, social and environmental indicators, which provide a measure of national wellbeing.²³

This supports moving away from siloed approaches to a cross-departmental 'systems-level' approach, working together on shared aims, challenges and objectives. However, this requires better sharing and more relevant and compatible data in order to achieve well-thought through policies and 'joined-up' departments. It is likely that a more holistic, systems-level approach can help capture and measure social value more effectively for a more integrated economic strategy. Systems-thinking approaches provide greater potential for policymakers to improve policy outcomes and decision-making by establishing connections within real world systems and gaining a comprehensive view on the impact of investments and policies. A systems approach could be based on shared challenges or driven by a set of shared missions that may help to identify synergies between different government departments.²⁴ The new government's mission-driven agenda may be a starting point for a systems approach.

²¹ Gershuny, J., Sullivan, O. (2019), *What we really do all day: Insights from the Centre for Time Use Research*, Pelican Books.

²² Office for National Statistics (2024), *UK inclusive wealth and income accounts: 2005 to 2022*.

²³ Scottish Government, 'National Performance Framework: What it is'.

²⁴ De Silva, M., Gokhberg, L., Meissner, D., Russo, M. (2021), *Addressing societal challenges through the simultaneous generation of social and business values: a conceptual framework for science-based co-creation*, Technovation 104, 102268.

One example of a whole-systems approach is the natural capital approach to accounting, which is already important for policymakers to help integrate thinking about climate change and green transition into their economic strategy and wider decision-making.²⁵ It may be possible to consider similar frameworks for other ‘capitals’. However, the accounting methods used in the natural capital framework are not without limitations, as it is clear that certain things (such as North Sea oil) may be easier to quantify in a cost-benefit analysis than others (such as biodiversity). The framework allows policymakers to take into account not only more standard questions of growth and efficiency, but also sustainability and equity, when measuring value.

Another example of whole-systems approaches is where economies can be thought of as complex adaptive systems. Economies involve many different interacting agents which evolve and self-organise, meaning that the economic system will change organically over time. Macro phenomena - such as unemployment, levels of poverty or environmental destruction - emerge from the micro interactions between the agents within the system.²⁶ The implications are that policymakers must be broader and more flexible in their strategic thinking, recognising that social and environmental factors are always intertwined with the economy and can drive policymakers’ economic goals. The Dasgupta Review recommended the adoption of measures that encompassed human, manufactured and natural capital, although these have not yet been adopted fully by HM Treasury.²⁷

Policymakers should therefore consider a further shift away from conventional cost-benefit analysis to encompass ideas of value and wellbeing and how this is distributed across society. These areas can still be quantified and should be part of the decision-making process despite being harder to measure, while it is also important for policymakers to appreciate that not everything that is important to a well-functioning, prosperous society can be measured quantitatively.²⁸

2.3 Inequalities and citizen engagement

Central to any new economic strategy should be a proactive approach to understanding and addressing the scale of inequalities in our society. The UK continues to experience persistently high levels of economic inequality and is amongst the highest of OECD members for income inequality.²⁹ While tackling inequalities can be viewed as a desirable policy goal in and of itself, there is also a clear social and economic rationale for doing so given the ways that this can impact on a country’s productive capacity and its citizens’ wellbeing; for example, researchers have found that excessive levels of inequality can weaken social cohesion, increase societal instability and political polarisation, and ultimately contribute to lower levels of economic growth.³⁰ Data has also shown that more unequal societies tend to have lower levels of child

²⁵ The 2018 ‘25 Year Environment Plan’ noted its ‘world-first’ use of a natural capital approach: HM Government (2018), *A Green Future: Our 25 year plan to improve the environment*, p. 11. The Agriculture Act 2020 and Environment Act 2021 also reflect elements of a natural capital approach.

²⁶ Mealy, P., Barbrook-Johnson, P., Ives, M. C., Srivastav, S., Hepburn, C. (2023), *Sensitive intervention points: a strategic approach to climate action*, *Oxford Review of Economic Policy*, Volume 39, Issue 4, pp. 694-710.

