

WHERE ARE WE GOING

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SUMMARY OF RECOMMENDATIONS

The Australian Collaboration recommends that:

National reporting

A new statutory office should be established for state of human well-being (social and cultural) reporting. Comprehensive reports should be required under the legislation at least every four years. (See Appendix A for the list of principles that should apply to the drafting of this legislation.) Human well being reports should include indicators for cultural heritage, media diversity, freedom of speech and access to information.

The Australia Council for the Arts should continue to prepare its biennial reports on the state of the arts in Australia. These are valuable pictures of conditions and trends in the arts.

A new statutory office should be established for state of the environment reporting to guarantee independence for such reports. Comprehensive state of the environment reporting, as now required under the *Environment Protection and Biodiversity Conservation Act 1999*, should take place on a four yearly (maximum) cycle.

The following improvements should be made to economic reporting:

- The Australian Bureau of Statistics should prepare a report every two years on long term economic trends and issues;
- Better procedures and indicators should be introduced for the measurement of the performance of local and regional economies;
- New measures should be introduced for the assessment of underemployment and overwork and better measures should be introduced for the assessment of work place conditions; equity of remuneration, work satisfaction, work hours and economic democracy (employee participation in corporate decision making); and
- The work of the Australian Bureau of Statistics on satellite environmental accounts to the national accounts should be accelerated.

The preparation of the new summary suite of indicators covering social, environmental and economic conditions and trends being developed under the Australian Bureau of Statistic's Measuring Australia's Progress (MAP) program is warmly supported. The Collaboration recommends annual production of MAP reports under that program.

State and Territory reporting

Similar reporting regimes should be established in all States and Territories namely:

- statutory offices for environmental reporting (see ACT Commissioner for the Environment and proposed new Victorian Commissioner for Ecologically Sustainable Development as examples);

- statutory offices for social and cultural reporting or alternatively a combined statutory office to carry out social, cultural and environmental reporting, provided it is properly funded;
- the annual preparation of a summary suite of indicators similar in intent to the 15 indicators proposed under the MAP program. This work could be usefully done for the States and Territories by regional offices of the Australian Bureau of Statistics.

Comprehensive reporting by government agencies, public companies and other large institutions

The new reporting requirements for government agencies under the *Environment Protection and Biodiversity Conservation Act 1999* should be fully extended to social reporting. The guidelines for such reporting should be available for public scrutiny and comment.

Similar requirements should be put in place for all State and Territory government agencies.

Municipalities across Australia should not only be required to provide annual reports on the efficiency of their operations. Reporting should also include social and environmental performance indicators.

The Commonwealth Government should commit itself to mandatory triple bottom line reporting (reporting of economic, environmental and social and integrated performance) in public companies. It should give the corporate sector sufficient lead time, say 3 to 4 years, to prepare itself for the change and to work with government to develop the appropriate standards and indicators. The Global Reporting Initiative (GRI) provides models and indicators for such reporting.

The Commonwealth Government, as part of its university benchmarking program, should begin immediate discussions with universities to ensure that all universities adopt triple bottom line reporting within a stipulated period of time.

Community organisations, particularly those of any size, should also commit to triple bottom line reporting.

General

There should be support for local citizenship or community indicator projects which seek to discover from citizens the issues and trends that they believe are most important to measure and evaluate.

There should be transparent processes for the development of indicators for all reporting regimes which give proper opportunity to individuals and community and other groups to contribute to the development of the indicator sets.

Reporting requirements for all organisations should, in principle, vary according to size; the larger the organisation the more stringent the reporting regime should be. However, some smaller organisations which may be carrying out particularly hazardous work may need to report more fully on the impacts of those tasks.

WHERE ARE WE GOING: COMPREHENSIVE SOCIAL, CULTURAL, ENVIRONMENTAL AND ECONOMIC REPORTING

The Australian Collaboration believes that it is a matter of the highest national priority to put in place, regular, comprehensive, independent reporting regimes covering environmental, social, cultural and economic conditions and trends. While reporting of economic, environmental and social trends has improved in recent years, there are serious deficiencies in existing reporting regimes.

Four separate community trends in economic, environmental, social and cultural reporting can be identified in Australia and internationally. The first is the growing interest in and commitment to the development of indicators for all levels of government, in all main sectors and for all main areas of human activity. The second is increasing agreement that the attention that in the past has uniquely been given to economic indicators needs to be matched in the future by a similar level attention to social, cultural and environmental indicators. The third is the recognition that some economic indicators, popularly used to indicate societal progress, present a false picture of real progress because they count some actions that lead to social and environmental degradation as positive economic progress. Thus new alternatives are needed as measures of overall progress. The fourth is the growing trend to base indicators on community values and concerns as much as on expert technocratic analysis.

The report discusses these trends, explains why comprehensive reporting is of such importance to the nation, sets out the problems with current reporting regimes and describes the nature of the reporting that is now needed. It is in four parts. The first part deals with national and state reporting regimes. The second part is concerned with community indicators and the growing attention being given to the development of indicators based on community values and concerns. The third part deals with reporting by government agencies, municipalities, public companies and universities. The fourth part briefly discusses the crucial issue of indicator development for different reporting needs. It concludes with the Australian Collaboration's overall recommendations.

PART A: NATIONAL AND STATE REPORTING REGIMES

Why comprehensive reporting of national trends is important

The Collaboration believes that regular, comprehensive and independent reporting of social, cultural, environmental and economic trends in Australia is of fundamental importance to the future of the nation. Without such reporting key trends are not known to Australian people and their governments and there is an inadequate basis for decision making. Where there are well established reporting regimes, trends and issues are given media attention, are kept in the forefront of the consciousness of Australian people and as a consequence occupy a prime place in political debates, concern and action. Where reporting is poor or non-existent, issues are buried, neglected by the media and given scant attention by politicians.

