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CITY COMMENT
ASHLEY LENIHAN

THERE is a simple reason why the UK has not performed better in the 2010 Legatum Prosperity Index published yesterday, failing to break into the top ten countries. To do better, the UK must continue to improve not just its economy, but also its performance on health, education and security.

The Legatum index is unique, because it provides the only global assessment of national prosperity based on both wealth and wellbeing. It examines over 90 per cent of the world's population and gives each country an overall prosperity ranking. This ranking is calculated from the average of that country's scores across eight different sub-indexes – each of which represents a fundamental pillar of prosperity: the economy, entrepreneurship and opportunity, education, governance, health, safety and security, personal freedom, and social capital.

The UK's position was static this year: in 13th place it remains just out of reach of a top ten position. The good news is that the UK does very well on entrepreneurship and opportunity, where it ranks fifth globally, as well as in the areas of governance and social capital where it ranks ninth on both. This is crucial because the data from the index shows that overall prosperity is more closely correlated to entrepreneurship and opportunity than to any other pillar.

The UK has a strong infrastructure for entrepreneurship. However, the government will need to work hard to improve confidence: in 2009 only 67 per cent of Britons said they believe the entrepreneurial environment is strong, and just 78 per cent believed that hard work will get them ahead in life, below the global average.

The sobering news is that if the UK wishes to better its ranking, and keep pace with its European peers, it will need to improve heavily in areas including the economy, where it ranks 18th, health (20th), education (22nd), and safety and security (23rd). For the economy, confidence is again key. Despite relatively strong objective economic fundamentals such as low inflation rates, only 36.6 per cent of British citizens in 2009 had confidence in financial institutions – the ninth lowest rate in the index. If trends indicated by Tuesday's GDP data are any indication, confidence in the UK financial sector should improve over the next year. In the areas of health and education, however, decent levels of citizen satisfaction belie relatively low enrolment and immunisation rates. If the UK is to surpass its peers, it will need to solve these underappreciated problems.

Ashley Lenihan is senior fellow of the Legatum Institute