²⁷ Dasgupta, *The Economics of Biodiversity: The Dasgupta Review Headline Messages*, p. 4.

²⁸ For instance, the British Academy has recently *commissioned research* into how to develop a framework for measuring the value of social and cultural infrastructure, and has been providing support to DCMS on their framework for *valuing cultural and heritage capital*. Following the Academy’s programme of work on Cohesive Societies and the 2024 Khan Review, we also have a better understanding of how social cohesion can be measured and how to evaluate its impacts on health, social participation and economic activity: The British Academy, *Cohesive Societies Programme*; Abrams et al. (2023), *Linking volunteering and social cohesion: Causal evidence in the UK and Beyond*, The Belong Network & University of Kent; Abrams, D., Davies, B., Horsham, Z. (2023), ‘*Rapid Review: Measuring social cohesion*’, Belong Network and University of Kent.

²⁹ Brewer, M., Wernham, T. (2022), ‘*Income and wealth inequality explained in five charts*’, *Institute for Fiscal Studies*; Francis-Devine, B. (2024), *Income inequality in the UK*, House of Commons Library, p. 37.

³⁰ Rodrik, D. (1999), ‘Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses’, *Journal of Economic Growth*, 4(4), pp. 385-412.

Berg, A., Ostry, J. (2011), ‘Inequality and Unsustainable Growth: Two Sides of the Same Coin?’, *International Monetary Fund*, p. 3.

wellbeing and social mobility.³¹ Of more direct relevance to economic performance, not only is poverty known to deplete individual's cognitive functioning and decision capacities, but the impact of financial scarcity on psychological health is particularly magnified when there is greater societal income inequality.³²

Research by the Resolution Foundation, which shows that economic inactivity due to ill health amongst 18-24 year-olds is most prevalent among those with low levels of skills and in areas dominated by small towns and villages, illustrates how inequalities relating to age, health, education and place can manifest together in people's lives.³³ Inequalities associated with socioeconomic status, race, ethnicity, gender, disability, geography or other factors, can interact and magnify each other, in ways that may exacerbate the inhibition or prevention of participation in economic activity.³⁴ It is therefore crucial that policy is sensitive to evidence of the impact that policies can have on different groups in different places, or otherwise risk entrenching disadvantage further.³⁵ Policies must be 'situated' in, and responsive to, the dynamic social, economic and environmental systems in which they appear. The 'model of interacting inequalities' (see Figure 1 in the Annex) is one way of understanding entrenched and intersecting inequalities.

Given the need to address these complexities efficiently and appropriately, an essential part of the Government's strategy must be to engage a diverse range of citizens' voices, and particularly underrepresented groups and communities, in the policymaking process to ensure that policies are developed and implemented with the input of those they are most likely to affect. A more participatory, inclusive and co-productive approach to research and policymaking could help to empower citizens, enhance their agency and enable the development of more effective policy, and could help to bring citizens on board with the government's programme of change.³⁶ It can also ensure that economic policies are aligned to local and regional contexts, a prominent point made in the Academy's 'Where we live now' project on the relationship between place and productivity.³⁷

³¹ Pickett, K., Wilkinson, R. (2007), 'Child wellbeing and income inequality in rich societies: ecological cross sectional study', *British Medical Journal*, 335(7629), pp. 1080-86.

³² Russell Sage Foundation (2016), *What We Know About Economic Inequality and Social Mobility in the United States*. Buttrick, N.R., & Oishi, S. (2017), *The psychological consequences of income inequality*, *Social & Personality Psychology Compass*, 11 (3); Sommet, N., Morselli, D., & Spini, D. (2018), *Income inequality affects the psychological health of only the people facing scarcity*, *Psychological Science*, 29 (12), 1911-1921.

³³ Murphy, L. (2023), *Left behind: Exploring the prevalence of youth worklessness due to ill health in different parts of the UK*, Resolution Foundation; UK Government (2024), *Chief Medical Officer's annual report 2024: Health in cities*.