Unbalanced reporting is almost as serious a problem as the general absence of good reporting. If it is assumed that the goal of any society is concurrently to achieve ecological, economic, social and cultural sustainability so that the needs of citizens today and the needs of future generations will be equitably and effectively met, then it is evident that there must be attention paid to key trends in all these areas. Weighting some forms of human activity by good reporting and downgrading others by inadequate reporting leads to unbalanced policies and programs. In time it undermines every facet of the society.

It is for these reasons that international bodies such as the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the European Union have taken a strong lead in encouraging more comprehensive reporting by and within nation states. The OECD, a body with a prime focus on economic co-operation and development, has, for example, been the main driver of state of the environment reporting in its member countries through its advocacy of such reporting, its work on the pressure/state/response format for reporting and its regular, national environmental performance reviews. The United Nations Commission for Sustainable Development (UNCSD) has also developed and promoted frameworks for comprehensive reporting of ecological, economic and social trends.

The United Nations Development Programme (UNDP) introduced the Human Development Index (HDI) in 1990 for the purpose of comparing human development in different countries. The HDI measures per capita income, life expectancy and adult literacy. It is published annually as part of the Human Development Report. While the methodology of some parts of the index has at times been criticised, the preparation of the index is an indication of the international interest in and commitment to the production of social indicators. The OECD is also resuming work on social indicators and has published an initial set of indicators. These all have direct relevance to the reporting of human well-being in Australia.

Many individual countries have also introduced comprehensive reporting regimes. Examples are the Netherlands and the United Kingdom. There are therefore many models to draw upon for the introduction of more systematic reporting.

The key criteria for effective reporting

There are seven key criteria for reporting regimes. They are:

Regularity and consistency. It is important that trends are regularly reported and that consistent indicators are used which are suitable for trend analysis. Trend analysis is of crucial importance. A particular condition reported on its own has limited value for interpretation and policy response. It is the trend that tells us whether things are getting better or worse and whether change is accelerating or slowing down and thus what kind of response is likely to be necessary.

Comprehensiveness. Comprehensiveness is here described as the need to measure and report on key social, cultural, environmental and economic trends. Comprehensiveness does not mean that every trend needs to be measured but it does mean that the indicators need to cover the main issues and areas of concern in any society.

Independence. All governments and all bureaucracies have vested interests in the pictures painted by social, cultural, environmental and economic indicators. All understandably want those indicators to reflect well on their own actions and responsibilities. There are thus many temptations to interfere with reporting processes. Sometimes the interference is overt. More often it is subtle and difficult to pin down precisely. Faced with these types of pressures, it has become commonplace to insulate those who have key auditing and reporting roles (such as Auditor Generals and Ombudsmen) from political and bureaucratic interference by giving them statutory offices and in some cases to reinforce this independence by authorising them to report directly to the Parliament. All national and state economic, environmental and social reporting functions should be given similar statutory independence.

Effectiveness and community participation. Effectiveness means that the indicators chosen have to focus on the most important issues, have to be very well considered and have to reflect key community concerns. Development of the indicators is thus a difficult task of great importance which should involve full community participation and regular public review.

Sensitivity to change and to new and emerging issues. Regularly some indicators will need some adjustment and new indicators will be needed to measure new and emerging trends of significance to the society. Sensitivity to change must be carefully balanced with the need for consistency in the use of indicators to ensure that trend analysis is possible.

Accuracy and timeliness. Reports must be rigorously prepared and produced in a timely manner to ensure that information about conditions and trends is available to citizens and decision makers when they need it. They are of little value if these two criteria are not met.

Reporting against social goals. Reporting should not only measure trends in conditions. It should also measure progress towards agreed social goals. In this way reporting can be linked most closely to the concerns of citizens and most effectively lead to social and political action. Agreement about social goals may seem hard to reach. However United Nations declarations covering all aspects of human endeavour prove that international agreement can be reached about the general goals of human societies.

What is now being done in Australia and in what ways this reporting is deficient

Economic reporting

At the moment there is very detailed national and state economic reporting which is given considerable media and political attention. National economic reporting is primarily carried out by the Australian Bureau of Statistics. While economic reporting is generally of a very high standard, there nevertheless remain important issues needing attention.

A key issue in economic reporting is the reporting of changes in Gross Domestic Product (GDP). It has become commonplace to rely on growth in GDP to measure the progress of an economy and society. However, the use of GDP to measure national well-being (and growth in GDP to represent progress) goes well beyond the intentions of the statisticians and economists who created the economic accounts. It has been described by economists Dowrick and Quiggin as a useful measure of the fluctuations and trends in certain kinds of economic activity - most, but far from all, of which have the potential to enhance welfare. However, in political usage and in the popular mind GDP has become the standard composite indicator of progress. As a measure of real progress the GDP has many limitations. It does not adequately make distinctions between activities that add to human well being or the quality of the environment and those that detract from them. It does not make allowance for many non-market activities. There are now measures that have been set in train to deal with these problems. They are further discussed under "Integrated Reporting" below.

