

# The Welfare Implications of Public Goods: Lessons from 10 Years of Atkinson in the UK

Fred Foxtton, Joe Grice, Richard Heys and James Lewis (ONS)

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# The twin tasks:

- Unfinished: measuring the value of free public goods: health, education etc.
- Emerging: valuing the welfare gain generated by increasing life expectancy, healthier living etc.

These are separate but related: what we've learnt from the first can help with the second

# The context for Atkinson

- “Free” public services large part of our economies: in UK, over 20 per cent – twice as large as manufacturing.
- 1993 SNA encouraged national statistical offices to measure these directly rather than by traditional <output= inputs>.
- ONS took up the challenge in late 1990s but led to problematic and implausible results.
- Led to then National Statistician commissioned independent review from Sir Tony Atkinson. He reported in Jan 2005.

# The Atkinson Report

- Agreed strongly with 1993 SNA and ONS that right to move away from <output=inputs>
- Diagnoses problems as arising from lack of principled framework, and proposed one
- Key principle that public services should be measured in national accounts on basis of value added. Activity but no value, no output. (Private sector analogy: broken bricks.)
- Implied: (1) underlying aim to capture that part of valuable output directly attributable to public service concerned *and*  
(2) **output must be quality adjusted.**

# Discordance in the international standards

- Updating 1993 version, 2008 SNA encourages quality adjustment of measures of non-market goods
- By contrast, ESA2010 outlaws such quality adjustment...
- ... though, confusingly, the EU prices regulation implies that it must be done.

Resolving these tensions and confusions would be helpful to a productive international agenda.

# Progress in the UK

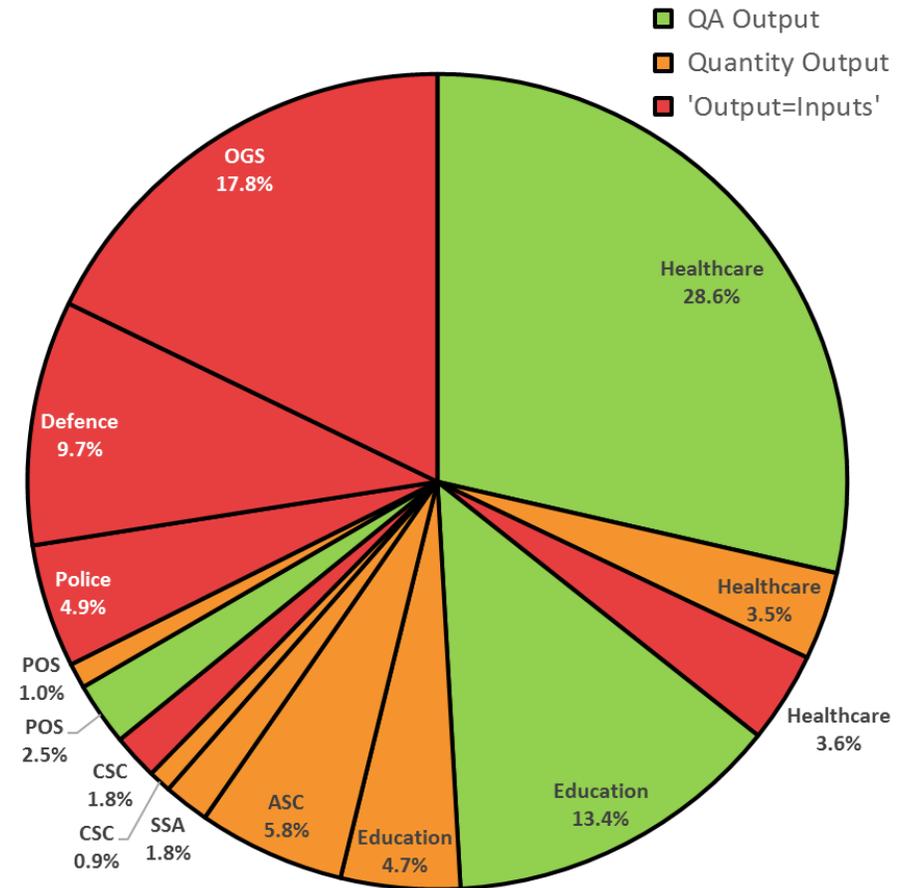
Public services output spending measured by:

< Output=inputs> 38 per cent

Directly measured, no QA: 18 per cent

Directly measured, with QA: 45 per cent

# Public services and how they are measured



# Setting about measuring quality

- Key is recognition this is multidisciplinary task.
- Statisticians part is to set the framework....
- .... but filling it in needs close involvement of sectoral experts.
- Eg in case of health: epidemiologists, public health experts, health economists and clinicians.
- Fortunately, assessing quality of health care has been key component of these disciplines for decades. No need to reinvent the wheel.
- Similarly for eg education, social care and so on.

# Quality adjustment: example of health services

## (1) Hospital procedures adjustment:

- extent of health gain, derived from various clinical measures routinely reported by hospitals

- changes in short term survival rates

- changes in weighting times.

## (2) Primary care outcomes. Metrics derived from Quality of Outcomes Framework.

## (3) Overall patient experience scores. Subjective measure derived from surveys.

# The wider agenda: value of increased life expectancy (1)

Question: what is the welfare gain to society from living longer and more healthily?

*Different agenda* to measuring output of public services:

- Task there to isolate contribution to desirable outcomes directly attributable to public service concerned.
- wider task to measure total value of increased desirable outcomes, however generated.

Eg longer healthy life expectancy partly result of publicly provided health services but also net result of: better diet, trends in smoking, exercise, prevalence of obesity etc

# The wider agenda

But a *related agenda*.

- Good information available about life expectancy and healthy life expectancy. ONS and many other NSIs already publish such information.
- Extent of additional life years (LY) and quality adjusted life years (QALYs) implicit in these measures.
- So the issue is to place a value on these extra QALYs society enjoys.
- All the quality work already carried out in context of public services relevant and takes us long way forward for the wider task.

**NOW WE JUST HAVE TO DO IT!**