³⁴ Barboza-Wilkes, C.J., Le, T.V., & Resh, W.G. (2023), *Deconstructing burnout at the intersections of race, gender, and generation in local government*, *Journal of Public Administration Research and Theory*, 33 (1), 186-201.

³⁵ El Dessouky, O., McCurdy, C. (2023), *Costly differences: Living standards for working-age people with disabilities*, Resolution Foundation, p. 3.

³⁶ Levin, M., Curtis, P., Castell, S., Kapetanovic, H. (2024), *Citizens' White Paper*, Demos; World Health Organisation (2022), *Implementing citizen engagement within evidence-informed policy-making: an overview of purpose and methods*.

³⁷ The British Academy (2016), *Where we live now: Making the case for place-based policy*.

3.0 Policy choices

This paper has discussed fundamental questions of how we think about our economic systems and how these impact, and are impacted by, our social and environmental systems. Policy responses to address these must therefore be structural and longer-term in nature to match what are systemic policy issues. However, there are also some choices that policymakers can consider in the more immediate-term to help lay the groundwork for a longer-term change in approach to economic policymaking that holds social and environmental value as key pillars for economic prosperity.

Short-to-medium term considerations

- **Adopt as consistent and standard practice a wider set of comprehensive and holistic economic, social and environmental indicators to complement and contextualise GDP**
 - Consider, alongside GDP, a broader set of metrics to focus on tracking improvements in people's quality of life and provide policymakers with a more holistic, systems-level view of the nation's overall economic, social and environmental health.
 - These additional metrics could augment and include existing ones, such as the ONS' measure of Gross Inclusive Income, the SAGE framework, (based on 'Solidarity', 'Agency', 'Material Gain' and 'Environmental Sustainability'); the EU's resilience dashboard (which consists of indicators across social, economic, green, digital, and geopolitical dimensions); the OECD's Well-being Framework; and the Genuine Progress Indicator.³⁸
 - Make use of alternative metrics at different scales. While the above metrics give a macro-overview of the economy at the aggregate level, it will be useful to accompany this with local or place-based metrics such as the Citizen Prosperity Index that monitors quality of life, systemic intersections that need to be addressed, and progress against social investments made in specific contexts and places.³⁹ Effective measurement of social cohesion, for example, requires a multi-level place-based analysis, ranging from the hyperlocal to regional and national scales.
 - Utilise measures of 'good work' to better capture the relationship between employment, economic performance, and social value. Existing sources of data include the UK Workplace Employment Relations Survey, the Skills and Employment Survey, and CIPD's UK Working Lives Survey.
 - Consider measures of social value and good work in analysing the contextualised performance of regional economies and labour markets.

³⁸ Lima de Miranda, K., Snower, D., 'Recoupling economic and social prosperity'; European Commission (2021), *Resilience Dashboards*; OECD (n.d.), *Measuring well-being and progress*; Costanza, R., Kubiszewski, I., Giovannini, E. et al. (2014), *Development: Time to leave GDP behind*, *Nature* 505, pp. 283–285; Abrams, D., Davies, B., Horsham, Z. (2023), 'Rapid Review: Measuring social cohesion', Belong Network and University of Kent.

³⁹ Moore, H.L., Mintchev, N. (2023), 'What is Prosperity', in *Prosperity in the Twenty-First Century: Concepts, models and metrics*, London: UCL Press, pp. 25–47; Moore, H.L., Woodcraft, S. (2023), 'Local meanings and 'sticky' measures of the good life: redefining prosperity with and for communities in east London', in *Prosperity in the Twenty-First Century*, pp. 75–104.