There are other economic conditions and trends needing better reporting. Improvements in four areas are needed:

- Long term economic trends. More attention needs to be focused on long term economic trends. The Australian Collaboration recommends the preparation of a biennial report prepared by the Australian Bureau of Statistics on long term economic trends crucial to the nation's economic future. This report might be a biennial compendium of economic data and analyses similar in

spirit to *Australian Social Trends* or *Australia's Environment Issues and Trends* now produced by the Bureau. It should report on trends in the economic data to assist the community's and policy makers' assessments of Australia's economic future. It should include information on matters such as terms of trade, balance of payments, foreign debt, research and development, and patterns of industry development. It should include historical time series of annual data both for Australia and for comparable countries.

- Regional performance measures. Regional statistical performance measures are poor in Australia compared to those available in Western Europe and the USA. These measures are essential for the development of more effective regional development policies. The economist, Peter Brain, in the 2001 Alfred Deakin lectures, for example, argues that, in Western Europe, regional development policy is integrated with industry development policy and is seen as the strategic instrument for ensuring that skills, infrastructure, capital and income are distributed to all citizens. To support regional development policy much better regional information is needed.
- Measures of economic well-being. More extensive measures of the economic components of social well-being are needed. They include measures such as those related to equity of remuneration, work satisfaction, work hours and economic democracy (employee participation in corporate decision making). Particularly important is the need for comprehensive measures of underemployment and overwork.
- The incorporation of measures of natural capital and material and energy flows into the national accounts. The Australian Bureau of Statistics has begun work on this task and has already published several environmental accounts. The accounts are being prepared as satellite accounts to the national accounts. The Bureau should be given further support to accelerate this work.

Environmental reporting

Several national state of the environment reports have now been released. In 1996 the first full scale national state of the environment report was prepared under the direction of an Advisory Council. It drew upon over eighty Australian scientists. The report used the OECD pressure/state/response model to describe the pressures affecting environmental degradation, the current state of the environment and the main government and community responses. A statutory requirement to prepare regular state-of-the-environment reports is now incorporated into the *Environment Protection and Biodiversity Conservation Act 1999*. The second full scale national report is being prepared and is due for release in late 2001. Another important initiative has been the National Land and Water Audit. Great advances in environmental reporting have been achieved by these changes. However, national state of the environment reporting does

not have statutory independence. This is a key deficiency. Not only is the reporting process at potential risk of political or bureaucratic interference. Under the present arrangements there is also likely to be constant change, even if only minor change, in the administrative approach. This makes consistent development of state of the environment reports more difficult to achieve. There is also need to guarantee that state of the environment reports, as well as being properly prepared, are published in full.

Around Australia, State and Territory governments have also consistently moved to introduce state of the environment reporting. By 1999 the only state which was not preparing a state of the environment report was Victoria, although such reports had been prepared earlier. Following the recent change of Government in Victoria, there is now a commitment to reintroduce state of the environment reporting. Very few State or Territory governments have, however, set up statutory offices or commissions to prepare the reports.

Social and cultural reporting

There are several reports which include social statistics such as the Australian Bureau of Statistics' *Australian Social Trends* and the Australian Institute of Health and Welfare reports on welfare and health. Some social indicators are also included in Commonwealth state of the environment reports. There is, however, no social and cultural equivalent in depth of research, scope and impact to the Commonwealth State of the Environment reports nor to the extensive reports on economic trends. This is the most important national deficiency in reporting regimes.

The absence of proper human well-being reporting has not, however, gone unnoticed. In 1993 the Senate Legal and Constitutional References Committee set up an inquiry: to examine the feasibility of establishing a national system to measure, and set standards for the well-being of Australian citizens. The National Citizenship Indicators inquiry ran for three years and provided the first and most important national forum for the discussion of the idea of national progress measures, holding hearings in various states and receiving an unusually diverse range of submissions. It produced a comprehensive discussion paper in 1995 and a final report the following year which urged the Commonwealth Government as a matter of priority to establish such a national framework, commission the Australian Bureau of Statistics to undertake preliminary work on the indicators, and support collaborative research.

The Australia Council produces biennial reports on conditions and trends related to the arts. These are valuable contributions and should continue to be prepared on a regular basis. Cultural and natural heritage and the state of museum collections have been reported on in national state of the environment reports. There has, for example, been a major theme devoted to these issues in both the 1996 and 2001 reports. There are, however, other cultural themes of great importance that are not formally and regularly reviewed. They include such matters as media diversity, freedom of speech and access to information.

Integrated reporting

The need for integrated indicators to measure progress for Australia has been recognised by the Australian Bureau of Statistics. Since mid 2000 the Bureau has been working on a project called Measuring Australia's Progress (MAP) under the personal direction of the Chief Statistician with the aid of an external reference group. The stated aims of MAP are that those who read the reports should be able to:

- realise that progress is multidimensional (ie not just equivalent to changes in GDP) and that the dimensions are intertwined;
- form a quick, clear and balanced picture of the state of the nation and how it is progressing; and
- understand where there is reason to celebrate and where there is cause for concern.

MAP will contain about 15 headline indicators covering economic, social and environmental conditions and change. Reports are planned to be prepared annually and the first report is expected in Autumn 2002. It is important to emphasise that MAP reporting is a means of providing summary information on economic, social and environmental conditions and trends to supplement GDP reports and to replace the use of GDP as a measure of Australia's overall progress. MAP is not a substitute for detailed reporting. Comprehensive reporting of environmental, social and economic conditions and trends, as discussed above, is still essential.

What is now required nationally

The most important national requirements are:

- There is urgent need to establish a comprehensive, regular and independent reporting procedure for trends in human well-being. The requirement for human well-being reporting needs to be incorporated into legislation in the same way that the requirement for state of the environment reporting is now incorporated into legislation. In Canada, for example the Canadian Parliament is currently debating the Canada Well-Being Measurement Act. Principles on which Australian legislation should be based are attached in Appendix A.
- The new human well-being reporting regime should take over responsibility for the social indicators and the indicators of cultural heritage and museum collections now included in national state of the environment reports. It should also include assessment of conditions and trends related to media diversity, the national broadcasters, freedom of speech and access to information. The Australia Council for the Arts should continue to be responsible for reporting on conditions and trends related to the arts.

