How we can make the transition to an economy that delivers prosperity, competitiveness and sustainability for British companies and citizens, now and in the future.
“The commercial imperative for action is clear. Our research shows that UK businesses have the opportunity to unlock around £100 billion a year in value from new innovation opportunities that address social and environmental challenges.”

Marc Bolland, CEO, M & S

“Both business and government – as well as NGOs and the media – must re-engage in an authentic conversation on resource-intensity. Energy is a good starting point but it should also cover the development of long-term solutions for a much wider range of issues and resource constraints.”

Sir Ian Cheshire, CEO, Kingfisher PLC

“Everyone expects more of companies now – higher standards of business ethics, more attention to social issues and real evidence of a commitment to tackling climate change. This is a challenge, but one that we as a business want to meet, because being a more sustainable business is better business.”

Ruby McGregor-Smith CBE, CEO, MITIE

“We need leadership; government and industry working together. We are clear on the longer-term goals, but we now need to agree the milestones to reach those goals. This would be important in normal circumstances but it is even more critical, given the difficult economic environment.”

Steve Holliday, CEO, National Grid
ALDERSGATE GROUP MEMBERS

AN ALLIANCE OF LEADERS FROM BUSINESS, POLITICS AND SOCIETY THAT DRIVES ACTION FOR A SUSTAINABLE ECONOMY

While members support this publication and provided extensive input, individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.
Our goal
The ultimate aim of An Economy that Works is to help the UK succeed, both now and in the long term.

By ‘succeed’ we mean develop an economy that is smart, low carbon and resource efficient. We believe there is no credible alternative in today’s carbon- and resource-constrained world.

What makes this initiative unique is its systemic approach. Addressing employment issues while ignoring wellbeing problems, or reducing our carbon footprint while not providing opportunities for everyone to share economic benefits will only compound the challenges we face. We need comprehensive solutions. By tackling economic, social and environmental challenges in a holistic way, An Economy That Works offers a positive vision for the future of Britain as well as practical ideas to turn this vision into reality.

The Economy That Works campaign
Together with this report we will launch a campaign to:
• Create an influential and diverse coalition for change
• Encourage individuals to act by offering a positive vision for the future
• Deliver more than the sum of its parts by connecting partners with different focus areas
• Address the challenges we face in a holistic way – challenges that cannot be solved in isolation

How will we make it happen?
There are three main stages to our initiative:
1. Build support by bringing together an influential group of thought leaders and encouraging collaboration
2. Create mainstream appeal by raising public awareness through strategic communications and partnerships
3. Advance policy through a process of political and business engagement

Who is involved?
We are currently building an alliance of the most dynamic, diverse and enlightened UK leaders with the power, determination and drive to turn our vision into reality.

It is a process driven by the Aldersgate Group, a coalition of leaders from business, politics and society that drives action for a sustainable economy. Our members, who include some of the largest companies in the UK, recognise that the best way to meet our objective is to take a systemic approach to environmental challenges.

The Aldersgate Group has the expertise, contacts and track record to make this initiative a success. We helped introduce mandatory carbon reporting for the London Stock Exchange and played an important role in the formation of the world’s first Green Investment Bank. This initiative builds on our previous success, raising our ambition in line with the challenge.

What happens next?
Our first priority is to gather support for our vision. Our partners will then identify shared themes and policy priorities to make it happen. The latest developments will be on the Economy That Works website: www.aneconomythatworks.org
WHAT EXACTLY IS AN ECONOMY THAT WORKS?

THROUGH OUR RESEARCH WE HAVE IDENTIFIED THE SIX CORE CHARACTERISTICS AND FOUR ENABLERS OF AN ECONOMY THAT WORKS

CORE CHARACTERISTICS

The six core characteristics of an economy that works define the fundamental purpose of the economy

- High employment
- Equality of opportunity
- Wellbeing at the core
- Low carbon
- Zero waste
- Enhancing nature

ENABLERS

Its success will depend on the following four enablers. An economy that works needs to be:

- **Long term**
  For an economy to work for all, both now and in the future, it must address the problem of short-termism that often prevents business leaders and politicians from making the right economic decisions

- **Inclusive**
  Taking into account the perspectives, skills, knowledge and networks of our economy’s active participants is the best way to ensure our goals are shared and strengthened

- **Innovative**
  Constant innovation and development are critical to address current needs and adapt to unforeseen changes in the future.

- And it: **Strengthens communities**
  Active, resilient communities are vital when it comes to generating solutions and realising change.
The UK economy is at a critical juncture. If we choose our next step wisely, we can have an economy that works; prosperous, competitive and sustainable.

On the other hand, if the UK fails to adapt to a changing world we will be forced to play catch up while our competitors reap the rewards of their own economic transition.

So our goal is simple: support the creation of a highly skilled, productive and successful economy. By definition, this is smart, low carbon and resource efficient. These attributes are the key to competitiveness in an era increasingly defined by carbon and resource constraints.

The reality is that our economy – indeed any economy – will not thrive if it is:
- Vulnerable to spikes in global energy and commodity prices
- Unable to secure key resources such as food, water, energy and materials
- Threatened by an unstable climate characterised by extreme weather events
- Burdened by a high carbon, high resource infrastructure
- Depleting natural resources at an unsustainable rate

The transition to a smart, low carbon and resource efficient economy is inevitable. It is only a question of timing and the course that will take us there. If we fail to act now, the transition will be largely outside our control. We will be on a rudderless ship that moves from climate crisis, to resource crisis to financial crisis and back again. In other words, things are likely to get a lot worse before they get any better.

In this report, we advocate a different course, one where we navigate the waters ahead with the skills, knowledge and leadership that will ensure a flourishing transition. The result will create jobs, improve competitiveness and increase prosperity across the whole of the UK. Above all it will work at all levels - environmentally, socially and economically.

We believe we are on the verge of a new industrial revolution. The race to create and sell solutions that meet global 21st century needs is well under way. The good news for the UK is that we are in a strong position to lead in many areas and are already reaping the rewards. The danger is that we fall behind in areas where we currently have comparative advantage.

In the end, we have a choice: do nothing and have the transition to an economy that works forced upon us in a way that is largely beyond our control, or make positive choices that will create a future that benefits us all. We choose the latter and hope you will too.
Since our creation in 2006, the Aldersgate Group’s focus has been on providing the economic case for high environmental standards. We have consistently argued that the way a nation addresses the challenges of a resource-constrained world will determine its future economic competitiveness.

With this campaign, we are building on existing expertise to discuss employment, equality of opportunity, wellbeing, inclusivity and community. Our work over the last few years has convinced us that only an approach that addresses the system within which we operate - our economy - will deliver lasting solutions to today’s economic, social and environmental challenges.

By defining the six core characteristics and four enablers of An Economy That Works we are, in effect, describing the purpose of the economy as we see it. This is the first step in a long-term initiative that will define our work for years to come, just as our first publication, Green Foundations, did in 2006.