- **Embed social and environmental value in investment decision-making and policy development processes**
 - Given their crucial role in determining and implementing economic strategy, HM Treasury and Department for Business and Trade could review how they embed social and environmental value into their respective departmental policymaking processes.
 - While HM Treasury currently uses the Green Book to guide investment decisions, a Civic Society or Social Value Book could be developed to be used in conjunction with the Green Book to allow a more holistic approach to investment decisions and policy appraisal.
 - Consider ways to expand upon the natural capital framework so that investment decisions can better account for important factors that are more difficult for the framework to quantify.
- **Adopt a systems approach to enable joined-up policymaking across departments, supported through the establishment of an independent Office for Social and Sustainable Responsibility.**
 - Embedding a coherent and consistent social value strategy that intersects across different government departments can enable joined-up decision-making and a more systemic approach to policymaking. This supports moving away from siloed approaches to a cross-departmental approach, working together on shared aims, challenges and objectives.
 - A new institution or public body could help to embed a systems approach within Government. For example, the creation of an 'Office for Social and Sustainable Responsibility', equivalent to and working with the Office for Budget Responsibility, tasked with reviewing the government's social and environmental policies could bring diverse and multidisciplinary thinking and consideration of unintended consequences before policies are implemented. The National Institute for Health and Care Excellence (NICE) is another useful model as an independent advisory body to the Department for Health and Social Care.

Long-term considerations

- **Enable a more participatory and inclusive policymaking process recognising the diversity of participation and breadth of inclusion required for an integrated economic strategy**
 - Departments could consider how they engage with the public during the policy development process, and particularly how they ensure that underrepresented groups and communities that are most likely to be affected by specific policies are heard. This kind of co-productive approach to research and policymaking could help to empower citizens and enhance their agency while contributing positively to social cohesion.
 - Bringing in a diverse group of stakeholders such as citizens, communities, local and national government, industry and business and the third sector to work collectively towards social wealth objectives such as net-zero can ultimately help to achieve those objectives. This is in line with the Government's devolution agenda of transferring power to communities.⁴⁰
 - Consider ways to reconnect public policy with lived experience and the places and relationships people care about, understanding that place-sensitivity in economic strategy can improve central government's ability to produce effective policy and

⁴⁰

Ministry of Housing, Communities and Local Government (2024), [English Devolution White Paper: Power and partnership: Foundations for growth](#).

regulation for different local and regional contexts. Rather than a one-size-fits-all approach, policies must be ‘situated’ in, and responsive to, dynamic contexts and places. Having a place-based, context-specific approach towards social investments could help with local growth plans and industrial strategy.

- **Reframe the official policy discourse on investment, to more clearly recognise the value of public spending in areas such as health, education, social security and social cohesion in delivering growth and prosperity**
 - A longer-term shift in approach to economic strategy will require a fundamental reassessment of the value of social and environmental investments to economic prosperity. This includes key services and structures that help to sustain our society and economy and have a substantial impact on people’s lives but which policymakers continue to undervalue, including social protections, social and cultural infrastructure, childcare and social care.⁴¹
 - In order to support this, policymakers may find it helpful to reframe their own narratives around public spending, from viewing them as costs to the public purse and instead emphasising these as critical long-term investments which ultimately contribute significantly to the productivity and wealth of the nation.

3.1 Limitations

The considerations set out above represent a departure from traditional approaches to economic strategy. A clear strategy, supported by new metrics, needs to be planned in order to realise potential benefits in the short, medium and longer term. It would therefore take time to implement these ideas. Additionally, adopting a systems approach to policymaking across government departments raises practical challenges. While this can help to prevent silos and enable more joined-up decision-making, such an approach would need to be driven by a clearly defined set of shared aims, challenges or missions and would require better sharing of, and more relevant, data in order to achieve well-thought through economic, social and environmental policies. Despite these political and practical challenges, we strongly support government efforts to adopt a longer-term and more holistic perspective on policy impact.