- A statutory office needs to be established to ensure that state of the environment reporting is able to be carried out with full independence.
- Australia needs to have a new comprehensive process for integrated social, environmental and economic reporting to illustrate to what degree real progress is taking place to improve the material and general well being of all its citizens and to protect the environment. The MAP project should satisfy that need.

How should the reporting regimes be organised

It has earlier been argued that reporting must be carried out by a statutory officer or commission to guarantee independence. This is a first requirement.

Are different bodies required or could social, cultural, environmental and economic reporting be carried by a single Commission or Commissioner? In the short term it is strongly recommended that separate statutory offices or commissions are appointed to ensure that environmental and social reporting can be given specialised attention, are properly funded and allowed to develop into well conceived and effective reporting regimes.

The need for integrated indicators is being tackled by the Australian Bureau of Statistic's MAP project. Annual MAP reporting should provide a much better and more rounded set of indicators to replace GDP as the popularly adopted indicator of progress. At the same time there should be encouragement to the Australia Institute to continue further development work on its Genuine Progress Indicator (GPI) as an alternative single composite indicator to GDP.

Comprehensive reporting by State and Territory Governments

A similar reporting regime with a similar set of indicators, based on similar principles, should be developed by all State and Territory governments. Specifically there should be:

- statutory offices for environmental reporting (see ACT Commissioner for the Environment and proposed new Victorian Environmental Commissioner as examples)
- statutory offices for social reporting
- commitment to the preparation of an annual set of integrated indicators similar to the 15 indicators proposed under the national MAP program.

The national indicators cannot, however, be simply transposed to States and Territories. In some cases (for example atmosphere) the causes and consequences may not be localised. The statistics at present available may not support projections down to the state level. Proxy indicators may need to be found while statistical development takes place. It may also be valuable to augment the national indicators with indicators tailored to local concerns

PART B: LOCAL AND COMMUNITY INDICATORS

The need for a federal and state reporting regime for economic, environmental, social and cultural trends, as discussed above, is being increasingly recognised in Australia. If properly developed, such reporting should cover many significant trends facing local communities. There is, however, a very powerful argument for two supplementary and complementary forms of local and community reporting. The first is the development of community indicators and the second reporting of the economic, social and environmental performance of individual municipalities.

Community indicators

It is at local government level that government and local communities most directly interact. Many commentators argue that local governments are being increasingly forced by state governments to take more responsibility for community planning. Mike Salvaris, for example, observes that state local government laws now commonly require councils to develop municipal plans, social and environmental strategies and ‘customer satisfaction’ surveys. While local governments are under pressure to make services more competitive and market oriented, they are also being asked to take a stronger political role in restoring the health of local democracy. There is, thus a compelling need for local governments to find processes to re-engage local citizens in democratic processes to rebuild local communities. Community indicators can be one important way to do this.

Over the last thirty years there has been a marked growth in community based planning projects. In the USA and Canada alone, a recent study estimated that there are now over two hundred ‘community indicator’ projects under way in small towns, cities, states and provinces, from Jacksonville, Seattle and Oregon to Sacramento, Nevada and San Francisco.

In Australia, Salvaris notes that there has been a steady growth of activity in social and community indicator projects since the early 1990s, some of them drawing on and reinventing earlier movements in community development from the 1970s. Several research projects with university and community partners have tried to put into practice the recommendations of the 1993-1995 Senate Inquiry covering well-being and citizenship. Community indicator planning projects have also emerged at the local government level in Victoria, New South Wales and Tasmania.

Salvaris identifies five typical features of such projects:

- they attempt to integrate economic, social and environmental goals around some overall vision of progress or well being, some ‘path to the future’ for that particular community;
- they set concrete goals or ‘benchmarks’ and develop appropriate ‘indicators’ to monitor progress in achieving them; some of these benchmarks and indicators are

expressed in conventional policy and statistical categories; others (for example, those relating to social capital) are quite unconventional;

- the indicators and benchmarks are initiated, developed and monitored through some community participation process, sometimes across the whole community and sometimes through specialist panels with citizen participation;
- they are commonly long term (ie, over 5 years) and iterative processes;
- they have, or acquire over time, some relationship to the formal processes of governance in their community. This may vary from government support or even government initiation, to defacto acceptance as legitimate policy, or at the least, they become a political obstacle that politicians and bureaucrats have to confront.
- (Salvaris 2000)

The relationship between community indicator movements and national and state reporting

Community indicator projects offer citizens the means to have an influence over the actions of governments and others that most directly affect their lives. They should therefore be strongly supported and encouraged.

They also have another important role to play. Community indicator movements can influence the way in which indicators are developed for state and national reporting and planning. Indicators are typically generated by experts. Sometimes, however, expert views do not fully reflect the views of the community. It is these issues that the National Citizenship Project (initiated in 1995 by Swinburne University of Technology, Melbourne and the Victorian Council of Social Service, with various partners in the community and other universities including Deakin, RMIT, the University of New South Wales and the University of Tasmania) has been attempting to address.