At the same time we acknowledge that the ambitions described in this report are beyond the power of any single organisation to achieve. An Economy That Works offers a broad vision of success for the UK and as such has a remit that goes beyond the environmental focus of the Aldersgate Group.

We are therefore actively seeking partner organisations willing to take responsibility for parts of this initiative that match their expertise.

Our aim is to build an alliance of the most dynamic and enlightened UK leaders from all backgrounds, with the power, determination and drive to turn our mission into reality. We already have the backing of some of the UK’s largest companies, NGOs, trade unions and professional bodies, as well as MPs from across the political spectrum, and we hope to build further support through this initiative.

As the Aldersgate Group, we will play a central role in driving the initiative, but with regard to policy development and advocacy we will remain focused on supporting the delivery of the low carbon, zero waste and nature enhancing characteristics of An Economy That Works.

Our invitation
If you like what you read in this report we invite you to become part of An Economy That Works. Joining us means you will:

• Be part of a wide-ranging alliance dedicated to creating long-term sustainable growth that is in our collective interests
• Ensure that your specific priorities and interests are taken into account
• Underpin your own objectives with a systemic overview of the economy, helping to join the dots
• Collaborate with prominent organisations to address shared challenges
• Be more influential as a collective that has greater reach than the sum of its parts
• Engage in thought leadership with your peers interested in creating a long-term, prosperous and resilient future for the UK
Although ambitious, the ideas contained in An Economy that Works are achievable. It is already happening. The examples in this section show how a number of forward-thinking sectors and companies are already delivering an economy that works. That is not to say the battle is won; fully capitalising and scaling up the opportunities will require bold action and new partnerships between governments, business and civil society.

**Circular Economy**

£5.6 bn UK opportunity in Remanufacturing – refurbishing products at the end of their lives

**Value to the UK Economy**

The UK environmental goods and services sector contributes 9.3% to the UK economy.

£122 billion
9.3% of total economy

**Net Positive Impact**

Pioneering companies are committing not only to doing less harm but making a “net positive” contribution to society.

Kingfisher: Net Positive
BT: Net Good

- 3:1
- We will help customers reduce carbon by three times...
- BT’s own carbon emissions

**Circular Economy**

£5.6bn
Reporting & Transparency

Companies are translating social and environmental impacts into annual reports to show shareholders how sustainability approaches can deliver value. The International Integrated Reporting Council is promoting the integration of sustainability impacts in annual reports.

A New Industrial Model

A new, more profitable and sustainable business model has emerged from companies such as Unilever, Body Shop, Patagonia, Ecover and Interface. The potential for the whole European manufacturing sector is estimated to be €100 bn per annum increased profit before tax with 168,000 new skilled and mostly local jobs.

Smart Cities

ICT (Information & Communications Technology) can help reduce carbon emissions by 16.5% by 2020 saving £1tn. The global market for smart cities is estimated to exceed $400 bn by 2020, with the UK expected to gain a 10% market share ($40 bn).

Automotive: Investing in Sustainability

Jaguar Land Rover is the largest automobile R&D investor in the UK, spending £2.75 bn in 13–14. As a result, the All-New Range Rover is 39% lighter with 26% lower tailpipe emissions. The business employs 24,000 people in the UK and supports approx 190,000 more.

Offshore Wind

There are currently 4,000 jobs in the offshore wind sector, which the Government predicts could grow to a possible 30,000 jobs by 2020.
Why it matters
The UK can only benefit from having a large number of people in highly skilled, well paid jobs. High employment levels increase financial independence, wellbeing and personal satisfaction for individuals while improving equality across society and raising tax revenues for government.

Recent figures show an improvement in the number of people in work. While this is welcome, significant problems remain: the number of young people out of work remains high and job growth is distributed unevenly across the UK.

There are problems, too, around the issue of needing to work long hours just to make ends meet, lack of job security and wanting full-time work but only getting part-time jobs.

Addressing high employment means giving more people the opportunities to fulfil their potential and giving others the opportunity to reduce overwork.

More people in work: By the end of 2013 the UK’s employment rate was 72.1%\(^1\). This is reasonably healthy, but still lags behind some of our European peers.\(^2\) Certain groups, including the long-term sick, the disabled and young people, struggle to find work. For example there are over one million young people who are so-called ‘NEETS’ (Not in Education, Employment or Training) for whom full-time work is a remote prospect, and this figure is rising as the chart opposite shows.

Fulfilling potential: Some demographic groups, such as women and ethnic minorities, are badly under-represented in leadership positions. This creates demographic imbalances, reducing the diversity of the UK’s talent pool and stifling innovation.

Work-life balance: Research shows that the relationship between income and wellbeing follows a classic bell curve: wellbeing rises as income rises to a certain point, beyond which wellbeing starts to decrease.

A similar correlation exists between working hours and wellbeing.\(^3\) Research by the New Economics Foundation shows that those who work over 55 hours a week experience higher anxiety and lower wellbeing.\(^4\)

WHAT SUCCESS LOOKS LIKE
An economy that works will provide higher levels of employment across the UK, creating new jobs and opportunities for groups such as school leavers, with the flexibility for people to work hours that match their aspirations.

WHAT IS IN IT FOR THE UK ECONOMY?
While the individual benefits of employment are clear, there are also substantial macro-economic rewards:

- **More productive economy**: Increases in the productive capacity of the economy and higher spending power inevitably boost economic activity
- **Skills development**: An economy that works will enable individuals to develop the skills that businesses are currently lacking\(^5\)
- **Healthier national budget**: Rising income tax receipts and spending will contribute to the national budget
- **Higher quality of life**: Reducing unemployment increases wellbeing and helps reduce social and economic deprivation

WHAT ABOUT BUSINESS?
Business is the main source of employment in the UK, with over 80% of jobs in the private sector. As such, its role in achieving high levels of employment is critical.

Business needs a stable and motivated workforce, leading the way in know-how and expertise and making the UK a more attractive place for investment.

Business can play its part by investing in skills and training, enabling the economy to compete. Initiatives such as the 5% Club and M&S ‘Make your Mark’ youth scheme are already helping younger workers make the move into employment. Shifting to high labour, low resource circular models will also boost employment, while support for flexible employment models will enable more people with outside commitments to enter the workplace.

In An Economy That Works, there will be sufficient jobs of good quality to ensure that people need not be out of work for more than short periods, and can plan their lives in the expectation that each of them can gain financial independence and personal fulfilment
As a major employer, a parent and a citizen of a country where so many young people are in danger of getting lost, I care passionately about developing the right skills that our country needs.