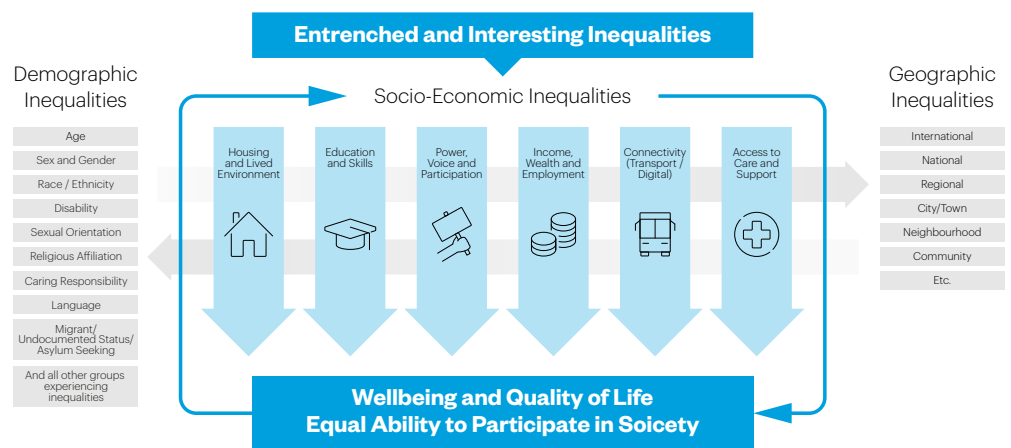
Finally, while new research shows that productivity is enhanced by social cohesion, the implications of this for the UK’s green transition and navigating the next stage of structural transformations are that we need to conduct new research on how to maximise the forms of community cohesion and solidarity that will drive productivity gains and form part of a wider strategy of investing in the long-term wealth of the UK.⁴²

⁴¹ Moore, H.L., Boothroyd, A. (2022), *Addressing the UK’s Livelihood Crisis: Beyond the Price of Energy*, London: Institute for Global Prosperity, UCL.

⁴² Sidorenkov, A.V., Borokhovski, E.F. (2023), *The Role of Cohesion and Productivity Norms in Performance and Social Effectiveness of Work Groups and Informal Subgroups*, Behav Sci (Basel).

4.0 Annex and further reading

Figure 1 – Model of Interacting Inequalities; Greater Manchester Combined Authority (2021), Independent Inequalities Commission.



Further reading

Alternative metrics:

Costanza, R., Kubiszewski, I., Giovannini, E. et al. (2014), [Development: Time to leave GDP behind](#), *Nature* 505, pp. 283–285.

- Includes a summary of alternative [National indicators of welfare and wellbeing](#).

Lima de Miranda, K., Snower, D. (2020), [‘Recoupling economic and social prosperity’](#), Global Perspectives, February.

European Commission (2021), [Resilience Dashboards](#).

OECD (n.d.), [Measuring well-being and progress](#).

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Social cohesion, and social and cultural infrastructure:

Khan, S. (2024), [The Khan Review: Threats to social cohesion and democratic resilience: A new strategic approach](#).

The British Academy (2019), [Cohesive Societies: Scoping concepts and priorities](#).

The British Academy and Power to Change (2023), [Space for community: strengthening our social infrastructure](#).

Inequalities:

The British Academy (2021), [The COVID Decade: understanding the long-term societal impacts of COVID-19.](#)

Greater Manchester Independent Inequalities Commission (2020), [The Next Level: Good lives for all in Greater Manchester.](#)

Citizen and public engagement:

World Health Organisation (2022), [Implementing citizen engagement within evidence-informed policy-making: an overview of purpose and methods.](#)

Demos (2024), [Citizens' White Paper.](#)

The British Academy (2016) [Where we live now: making the case for place-based policy](#)

The British Academy (2023) [Understanding the role of place in environmental sustainability](#)

Systems and joined-up policymaking:

Stewart, A. (2023), [What join-up across government makes possible](#), Public Policy Design, Gov. uk.

Gurumurthy, R., Owen, J., Burns, A., Norris, E. (2024), [Mission-driven government: What does a 'mission-driven' approach to government mean and how can it be delivered?](#), Nesta and Institute for Government.

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The British Academy
10-11 Carlton House Terrace
London SW1Y 5AH

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