The National Citizenship Project is a long running community research project exploring related issues of citizenship and democracy, social indicators and community development. The project is described as having:

the broad goal to develop benchmarks and indicators for a ‘good society’ (nationally) and ‘good communities’ (locally) and to do so in ways that combine ‘best practice’ standards (such as human rights) with a strong democratic, community development and citizen participation element (i.e, communities and citizens deciding on the goals and priorities that they think important for their community) (Salvaris 2000)

It is thus both a social research and a community development and networking project. The indicators being developed through the National Citizenship project have relevance to reporting at all levels: national, state, regional and local.

In other countries there are examples of national long-term planning with a strong community base. In Norway, national ‘Long Term Plan’ prepared in the 1970’s, and Ireland’s more recent national development plan were prepared in this way.

It is recommended that projects such as the National Citizenship project are strongly supported and their findings and recommendations incorporated into all relevant reporting regimes. There are likely to be many benefits from such projects, not least the benefits of community learning and sharing.

PART C: COMPREHENSIVE REPORTING BY GOVERNMENT AGENCIES, PUBLIC COMPANIES AND OTHER LARGE INSTITUTIONS

Government agencies

Public policies and programs, no matter how enlightened, have limited credibility if agencies of government do not consistently practice what their policies preach. It is therefore imperative that government departments and statutory and other authorities provide models of best practice in environmental, social and cultural as well as financial reporting.

The reporting standards need to be developed openly with appropriate public consultation. They should apply across all the institutions of government.

In the federal sphere, beginning this year, government agencies, authorities and companies are required to include in their annual reports a consideration of ESD (ecologically sustainable development) issues. Legislative provision has been made in s. 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). This section states that any commonwealth agency, authority or company must include in its annual report a consideration of how the actions of that agency, and the administration of legislation (if any) by that agency, accorded with the principles of ESD. The Act also states that the agency must document the effect of its actions on the environment and identify measures taken or being undertaken to minimise any adverse environmental impact of those actions.

ESD is defined in s. 3A of the EPBC Act as a decision-making process that integrates long and short term economic, environmental, social and equitable considerations. But the emphasis, at least in the EPBC Act, is clearly on environmental issues.

This new reporting requirement is an important initiative and now needs to be mirrored in all States and Territories. At the time of writing there are as yet no standards or guidelines to give real meaning to, or to assist in the interpretation of s. 516A of the EPBC Act, although it is understood that a set of guidelines is currently being prepared. Until they are prepared, the reporting requirements are open to a wide and varied range of interpretations and it is impossible to judge whether the requirements will lead to serious or token reporting. It also seems clear that the emphasis in these provisions and guidelines is on environmental reporting. Social reporting has been given much less attention.

Reporting of the economic, social and environmental performance of municipalities

Municipalities also have need to report regularly on their own activities and such reporting is required in many States and Territories. Annual reporting is, for example, required of municipalities under s. 126 of the Local Government Act 1989 in Victoria. However, the criteria used by the State have largely concentrated on efficiency of

delivery of services. The current regulations do not expressly stipulate that local government bodies must prepare state of the environment or human well-being reports.

A better model is to be found in New South Wales where s. 428 of the Local Government Act 1993 requires that annual reports must include a report as to the state of the environment in the area. The aspects of the environment that must be reported on include Aboriginal and non-Aboriginal heritage as well as land, air, water, biodiversity, waste and noise. There is, however, no similar requirement for social reporting.

Provisions in local government acts around Australia need to be expanded to include full triple bottom line reporting.

Public companies

John Elkington, prominent researcher and writer on business trends, argues that the corporate world is facing a number of paradigm changes. Boards, he says, will increasingly focus on sustainability and the triple bottom line (financial, social and environmental performance). He illustrates these changes in the table below.

OLD PARADIGM	NEW PARADIGM
Financial bottom line	Triple bottom line
Physical and financial capital	Economic, human, social and natural capital
Tangible, owned assets	Intangible, borrowed assets
Downsizing	Innovation
Exclusive governance	Inclusive governance
Shareholders	Stakeholders

Source: Elkington J. 1997, p. 311.

The shift towards much greater environmental and social transparency has two driving forces. To work effectively, markets and individual businesses need information. This is a fundamental assumption of classical economics. The information now needed is, however, of a new kind. Secondly, what corporations do in all facets of their work and in relation to all their stakeholders is becoming a matter of growing community concern. Transparency is thus becoming a very important issue.

The new kinds of internal information needed include environmental and social (and cultural) information. If an organisation has little or no knowledge of the level of its toxic waste emissions or energy and material use, it will be in no position to deal with toxic emission reduction or reduction in energy and material use. Recent corporate history is littered with stories of the shock experienced by boards when full scale reviews have initially been carried out, often in the wake of an environmental or social disaster. Elkington describes the response of the Monsanto Board, following its decision to carry out a full scale audit of its discharges in the wake of the Union Carbide disaster

at Bhopal. When it received the full data, the Board and CEO could scarcely believe the quantum of toxic discharges from the corporation's activities. For this reason it has been said that mandatory reporting required by government regulations such as the US Toxic Release Inventory - which requires companies producing more than certain threshold limits to report emissions of over 600 chemicals – has done more to change corporate behaviour than any other single government action.

Second, transparency is now increasingly a public issue. With communication innovations such as the internet and increasing speed in communication and much more aggressive investigation of corporate environmental and social misbehaviour from non-government organisations and investigative journalists, it is becoming harder and harder for corporations to hide their behaviour from public scrutiny. Many corporate leaders have in consequence concluded that full public disclosure is the safest and most effective response. This has, for example, increasingly been the response of companies such as BP and Shell. Similarly, the Body Shop's 1996 Values Report was in part a response to attacks by a US journalist. The report presented the results of interviews with and surveys of ten different stakeholder groups including employees, shareholders, customers, franchisees, suppliers and NGOs. It showed strong support for the company's social values and for its value based training.