*Steve Holliday, CEO, National Grid*
Why it matters
Equality of opportunity underpins many components of an economy that works, including the stability of the economy as a whole. With equal opportunities, citizens can compete fairly for limited resources ensuring a more effective society as achievement is based on merit and skill. It is closely correlated with equality. Specifically, it will contribute to:

Economic stability: An International Monetary Fund (IMF) study found that income inequality has a higher correlation with economic instability and crises than most other factors, whereas more equal societies tend to have longer periods of sustained growth.22

According to another IMF study, “lower net inequality is robustly correlated with faster and more durable growth”.23

Reduced household debt: Research has shown a correlation between inequality and levels of personal and institutional debt.24

Increased wellbeing: Further research highlights the correlation between a range of health and social problems and inequality.25 These include reduced life expectancy, poor math and literacy skills, high infant mortality, as well as increased homicides, imprisonment, teenage births, obesity, mental illness (including drug and alcohol addiction) and poor social mobility.

According to the OECD, the UK has one of the highest levels of income inequality amongst its members. This polarisation of income has been increasing since the mid 1990s.26

What success looks like
A society characterised by increased equality of opportunity would enjoy more social and economic mobility for all population groups through improved access to jobs, healthcare, education, finance and democratic representation. Such a society is characterised by meritocracy, inclusivity and non-discrimination.

What is in it for the UK economy?
Greater equality of opportunity would bring with it a range of tangible economic benefits, from greater innovation and productivity to lower costs through fewer wasted human resources.

According to research by Wilkinson and Pickett, higher equality can lead to enhanced wellbeing, less social unrest and fewer health problems. Improvements could be expected in crime, mental illness and obesity,27 while the Women & Work Commission found that realising women’s full economic potential could be worth £23 bn a year to the Exchequer.28

What about business?
Increasing equality of opportunity will directly benefit British business. It will ensure UK companies have the skilled workforce they need in order to thrive in the long term. It will boost productivity29 by increasing staff loyalty. And it will mean more people have more disposable income to buy the products and services business produces. In short, by increasing equality of opportunity everyone wins.

What can business do to increase equality of opportunity?
• Support the development of skills across all levels
• Offer employment and development opportunities to individuals from disadvantaged communities
• Address gender inequality in senior management
• Make finance accessible to individuals and businesses from disadvantaged backgrounds
• Commit to support legislation for a living wage
What policy interventions can help achieve this?

While some policy interventions can have negative effects, such as the impact of increasing wages on profitability and competitiveness, OECD analysis highlights that a number of interventions offer a so-called ‘double-dividend’, where reducing inequality can also help boost long-term GDP per capita. To realise this double-dividend, an economy that works needs to examine:

- **Education policies**: Promoting equal access to education and increasing graduation rates from secondary and tertiary education
- **Fiscal measures**: Reducing income tax and/or national insurance contributions will reduce the cost of employment, creating jobs and enabling net income to rise. Any reduction in government revenue can be offset through increasing taxes on high-carbon and scarce natural resources
- **Tax evasion**: Ensure that government revenue is maximised by enhanced collection and enforcement of UK tax receipts
- **Living wage levels**: This will help all those in employment to cover basic costs
- **Access opportunities**: Address forms of exclusion that reduce opportunity such as lack of access to capital, resources and services

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“People are much more willing to give of themselves when they feel that their selves are being fully recognized and embraced. We’re committed to creating a safe and welcoming workplace for all employees, regardless of their race, gender, nationality or sexual orientation.”

*Tim Cook, CEO, Apple*
Why it matters
The need to measure wellbeing grew out of the recognition that Gross Domestic Product (GDP) alone is not a comprehensive measure of prosperity. In the words of the Office of National Statistics (ONS), to really understand our economic performance we need a “fuller picture of how society is doing by supplementing existing economic, social and environmental measures.”

Many organisations have attempted to define and measure wellbeing, ranging from subjective aspects such as happiness to more tangible elements including living conditions and economic wellbeing. The graph opposite, developed by Deutsche Bank, captures these multiple dimensions.

In the UK, the ONS Measures of National Wellbeing identified 41 wellbeing indicators grouped into 10 categories following a large-scale public consultation:

- Health
- Education and skills
- Our relationships
- The economy
- What we do
- Governance
- Where we live
- Natural environment
- Personal finance
- Individual wellbeing

These categories reflect a number of issues we explore in this report and combine a subjective assessment of wellbeing with an assessment of objective factors that directly influence individual happiness.

What success looks like
A successful approach to wellbeing would see it treated as a central policy objective, reported on by government and the media and influencing key decisions in other areas.

What is in it for the UK economy?
- A more productive, healthy and effective workforce: the UK’s annual 130 mn days of sickness absence cost the economy £100 bn. Focusing on wellbeing could significantly reduce this figure
- An economy with wellbeing as one of its goals would make the UK a more attractive place to live, work and do business
- Greater wellbeing is likely to reduce public spending in healthcare and crime prevention
- A greater focus on wellbeing would create opportunities through services required to promote wellbeing

What about business?
A greater sense of wellbeing will benefit business through:
- Increased productivity: According to research by Towers Watson, individuals with high wellbeing make more productive and innovative employees, helping create operating margins for their employers that are almost three times higher than those reported by equivalent companies with low engagement and wellbeing amongst staff.
- Revenue growth: A focus on wellbeing provides growth opportunities for companies in the health, wellness, education and personal development sectors
- Employee attraction and retention: If the UK is perceived as having high wellbeing, it will become easier for UK-based companies to attract and retain the most talented employees

How can business support societal wellbeing?
Analysis by the New Economics Foundation highlights work-related aspects of wellbeing which business can influence. These include pay, job security, safety, relationships and work-life balance. Building on this research, businesses can support societal wellbeing by:

- Measuring and managing performance around the issues mentioned above
- Promoting a work environment that raises mental wellbeing – such as training and stress management – as well as physical wellbeing
- Adopting business practices that do not negatively impact important contributors to wellbeing such as the environment
- Strengthening job and income security
- Identifying revenue generation opportunities that result in greater wellbeing
- Extending ‘sustainability reporting’ to include wellbeing indicators
Instead of the goal of maximum linear growth in GDP, we should be thinking of maximum wellbeing for minimal planetary input.

_Sir Ian Cheshire, CEO, Kingfisher plc_\(^3^1\)

### WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?

Through the development of the ONS’s Wellbeing measures an important first step has been taken. Going forward, key policy objectives should focus on:

- **Making wellbeing a core policy objective** by acknowledging the role of government to increase the wellbeing of its citizens and integrating wellbeing considerations into all aspects of policy making.

- **Measuring wellbeing in a consistent way** in order to know what is important and how to influence it.

- **Developing an integrated wellbeing indicator** to provide a regular snapshot of how the UK is performing.

- **Strengthening civil society** and active citizenship, participation and engagement.

- **Focusing the health sector on complete health.** The World Health Organisation (WHO) defines health as “a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity.”\(^3^4\) This includes a stronger focus on mental illness and longevity.

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### THE MANY ELEMENTS OF HAPPINESS AND WELLBEING\(^3^9\)

Words in parentheses point to negative impacts.
Why it matters
The long-term cost of failing to address climate change is recognised by businesses and governments around the world. The UK aims to reduce its greenhouse gas emissions by 80% (based on a 1990 baseline) by 2050. This challenge opens up opportunities for the UK economy, to achieve more efficient energy use and develop new technologies and skills for export markets.

The latest IPCC impacts report makes it clear that “climate-change impacts are projected to slow down economic growth […] further erode food security […] and will create new poverty pockets in upper-middle- to high-income countries in which inequality is increasing”.41

What does success look like?
A low carbon economy requires substantial emissions reductions in the most carbon intensive sectors. These include power generation, industrial activity, transportation, housing, services and agriculture.

The Committee on Climate Change has set out measures to reduce emissions from these sectors, ranging from developing more fuel-efficient vehicles and buildings to zero carbon energy generation.

What is in it for the UK economy?
Growth, jobs and competitiveness: Many countries are decarbonising their economies. The green economy already delivers a £5 bn trade surplus to the UK and provides around 940,000 jobs.42 As the chart opposite shows, green exports are substantial and expected to halve the UK’s trade deficit in 2014–15.43

The UK has an opportunity to lead the transition to a low carbon economy thanks to its industrial expertise and research strength in biotechnology, maths, advanced materials, control systems, electronics, engine technology and energy management.

However, a number of indices demonstrate that the UK is falling behind and being overtaken by competitors. We need to reverse this trend and maintain our leadership position.44

Reducing long-term energy costs and risks: Low carbon energy costs will decrease relative to other sources in a number of areas, thanks to a combination of increased energy efficiency, self-sufficiency and the rising price of conventional fuel. For example, the Carbon Trust estimates that savings to the UK from reducing emissions from non-domestic buildings will reach £4.5 bn by 2020, with reductions of 70–75% possible at no net cost.45

Security: Fuel costs are rising around the world. Developing greater energy self-sufficiency will help the UK mitigate some of these increases and make us less dependent on overseas providers.

Wellbeing: Reducing the threat of climate change will reduce the risk of potential health effects and inequalities.

What about business?
UK businesses are clear about the economic logic for tackling climate change. According to the CBI: “The business response is definitive and emphatic: green is not just complementary to growth, but a vital driver of it.”46 Benefits to business include:

Revenue growth: Global investment in clean technology is currently around $300 bn a year.47 Research by the EU demonstrates that strong targets for renewables and energy efficiency in 2030 would create over half a million new jobs and save €258 bn on imported fossil fuels.48 UK industries that can benefit include finance, automotive, aerospace, ICT, renewables, construction, retail, business services, life sciences, resource management and many more.

Innovation: A low carbon economy will drive the development of new technologies and skills. The UK financial sector can play a key role in funding the necessary investment.

Productivity: Businesses will benefit from reduced costs as greater energy self-sufficiency makes them more competitive globally.

Exports: The UK already runs a surplus on green goods and services. Around the world more countries are investing in low carbon technology.

Finance: There is an opportunity to develop investment vehicles that fully integrate the risks and opportunities related to climate change.

Competitive advantage: Addressing the strategic, regulatory and reputational drivers will enhance a company’s ability to compete.
What policy interventions can help achieve this?

The three most important areas for low carbon policy development are:

Effective carbon pricing: Emissions trading schemes have merit, in spite of the lack of effectiveness of the EU ETS. But to make real impact we need a trading scheme with the right incentives for business. Adopting a simple carbon tax could also raise the price of carbon. Both have the potential to reduce emissions and raise revenues.

Promote low carbon technologies and innovation:
The long-term benefits of low carbon technologies are widely accepted, but the slow shift away from our high-carbon path is limiting the development of these technologies. Addressing this requires:

- Focusing R&D policies on rewarding low carbon innovation via research grants, innovation prizes, patents and tax credits
- Supporting low carbon technologies via feed-in tariffs or renewables certificate systems
- Developing carbon capture and storage
- Supporting community energy projects
- Encouraging a shift to low carbon transport technologies and models

Removing barriers to low carbon behaviour and investment:

- Long-term policy security to support long-term investment decisions
- Shifting government subsidies away from fossil fuels and towards low carbon alternatives
- Introducing ambitious low carbon and energy efficiency requirements in infrastructure projects

There is a hard-nosed economic argument that moving to a low-carbon economy can drive significant business investment and create many new jobs across the country.

*John Cridland, Director General, CBI*

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**Strength of the UK’s Green Export Markets**

- **Brazil**: £242m
- **USA**: £331m
- **Japan**: £358m
- **China**: £794m
- **India**: £412m
- **Germany**: £291m
- **France**: £207m
- **Netherlands**: £189m
- **Sweden**: £158m
- **Italy**: £142m
- **Australia**: £120m
- **Canada**: £110m

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An Economy That Works?

To address today's economic, social and environmental challenges in a systemic way by redefining the fundamental purpose of the economy.

An economy that delivers prosperity, competitiveness and sustainability for British companies and citizens to thrive now and in the future.

By supporting the integration of the Economy That Works characteristics and enablers into UK policy and business strategy going forward.

Characteristics:
- High Employment
- Zero Waste
- Low Carbon
- Enhancing Nature

Enablers:
- Long Term
- Innovative
- Inclusive
- Community
AN ECONOMY THAT WORKS

An economy that works

To address today’s economic, social and environmental challenges in a systemic way by redefining the fundamental purpose of the economy is An Economy That Works? An economy that delivers prosperity, competitiveness and sustainability for British companies and citizens to thrive now and in the future will we achieve An Economy That Works?

By supporting the integration of the Economy That Works characteristics and enablers into UK policy and business strategy going forward.
ZERO WASTE

FOSSIL FUELS, MINERALS, LAND AND WATER ARE ALL BEING DEPLETED DUE TO THE INCREASING DEMANDS OF A GROWING GLOBAL POPULATION. THIS IS CAUSING CRITICAL RESOURCE AND SECURITY CHALLENGES, AS WELL AS INCREASING LANDFILL AND POLLUTION. TO ADDRESS THESE PROBLEMS OUR INDUSTRIAL AND AGRICULTURAL SYSTEMS NEED TO ELIMINATE WASTE AND BE RESTORATIVE BY DESIGN

WHY IT MATTERS
Resource depletion. For many years global economic growth has relied largely on the availability of cheap energy and raw materials. Between 45 – 60 bn tonnes of raw materials are extracted from the earth every year.51 With demand for material goods increasing and reserves of raw materials being finite, reducing resource use is becoming a key driver for competitiveness and resilience.

Accumulation of waste to landfill. WRAP estimates that of the 600 mn tonnes of products and materials that enter the UK economy each year, only 115 mn tonnes are recycled. This costs money – an estimated £3.2 bn to local authorities in 2011–12 – while creating significant environmental damage. By pursuing opportunities for re-use, the UK could reduce its reliance on raw materials, such as rare earths, by as much as 20% by 2020.