Environmental auditing and reporting by business

The pressures progressively influencing environmental corporate change can be described as:

- response to and compliance with government regulation;
- risk assessment, the increasing insurance, business and public image risks associated with poor levels of environmental performance;
- green consumerism, the increasing consumer demand for clean green products;
- growing awareness of the seriousness of global and local environmental trends;
- life cycle product planning, the requirements that are increasingly being set for life cycle environmental performance;
- the increasing shift towards the use of economic instruments to achieve environmental change;
- cost savings such as reductions in energy and material use and opportunities for recycling and transforming waste to new products; and
- business opportunity, the competitive advantage firms see in industry leadership in environmental performance.

It is pressures of this kind that increasingly have led to changes in business environmental behaviour . There have been many other initiatives taken by business groups. An example is the establishment of the World Business Council for Sustainable Development.

As the Monsanto example illustrates, the first step towards improved environmental performance is to carry out comprehensive audits. The influence of these audits combined with the external pressures for transparency have pushed many large companies towards regular and comprehensive environmental auditing and public reporting. Regular and comprehensive corporate reporting is still, however, far from the norm.

What is the state of environmental reporting by large corporations in Australia? A 1999 review of 30 Australian organisations entitled “Public Environmental Reporting: Where Does Australia Stand?” found that, compared to global international companies, Australian corporations performed poorly. Amongst global international companies there were none in the lowest performing category. By contrast 37% of the Australian sample were in this category .

Social auditing and reporting

As much as there have been powerful pressures pushing business towards improved environmental performance, there have been pressures pushing business towards a higher level of social and ethical performance. These include:

- The recognition that capitalism generally and business specifically can not ensure a sustainable world in the 21st century unless both make a significant contribution to social and environmental sustainability;
- The recognition that social capital not only includes investments in education, health and nutrition but also investments in institutions and practices, human rights and social trust;
- The increasing recognition that social capital, seen as trust between individuals and trust between individuals and institutions, has a critical role in lowering social tension and improving the performance of individual organisations;
- The changing nature of business operations and the increased emphasis on devolution of responsibilities, innovation, cooperative work and the value that human diversity offers corporations;
- The growing recognition that social and intellectual capital in business entities is often as important and in some instances may be more important than financial and physical capital;

- The increasing transparency of business activities and the risks associated with poor social performance, whether within the organisation or related to the organisation's external stakeholders; and
- The higher expectancy of staff and especially talented young staff. The unwillingness of the most talented young graduates to work in companies with poor social and environmental images is credited with forcing some large companies to reconsider their whole approach to social and environmental performance.

As with environmental performance, improving social performance first requires an audit of current practices and behaviour. Typical issues covered in social accounting and reporting include community relations, product safety, training and education initiatives, sponsorship, charitable donations in money and time and employment of disadvantaged groups. Human rights issues are also important as companies such as Shell have found. Corporate values, as the Body Shop has demonstrated, are also very important.

A greater effort is needed to persuade the corporate world of the importance of social auditing. Corporate leaders and financial analysts are increasingly perceiving that environmental performance can significantly affect financial performance. They do not seem to perceive so readily that social performance can have an equally significant affect on financial performance.

Although no comparable survey of social reporting in Australian companies to that of environmental reporting, described above, appears to have been carried out, it is likely that social reporting performance is still in its infancy. However there have been several important moves in Australia that are indicative of the beginning of the paradigm shift that Elkington describes. They include the publication in the Age and Sydney Morning Herald in 2000 of an assessment of leading Australian companies judged on social and environmental as much as on financial criteria, the growth of ethical investment groups and the growth of university and other centres devoted to corporate citizenship, sustainability and ethical performance.

A common framework for sustainability (triple bottom line) reporting

The Global Reporting Initiative (GRI) was established in late 1997. Its mission was the development of globally applicable guidelines for the economic, environmental and social performance of business corporations. The guidelines are eventually intended to be applicable to any business, government or non-government organisation. The GRI was initially convened by the Coalition for Environmentally Responsible Economics (CERES) in partnership with the United Nations Environment Programme (UNEP). It now has the active participation of many accountancy and business organisations around the world.

The first draft of GRI's Sustainability Reporting Guidelines was released in 1999. Revised guidelines were released in June 2000. The recommended structure of annual reports is:

- A statement by the CEO describing key elements of the report;
- A profile of the reporting organisation;
- An executive summary and key indicators;
- A statement of vision and strategy;
- A statement of policies, organisation and management systems and stakeholder relationships; and
- An overview of:
 - Environmental performance
 - Economic performance (including information to capture the full range of an organisation's economic impacts)
 - Social performance
 - Integrated performance

The environmental indicator sets are so far the most fully developed and widely accepted and the integrated performance indicators the least developed. Nevertheless, organisations are encouraged to use the full set of indicators so far developed and feed back their experience with them. (See the list of sources at the conclusion of the report for the reference to the full list of indicators prepared by GRI.)

Mandatory or voluntary reporting

Should environmental and social reporting in corporations remain voluntary or should it be made mandatory? Despite the many promising moves towards triple bottom line reporting, there is little evidence to suggest that there will be widespread and a consistently high standard of reporting if reporting remains voluntary. Thus governments in several countries have moved towards mandatory reporting requirements. Examples are the US with the Toxic Release Inventory and countries such as the Netherlands, Denmark, Sweden and Norway. While industry bodies nearly always argue for voluntary standards, some industry leaders in the most innovative corporations who have introduced triple bottom line reporting support mandatory reporting because common standards can then apply to all corporations. Some, by contrast, believe that such reporting gives their corporations a competitive edge when others are not doing it.