WHAT IS IN IT FOR THE UK ECONOMY?
An economy that takes waste out of the equation will:

- Create jobs and spur innovation as economic activity shifts from resource and energy intensive production processes to more labour intensive remanufacturing processes. There are a potential 314,000 new manufacturing jobs based on this model
- Reduce net material costs and drive resource productivity. Estimates suggest an additional £10 bn in annual profits for manufacturers
- Increase the supply of raw materials through recycling, reducing the UK’s dependency on imports and potentially lowering prices
- Reduce waste to landfill with its associated financial and environmental costs, including reducing up to 27 mn tonnes of CO₂ equivalent greenhouse gases every year

WHAT ABOUT BUSINESS?
A zero waste economy can bring many benefits including:

- Revenue growth through the development and commercialisation of resource and waste management systems
- Circular production models that reduce materials costs while building products that last can reduce the costs of warranties
- Increased profitability through remanufacturing where reduced raw material and processing costs both outweigh increased labour costs
- Reduced exposure to resource scarcity risks
- Brand differentiation through sustainability practices and greater engagement with customers through product take-back and re-use models

How business can contribute to a zero waste economy

- New consumption models: “The circular economy advocates the need for a ‘functional service’ model in which manufacturers or retailers increasingly retain the ownership of their products and, where possible, act as service providers – selling the use of products, not simply their consumption.” Such models include the shift from products to services and the increased sharing of products for multiple use
- Product and services development: Businesses can develop opportunities by embedding these models in their product and services development cycles. In order to take advantage of these benefits, businesses will need to collaborate at every step of the value chain. They will also need to adapt their after-sales approach and ensure the traceability of components and materials
- Disclosure: Transparent disclosure of material throughput and a company’s exposure to resource scarcity in their annual and sustainability reports will help generate support for a zero waste economy in the investor community
- Finance: Develop investment vehicles that reward zero waste business models based on their reduced reliance on scarce resources
The world economy is $72 tn in size and if we applied the circular economy, this would lead to at least $1 tn in savings now – and it can become significantly higher.

Dominic Barton, MD McKinsey & Company

WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?
The recommendations from the Circular Economy Task Force, a government-supported, business-led group convened by Green Alliance, suggest the following government interventions:

1. Clarify exposure to risk
   • Conduct a government-led study into exposure to material insecurity, starting with sectors identified by the industrial strategy as those most able to contribute to growth
   • Require Environmental Product Declarations (EPDs) based on a unified methodology across the EU

2. Broker co-operation
   • Create sector-specific road maps using the industrial strategy model for government and industry collaboration, piloted through the delivery phase of existing industrial strategies

3. Enable system design
   • Implement stricter Individual Producer Responsibility
   • Set re-use, recycling, collection and disassembly requirements
   • Use landfill bans as the intervention of last resort for high volume, low value materials
   • Set green public procurement rules specifying more circular products
   • Promote design that enhances repairability, recyclability and disassembly

FROM LINEAR TO CIRCULAR

Source 'The Ellen MacArthur Foundation'

LINEAR ECONOMY

CIRCULAR ECONOMY

ENERGY FROM FINITE SOURCES

ENERGY FROM RENEWABLE SOURCES

TECHNICAL & BIOLOGICAL MATERIALS MIXED UP

BIOLOGICAL MATERIALS

TECHNICAL MATERIALS
Ecosystems are formed by the interaction of living creatures with their environment. Although intrinsically valuable, ecosystems also provide the natural capital which underpins our economy. The Natural Capital Committee defines ‘natural capital’ as the elements of nature that produce value for people, such as forests, water, land, minerals and oceans. These benefit us in many ways, providing us with food, clean air, wildlife, energy, wood, recreation and protection from hazards.

In its latest report, the Committee highlights areas that are at particular risk and could undermine the health of our economy. These are clean water, wildlife, carbon storage, hazard protection, recreation, clean air and marine fisheries. According to the TEEB Study, between US$1.9 and 4.5 tn of value is lost each year through deforestation alone.

Ecosystems intersect with the economy in three main ways: they contribute to economic value, their natural capital can depreciate through economic activity; and response measures to restore ecosystems can have wider economic effects.

An Economy That Works would explicitly recognise and maintain the benefits that ecosystems provide. It would protect land and other natural resources while preventing the loss of plants and animal species. It would also recognise the costs associated with not protecting ecosystems, such as loss of climate change adaptation functions and depletion of resources.

To understand the economic benefit we need to take a step back and understand what the UK National Ecosystem Assessment describes as “ecosystem services”. These include:

- **Provisioning services**, for example the goods obtained from ecosystems such as food and water from rivers, lakes and aquifers
- **Regulating services** that include pollination, control of pests and diseases, as well as climate and hazard regulation
- **Supporting services** that provide the basic infrastructure of life, such as soil formation and capturing the sun’s energy
- **Cultural services** in the form of places where we can enjoy the natural world

While valuing ecosystem services is challenging, the UK has carried out a provisional assessment:
- Terrestrial, wetland and marine biodiversity deliver or underpin ecosystem services believed to be worth in excess of £3bn annually
- Carbon sequestration by UK woodland is worth £800 mn, while pollination services are worth £430 mn
- UK fish landings are valued at £600 mn per annum
- Safe, green spaces may be as effective as prescription drugs in treating some forms of mental illnesses which cost the UK economy over £26 bn
- Air and noise pollution are detrimental to wellbeing

The UK’s natural capital underpins our economic development. Maintaining our natural capital makes good business sense, making our supply chains more resilient and providing a source of competitive advantage to the UK.

As well as general advantages, specific revenue opportunities arise from a more diverse and well-protected ecosystem, such as organic products, sustainable timber and eco-tourism.

Furthermore the protection of ecosystems is a growing industry. For instance, global certification and offsetting markets are rapidly expanding and are predicted to be worth in excess of US$250 bn by 2020.

Ecosystems support innovation, both through the replication of natural processes at industrial scale and through the medicinal properties of fauna and flora.

Employers benefit from a healthy workforce that has access to green spaces. Conversely, being associated with damage to ecosystems creates huge reputational risks for businesses.

**How can business help achieve a biodiverse economy**

- Promote agricultural practices that conserve soil fertility and maximise value for society across all ecosystem services
- Develop policies that ensure environmental impacts are integrated into planning and accounting systems
CEOs have a vital leadership role to play and an opportunity to join the growing number engaging with this topic of ever increasing global importance. The urgency of the debate on how to value and manage our natural capital is unquestionable.

*Katherine Garrett-Cox, CEO, Alliance Trust*  

**ECOSYSTEM SERVICES**  

**Provisioning services**  
The products obtained from ecosystems, including food, fibre, fuel, genetic resources, bio-chemicals, natural medicines, pharmaceuticals, ornamental resources and fresh water

**Regulating services**  
The benefits obtained from the regulation of ecosystem processes, including air quality, climate, water, erosion, disease, pest, pollination, natural hazard as well as water purification

**Supporting services**  
The services that are necessary for the production of all other ecosystem services including soil formation, photosynthesis, primary production, nutrient cycling and water cycling

**Cultural services**  
The non-material benefits people obtain from ecosystems through spiritual enrichment, cognitive development, reflection, recreation and aesthetic experiences – thereby taking account of landscape values

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- Use natural capital accounting to measure the impact of environmental risk on business operations and integrate this into annual reports
- Apply best practice standards of environmental protection in financing infrastructure and industrial development, such as those defined by the IFC
- Work with local communities and authorities to develop joint stewardship approaches

**WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?**
- Develop a long-term ecosystems recovery plan that values, protects and enhances natural capital
- Make no net loss of biodiversity an explicit policy target, and aim for net gains in biodiversity and protection of threatened ecosystems
- Identify and avoid thresholds beyond which biodiversity cannot be restored and/or its contribution to ecosystem services is significantly diminished – such as wild fish stock collapse
- Develop policies to stay within these margins, including the targeted use of markets, standards, subsidies, taxes and protected zones, as well as ensuring government procurement promotes the protection of nature
- Strengthen the government’s handling of biodiversity by including the economic value of natural capital in the national accounts, with a natural capital budget presented by the Chancellor of the Exchequer alongside the fiscal budget
LONG TERM

IF WE WANT AN ECONOMY WITH THE POTENTIAL TO SUCCEED IN THE LONG TERM, IT IS ESSENTIAL WE ADDRESS THE CHRONIC SHORT-TERMISM THAT OFTEN PREVENTS BUSINESS LEADERS AND POLITICIANS FROM MAKING THE RIGHT ECONOMIC DECISIONS

WHY IT MATTERS

Long-term prosperity requires careful planning, and while we cannot predict the future, we can get an idea of the shape of things to come by looking at global forces of change – so called ‘megatrends’.

Good management involves managing for the short and long term simultaneously. In other words, it means being able to address current priorities without losing our ability to meet long-term objectives. In recent years, business and political decision making has been skewed towards short-term gain at the expense of long-term resilience. Yet this ability to focus on the long term is one of the key characteristics of true leadership. In the words of the ancient Greek proverb: “A society grows great when old men plant trees whose shade they know they will never sit in”.

Many of the challenges we face require leadership and long-term vision, such as the urgent renewal of the UK’s infrastructure (including energy, transport, water and ICT). The Kay Review found that short-termism in capital markets is increasing, with a trend away from an engaged, long-term investor and towards the anonymous, short-term trader. The average UK equity holding has fallen from eight years in the 1960s to seven months in 2007.

As a result, short-termism has become “a characteristic of corporate leadership, and may be characterised both as a tendency to under-investment, whether in physical assets or in intangibles such as product development, employee skills and reputation with customers, and as hyperactive behaviour by executives whose corporate strategy focuses on restructuring, financial re-engineering or mergers and acquisitions at the expense of developing the fundamental operational capabilities of the business.”

WHAT SUCCESS LOOKS LIKE

- Increased investment and R&D budgets to address long-term needs
- Long-term impacts taken into account when making policy and business strategy decisions
- Reduced national and household debt and increased long-term investments
- Increased resilience to economic boom-and-bust cycles by increasing savings
- Increased competitiveness as Britain develops the technologies and processes needed by our trading partners to develop their infrastructure
- The UK rated a top location to do business in

WHAT IS IT FOR THE UK ECONOMY?

Ultimately, the transition to an economy that works can only happen if we take a long-term perspective. While there will be some difficult choices to make, the prize is substantial – a better future for Britain and its people.

Policy Exchange highlights, “Long-term infrastructure investment has significant advantages over attempts to boost consumption. The key difference from a macroeconomic perspective is that it creates assets to offset against the borrowing, while at the same time contributing to aggregate demand. But it has an additional and, arguably, more important role: it addresses the productivity and competitiveness of the British economy by improving the energy, transport, communications and water systems which make a substantial contribution to the costs of consumers and businesses.”

WHAT ABOUT BUSINESS?

Long-term thinking provides critical business security. It enables business to identify potential opportunities, become more resilient and make informed investment decisions that will deliver value for years to come.

How can business help create a long-term economy?

- Reward long-term performance in share options and fund performance remuneration
- Improve communications with investors to reduce the financial community’s reliance on quarterly reporting as a proxy for performance
- Build products that last longer and create new revenue streams through enhanced service offerings
- Provide information to investors so they can build models that adequately account for long-term performance
- Provide a clear long-term vision of success, such as this report, the World Business Council for Sustainable Development’s Vision 2050 or M&S’ sustainable business plan opposite
What policy interventions can help achieve this?

• Create strong and continually evolving business policies that identify growth sectors and use a range of funding, fiscal and training interventions to help new enterprises expand.

• Ensure long-term planning is insulated from short-term political agendas or electoral terms, for instance through statutory requirements.

• Revise the way long-term benefits are valued in economic models, focusing on discount rates, accounting for natural capital and the forward costs associated with key resource use.

• Redefine fiduciary duty to strengthen long-term performance.

• Redefine corporate and asset manager incentives to reward long-term performance.

• Consider transaction fees to dissuade extreme short-term trading.

• Reduce obsolescence by extending warranty periods to reward greater product longevity.

As a UK business with long term customer commitments we cannot just focus on today; we must be a good ancestor.

*Mark Wilson, Group CEO, Aviva*
WHY IT MATTERS
We may not be able to predict the future, but we do know that we face an ever increasing pace of change. Adapting to changes requires regular innovation to build resilience and enable our economy to thrive.

According to the OECD “Much of the rise in living standards is due to innovation – this has been the case since the Industrial Revolution. Today, innovative performance is a crucial factor in determining competitiveness and national progress. Moreover, innovation is important to help address global challenges, such as climate change and sustainable development.”

Today, because of environmental pressures, we face a new innovation challenge: how to maintain quality of life while reversing environmental damage.

There are many types of innovation:

- **Product innovation**: creating a product or service that did not exist before, such as the hybrid car engine
- **Process innovation**: changing the way existing products and services are made or delivered, for instance, online shopping
- **Business model innovation**: changing the way a company makes money. For instance, when Apple introduced iTunes it changed its business model from a hardware and software producer to a digital download provider
- **Governance innovation**: addressing the core institutions and frameworks that govern how major decisions are made, for example through devolved governments in Ireland, Scotland and Wales

WHAT SUCCESS LOOKS LIKE
Innovation is often related to R&D spend but it is more complex than that. A couple of international indices give us a strong indication of key success criteria:

The Global Innovation Index, a study from Insead Business School, Cornell University and the World Intellectual Property Organization, measures how innovative countries are by evaluating five *input* measures that support future innovation, and two *output measures* that assess the extent of innovation achieved. These are broken down into further subcomponents as shown opposite.