Recommendations

The Australian Collaboration recommends that the Commonwealth Government should commit itself to mandatory triple bottom line reporting in public companies. It should give the corporate sector sufficient lead time, say 3 to 4 years, to prepare itself for the change and to work with government to develop the appropriate standards and indicators. The GRI set of indicators should form a basic set for Australian organisations.

Universities

It has long been recognised that universities and higher education have an important part to play in support of the achievement of sustainability. Many declarations and charters for universities have been adopted since the Stockholm Declaration of the United Nations Conference on the Human Environment in 1972. They include:

- The Talloires Declaration adopted at the Tufts University European Center, Talloires, France in 1990;
- The Halifax Declaration following the Halifax Conference on University Action for Sustainable Development in 1991;
- The Swansea Declaration released at the conclusion of the Association of Commonwealth Universities Conference, University of Wales, 1993;
- The Kyoto Declaration of the International Association of Universities, 1993;
- The CRE-COPERNICUS Charter 1994 (Cooperation Programme in Europe for Research on Nature and Industry through Coordinated University Studies);
- The Student Charter for a Sustainable Future, 1995;
- The Development of a Draft Action Plan for Individual Universities by the International Association of Universities in 1998.

The preamble to the Talloires Declaration states:

We the presidents, rectors and vice chancellors of universities from all regions of the world are deeply concerned about the unprecedented scale and speed of environmental pollution and the depletion of natural resources.....We believe that urgent actions are needed to address these fundamental problems and reverse the trends. ... Universities have a major role in education, research, policy formation and information exchange.....University leaders must provide the direction and support to mobilize internal and external resources so that institutions respond to this urgent challenge.

The Declaration concludes with a commitment from each university leader to ten specific actions in support of these principles. There are now 279 university leaders around the world who have signed the Talloires Declaration (December 2000).

The COPERNICUS charter with 267 European university signatories (December 1999) has a similar preamble. Its principles of action are shown in the accompanying box.

The COPERNICUS University Charter for Sustainable Development Principles of Action

Institutional Commitment: Universities shall demonstrate real commitment to the principle and practice of environmental protection and sustainable development within the academic milieu.

Environmental ethics: Universities shall promote among teaching staff, students and the public at large sustainable consumption patterns and an ecological lifestyle, while fostering programmes to develop the capacities of the academic staff to teach environmental literacy.

Education of university employees: Universities shall provide education, training and encouragement to their employees on environmental issues so that they can pursue their work in an environmentally responsible manner.

Programmes in environmental education: Universities shall incorporate an environmental perspective in all their work and set up environmental education programmes involving teachers and researchers as well as students - all of whom shall be exposed to the global challenges of the environment and development, irrespective of their fields of study.

Interdisciplinarity: Universities shall encourage interdisciplinarity and collective education and research programmes related to sustainable development. Universities shall seek to overcome competitive instincts between disciplines and departments.

Dissemination of knowledge: Universities shall support efforts to fill in the gaps in the present literature available for students, professionals, decision-makers and the general public by preparing information and didactic material, organizing public lectures and establishing training programmes. They should also be prepared to participate in environmental audits.

Networking: Universities shall promote interdisciplinary networks of environmental experts at the local, regional, national and international levels, with the aim of collaborating on common environmental projects in both research and education. For this, the mobility of students and scholars should be encouraged.

Partnerships: Universities shall take the initiative in forging partnerships with other concerned sectors of society in order to design and implement coordinated approaches, strategies and action plans.

Continuing education programmes: Universities shall devise environmental education programmes on these issues for different target groups: e.g. business, government agencies, non-government organisations and the media.

Technology transfer: Universities shall contribute to educational programmes designed to transfer educationally sound and innovative technologies and advanced management methods.

There are now some Australian universities that carry out many of these practices but there are none, to the Australian Collaboration's knowledge, that systematically carry out all of them. However, awareness of the need to incorporate strong environmental policies has been growing in Australian universities. Five vice chancellors of Australian universities are signatories to the Talloires Declaration. The Australian universities are:

- The Royal Melbourne Institute of Technology
- The University of Canberra
- The University of New South Wales
- The University of Technology, Sydney
- The University of Western Sydney.

Less attention has been given to social and cultural performance and the measurement of that performance. As has been argued throughout this report, over the last two decades the concept of sustainability has been progressively broadened to include economic, environmental, social and cultural dimensions. In the United Nations system the term 'sustainable human development' is now often used to make clear that the social and cultural dimensions of sustainability should always be included. Thus universities need to be concerned about social and cultural sustainability as much as environmental sustainability.

The arguments for triple bottom line auditing and reporting in business apply equally to universities. As with other institutions it is difficult to develop consistent and effective practices without first finding out what is deficient in current practices. A thorough audit is thus the first key step. It is also most unlikely that momentum will be maintained without regular reporting. Universities finally have a responsibility to put in practice the principle of transparency, to report openly and regularly to the university community (staff and students) and the general community on their environmental, social, cultural and economic as much as their financial performance.

The Australian Collaboration recommends that the Commonwealth, as part of its university benchmarking program, begins immediate discussions with universities to ensure that all universities adopt triple bottom line reporting within a stipulated period of time.

Community organisations

Community organisations, particularly those of any size, should also commit to triple bottom line reporting. Many community organisations have developed reporting standards for the aspects of their work which relate to their particular mandates and interests. Thus community environmental bodies have started to develop reporting

standards for their environmental performance and overseas aid bodies standards for aid delivery. Few however have developed full triple bottom line accounting standards.