In the 2013 Innovation Index, the UK ranked third out of 142 nations, but worryingly ranked 60th in innovation efficiency, an indicator of future success. The UK’s efficiency ranking shows that we get less out of our innovative capability than Nigeria, India, China and Germany.

The EU’s Innovation Union Scoreboard assesses strengths and weaknesses of research and innovation systems for EU Member States. The UK is described as an “innovation follower” ranking close to that of the EU average, but lagging behind Germany, the Netherlands and Scandinavia.

WHAT IS IT FOR THE UK ECONOMY?
In 1950 there were 412,000 patent applications worldwide; in 2011 there were 1.9 mn. The 21st century is likely to see more innovation than the previous 500 years.

UK growth and competitiveness will improve in line with our ability to exploit innovation. For instance, Green Alliance estimates that cleantech innovation could save the UK up to £160 bn in energy supply costs by 2050 and increase GDP for UK based businesses by up to £89 bn.

WHAT ABOUT BUSINESS?
Innovation can deliver two main benefits for business:

- **Competitive advantage**: Sustainability is a key driver of innovation and profitability. Of particular interest to business are innovations that address global megatrends – digital revolution, urbanisation, resource scarcity, climate change and demographic change, including:
  - Energy efficiency
  - Circular economy
  - Bottom of the pyramid markets
  - Product to service revenue models
- **Build resilience**: Building resilience at both the company and country level is critical, and in many cases, resilience starts with innovation.

How can businesses deliver innovation in an economy that works?
While incremental innovation is useful, the real breakthroughs come from ‘disruptive’ innovation that drives step changes. To achieve this we need to:

- Look beyond product innovation and aim to innovate equally in processes and business models. This is where genuine change and competitive advantage lie
- Embed innovation within business culture by creating an environment for experimentation and co-creation that supports disruptive innovation
I see sustainability as a key driver for growth and I’m confident that we can innovate our way out of the current financial crisis and, at the same time, make the transition towards a more inclusive, healthy, equitable, resource-efficient and sustainable economy.

Frans van Houten, CEO, Royal Philips Electronics

- Increase collaboration between businesses along the value chain and between business, universities and third sector organisations

**WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?**
Firstly, input factors need to be developed by:
- Strengthening financial and fiscal incentives that promote R&D
- Addressing innovation barriers including international trade barriers and anti-competitive regulation
- Promoting international R&D collaboration
- Supporting long-term economic and policy stability to encourage investment
- Supporting social entrepreneurs and innovators
- Strengthening the Technology Strategy Board to encourage partnerships
- Encouraging innovation and knowledge creation in secondary and further education

However, input factors are rarely enough. The demand side needs to be nurtured as well, and the public sector has a critical role to play here:
- Procurement decisions should prioritise innovations that offer full-lifecycle solutions rather than focusing on upfront cost
- Progressive regulation sends a signal to the market and can be a powerful driver of innovation
INCLUSIVE

IN AN ECONOMY THAT WORKS, INCLUDING THE PERSPECTIVES, SKILLS, KNOWLEDGE AND NETWORKS OF ALL PARTICIPANTS IS THE BEST WAY TO ENSURE THAT SOCIETAL GOALS ARE SHARED AND STRENGTHENED

WHY IT MATTERS

According to the UN’s Expert Group on Promoting Social Integration, an inclusive society puts aside differences of race, gender, class, generation and geography, and instead focuses on inclusion and equality of opportunity. Equally important is enabling all members of society to help determine a set of social institutions that govern how that society is managed, ordered and represented.84

In an inclusive society everyone feels they belong and have a stake. Individuals co-operate at all levels of society to achieve collective goals. People feel empowered to both enjoy the benefits of society and to contribute to it. The individual benefits of an inclusive society include:

• Dignity, respect and a sense of self-worth
• Confidence, positive self-expression, participation, giving as well as receiving and empowerment
• Independence, self-determination, freedom of choice, decision and action85

Wider societal benefits include:

• A positive link between democracy and life satisfaction86
• Membership of organisations increases life satisfaction87
• Trust with other members of society and with key public institutions, is shown to be highly correlated with life satisfaction88
• A greater pool of knowledge, by drawing on the expertise and skills of a vast part of society

• More equality, with the advantages highlighted earlier in this report (p 12)

WHAT SUCCESS LOOKS LIKE

An inclusive society would have:

• Equal access to public services, in particular health and education
• Transparency of government decision making, including financial modelling and access to public information
• Active citizen participation in the decision making processes, including civic, social, economic and political activities that affect their lives.
• A strong civil society to make public policies and institutions accountable.
• Forums to protect and promote basic human rights
• An acceptance and appreciation of cultural diversity
• Democratic representation through high election turn-out89

WHAT IS IN IT FOR THE UK ECONOMY?

• Greater diversity of ideas to address the challenges we face and the opportunities that present themselves
• Greater competitiveness, leading to new opportunities
• More stability in society as people feel involved and included

WHAT ABOUT BUSINESS?

Inclusivity can deliver benefits to business, such as:

• Greater trust between business and stakeholders
• Greater awareness of stakeholder perspectives and ability to influence through proactive engagement
• Access to a greater talent pool through recruitment outside the usual channels
• Enhanced learning and development opportunities

How can business help create an inclusive economy?

• Commit to full transparency of its own operations and supply chain
• Harmonise auditing and measurement methods for greater transparency
• Conduct active stakeholder engagement to share company activities and gather stakeholder input and ideas
• Review executive and advisory board composition to address any gender imbalance and include broader representation to wider stakeholder groups
• Enhance job opportunities for individuals from disadvantaged backgrounds
• Provide learning and development opportunities for all employees
I am very happy that the relationship between business and NGOs is changing now that people are realizing that big problems can only be resolved in partnership between the public and private sector.

Paul Polman, CEO, Unilever

WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?

Participation
- Promote mechanisms for the advancement of marginalised groups, such as public, parliamentary and civil society forums for engagement with government
- Decentralise power to regions and cities to increase local inclusion and accountability
- Support inclusive models of value creation such as crowdfunding, sharing economy and local community initiatives
- Promote the use of the internet and other ICTs to remove barriers to participation such as location, education, class, gender, race and linguistic knowledge
- Promote and respect religious and cultural diversity

Transparency
- Strengthen governance through increased transparency in decision making and accountability among civil servants
- Strengthen freedom of information legislation to ensure full transparency of government decision making
- Increase product transparency through product labelling
- Increase transparency of financial modelling and corporate performance through integrated reporting, using the framework developed by the International Integrated Reporting Council
**WHY IT MATTERS**

An economy that works will not only be achieved through the efforts of business and policy makers – it also requires the active participation of UK citizens, both as individuals and through their communities.

Communities have a critical role to play if people are to be motivated to act while supporting the transition towards an economy that works.

Communities usually share a geographic location, interests or values. As a result, any initiative undertaken to strengthen these common characteristics is likely to get the support of the community, increasing the chance of success.