PART D: CONCLUSIONS

Indicators

The development of indicators is a key part of reporting. It is a complex task deserving detailed study and wide discussion. It is not the purpose of this report to discuss indicators in any detail since their development forms the second and detailed stage in the development of reporting regimes. Nevertheless, because the quality of the indicators determines the quality of reporting, we make a few comments here about indicators.

The Organisation for Economic Co-operation and Development (OECD), in its monograph on indicators for sustainable development, notes that indicators have two main functions, to simplify problems and arguments and to communicate the issues clearly. The three key attributes of indicators identified by the OECD are: policy relevance, analytical soundness and measurability. These are important but not sufficient attributes. Indicators also have to reflect community concerns and values. They should further measure progress towards agreed societal goals. They must particularly measure trends.

There have been many failures in indicator development and reporting regimes. Reflecting on these failures, Cobb and Rixford have developed a list of lessons for indicator development. They are:

- Having a number does not necessarily mean that you have a good indicator.
- Effective indicators require a clear conceptual basis.
- There is no such thing as a value free indicator.
- Comprehensiveness may be the enemy of effectiveness.
- The symbolic value of an indicator may outweigh its value as a literal measure.
- Indicators should not be conflated with reality.
- A democratic indicators program requires more than good public participation processes.
- Measurement does not necessarily induce appropriate action.
- Better information may lead to better decisions and improved outcomes but not as easily as it seems.

- Challenging prevailing wisdom about what causes a problem is often the first step to fixing it.
- To take action, look for indicators that reveal causes not symptoms.
- The move from indicators to outcomes is more likely to take place if there is control over resources.

It is for these reasons that in European state of the environment reporting much emphasis has been put on indicators of inputs into the economy to emphasise the need to reduce those inputs as the best strategy for fixing environmental problems. Similarly indicators should not only be measuring trends in conditions but also progress towards agreed social goals. Social indicators should be concerned with subjective as well as objective measures of well-being since they are as important as quantifiable measures of employment, health, shelter and the like. Consistent assessment of the feelings of people should thus be included in social reporting. Indicators should include an assessment of Australia's contribution to the well-being of other communities in other countries and the impacts of Australian organisations on the social and natural environment in those countries.

Thus the way indicators are developed and the degree of involvement of citizens in determining what matters most and therefore what needs to be measured, are of prime importance. The value of such processes has been well demonstrated by the National Citizenship project, described earlier in this report.

Overall recommendations

In sum, the Australian Collaboration believes that comprehensive and regular reporting of economic, environmental and social trends and performance at all levels of government, amongst individual agencies of government and in all public corporations and large institutions such as universities provides the foundation for a good society.

It urges all political parties to adopt in their platforms and future policy proposals a commitment to all the reporting arrangements, principles and practices outlined in this report, namely:

- Regular, comprehensive and independent national reporting of:
 - trends in human well-being
 - environmental trends
 - economic trends
- The annual preparation of a new set of composite indicators (economic, environmental, social and cultural) to provide continuous measurement of Australia's progress;
- The introduction of comparable reporting regimes in all States and Territories;

- Triple bottom line reporting in all government agencies;
- Triple bottom line reporting in all public corporations;
- Triple bottom line reporting in universities;
- Triple bottom line reporting in community organisations, particularly those of any size;
- Commitment to citizenship or community indicator processes which seek to discover from citizens the issues and trends that they believe are most important to measure and evaluate;
- Transparent processes for the development of indicators for all reporting regimes which give proper opportunity to individuals and community groups to contribute to the development of the indicator sets.

APPENDIX A GUIDELINES FOR THE DRAFTING OF COMMONWEALTH LEGISLATION FOR HUMAN WELL-BEING REPORTING

Purposes

The purposes should be:

- to appoint a Commissioner (or Commission) responsible for preparing regular state of human well-being reports;
- to empower the Commissioner to collect all the necessary information required for the preparation of such reports and to ensure that the Commissioner is supported by all government agencies in the carrying out of his or her tasks;
- to guarantee independence for the Commissioner in his or her work;
- to ensure that all reports are published in full and widely available to the public in printed and electronic form;
- to require all government agencies to include social reporting in annual reports; and
- to empower the Commissioner to prepare guidelines for and to audit social reporting, as part of triple bottom line reporting by government agencies.

Scope and definitions

The scope of human well-being reporting should include:

- social conditions and trends
- cultural conditions and trends which have important influences on human well-being (eg cultural heritage, media diversity, freedom of speech and access to information)
- subjective measurements (surveys of the attitudes and feelings of citizens) as well as objective and quantitative measures
- measurements of the performance of Australian agencies and organisations overseas and of Australian contributions to the well-being of overseas communities.

Frequency of reporting

The Commissioner should be required to prepare and release a comprehensive report on conditions and trends in human well-being at least every four years.

The Commissioner should be empowered to prepare supplementary reports at his/her discretion.

Tabling of reports

The regular four yearly report and any other report prepared by the Commissioner, when presented to the responsible Minister, should be required to be tabled in Parliament within a fixed number of sitting days.

There should also be an annual report, to be tabled in similar fashion, which should include commentary on the Commissioner's audits of social reporting by government agencies.

Collection of information

The legislation should give the Commissioner sufficient powers to enable him/her to collect any relevant information from government agencies including corporatised government bodies.

The Commissioner should have access to commercial-in-confidence information provided that this information remains confidential.

The act should provide that information must be provided in the requested form within a stipulated time without cost to the Commissioner's office.

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