Many community initiatives across the globe, including the Transition Network,\(^9\) show that when people are given the opportunity to be part of the solution, they are far more engaged and active in addressing the issues that matter.

Lack of community can also have important implications. According to recent research, loneliness can be twice as unhealthy as obesity, particularly for older people. Research shows that people who reported being lonely have a 14% greater risk of dying than the average.\(^{10}\)

**WHAT SUCCESS LOOKS LIKE**

- Larger societal participation
- Greater community autonomy
- Connected communities that share ideas and best practice
- Active communities that take the initiative in addressing local challenges and meeting local needs
- Communities embracing sustainability, such as the One Planet Living concept

**WHAT IS THE OPPORTUNITY?**

- Greater autonomy and shared responsibility from communities to deliver an economy that works
- Greater civic participation as citizens take responsibility for creating the society they want
- Less pressure on the public purse as communities become more engaged and self-sufficient
- There appears to be a positive relationship between volunteering, altruistic behaviour, time spent socialising and subjective wellbeing.\(^{12}\)

**WHAT ABOUT BUSINESS?**

Supporting the wellbeing of communities can offer revenue generating opportunities for business\(^{13}\) by:

- Developing local business clusters
- Developing brand loyalty by addressing consumers’ rising concerns with the environmental and social challenges
- Creating market opportunities through the development and commercialisation of low-impact products and services
- Revenue generation opportunities by embracing business models that strengthen communities

**How can business help create strong communities?**

- Adopt business models which reinvest wealth locally
- Use marketing skills and the ability to communicate with consumers and build ‘communities of action’, committed to developing solutions
- Identify ‘Bottom of the Pyramid’ opportunities that can create revenue opportunities while generating economic activity in poor communities

**WHAT POLICY INTERVENTIONS CAN HELP ACHIEVE THIS?**

**Building community involvement**

The Cabinet Office has outlined a number of initiatives that will support broader community and civil society engagement:

- Give communities more powers and require them to integrate sustainability into their policies and programmes
- Encourage people to take an active role in their communities
Companies can and must make a positive contribution to wellbeing. We want to make sure that the way we operate as a company not only makes UK energy sustainable but that we do so in ways that empower communities and people to take ownership and control of their futures and of real assets.

_Ian Marchant, former CEO, Scottish and Southern Energy_91

- Transfer power from central to local government
- Support co-operatives, mutuals, charities and social enterprises
- Publish government data
- Strengthen community organisations to enable them to achieve wider societal goals

_Reinforce the role of education in shifting mindsets and developing creativity_
- Ensure the school curriculum generates in-depth knowledge about some of the societal challenges we face. For instance, the development of an understanding of the basic principles of ecology and ecosystems can inspire people to protect and restore nature
- Promote innovation and creativity from an early age to help develop solutions and opportunities
- Strengthen the link between schools and local communities
- Build sustainability considerations into the curriculum of business schools
- Use local and mass media to raise awareness and support the development of creative solutions

**ONE PLANET LIVING FRAMEWORK**

- Zero Carbon
- Zero Waste
- Sustainable Transport
- Local and Sustainable Materials
- Local and Sustainable Food
- Sustainable Water
- Natural Habitats and Wildlife
- Culture and Heritage
- Equity and Fairtrade
- Health and Happiness
Finance can fuel innovation, enable infrastructure development and job creation, encourage long-term thinking and support the development of new business models. Issues to explore include:

- Reviewing and adapting incentive structures in the finance sector to reward long-term investment and performance
- Scaling up the Green Investment Bank and developing mechanisms to meet the £200 bn green investment gap estimated for 2020

Industry – particularly manufacturing – drives job creation, increases economic activity and strengthens UK communities. Issues to explore include:

- Evolving the industrial strategy to align with the aims of An Economy that Works, including addressing procurement and investment in emerging technologies
- Introducing policy measures to support capital investment for circular industrial models

The UK’s energy, transport and resource infrastructure needs urgent investment. Making the right choices today will help steer the UK’s economic and social development in the future, creating jobs and supporting growth. Issues to explore include:

- Making energy efficiency the primary infrastructure investment priority in order to reduce bills permanently and tackle poverty
- Creating an infrastructure plan for energy, waste, housing, transport, water and flood defences

The UK needs people equipped with the skills to participate in and benefit from a world leading, knowledge-based economy. This applies to secondary and tertiary education, as well as professional development. Issues to explore include:

- Embedding sustainability within the core curriculum of secondary and higher education, including business schools
- Identifying and developing the skills needed, with a focus on STEM (Science, Technology, Engineering & Maths) and leadership skills

How decisions are made, by whom and who influences them will define how successfully we make the transition to an economy that works. Transparent, inclusive decision making and shared responsibility are key. Issues to explore include:

- Creating institutional frameworks that promote long-term policy security and corporate decision making, including integrated reporting
- Introducing governance structures to ensure wellbeing indicators and natural capital protection are reflected in the policy making process

Where we live and work impacts our quality of life. Many cities, towns and villages are taking an active role in creating sustainable communities, such as Transition Towns and the C40 group of cities. Enabling local decision making and responsibility for policy impacts will support more effective local solutions. Issues to explore include:

- Driving change through increased local autonomy and personal responsibility, as well as scaling up local successes to city and national levels
- Increasing the development of new technologies for smart cities, helping enhance the UK’s position in the rapidly growing global market

At this stage our aim is to build a coalition of organisations with the skills, experience and networks to take this work forward.

Our next step will be to engage with partners to develop these transition catalysts and formulate policy priorities. Join us on this journey.
Aldersgate Group individual members are Parliamentarians from all major political parties and prominent leaders from business, politics and civil society.

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While members support this publication and provided extensive input, individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.
“The world faces some sickeningly big problems, including ageing populations and growing pressure on energy, food and water. But leaps in material science offer exciting potential to improve lives and tackle our greatest challenges… We should encourage and excite the younger generations, letting them witness what the UK can achieve when we set our sights high.”

_Sir James Dyson, founder of Dyson Ltd_

“Being a politician or a business leader has never been more demanding. But it has also never been more important to make long-term decisions about balancing the demands of economic growth, society and the environment. Doing so will secure not only a better quality of life but the UK’s future economic prosperity.”

_Sir Stuart Rose, non-Executive Chairman, Ocado_

“Leading countries and leading companies can do something magical. They can create the future… They can inspire changes much greater than they could make alone, and they can act as catalysts for a wider movement of people that want to change direction but can’t always see how to do it.”

_Paul Polman, CEO, Unilever_

“Leaders should examine deeply the purpose of their business activity and define their contribution to society beyond financial performance. The next generation of CEOs will spend more time than ever looking at the degree of enacting their core purpose – and if they’re bold enough the prizes can be enormous.”

_Ed Williams, CEO, Edelman_
A powerful alliance of leaders dedicated to creating a prosperous UK, with a strong economy today and great one tomorrow.

www.aneconomythatworks.org