The global Prosperity Index is a comprehensive measure of national progress. It ranks countries according to their performance across eight categories: Economy, Entrepreneurship & Opportunity, Governance, Education, Health, Safety & Security, Personal Freedom, and Social Capital. By taking account of these broad measures of progress, the Prosperity Index captures a truer measure of national success than any other tool of its kind.

This short report looks at the UK’s performance on the 2015 Prosperity Index.

Report authored by Harriet Maltby
Britain in 2015

A LAND OF FREEDOM, OPPORTUNITY, AND PROSPERITY

As Britain went to the polls in May 2015 to cast judgement on the Coalition Government, most people expected another hung parliament. Liberal Democrat and Conservative politicians packed their bags and the media prepared to cover weeks of political negotiations. But the Conservatives secured a shock victory, and were back in government with a majority after nearly 20 years.

The Prosperity Index charts the record of the Coalition in government, capturing British prosperity just before the 2008 financial crisis hit, charting our slide down and our climb back up. Its key findings reveal that David Cameron’s victory was not surprising at all.

In absolute terms, Britain is more prosperous in 2015 than at any point in the last seven years. As a nation we enjoy greater freedom, opportunity, and economic security than we did on the eve of the crisis. Our economy sits five ranks higher than before the crisis; we feel healthier, safer, kinder, and more tolerant than back in 2007/8; and we have one of the strongest beliefs in opportunity of any country in Europe.

Yet something much clearer changed in the 12 months before the election. Something flipped in the British psyche; people began to feel a lot more positive about the state of the economy and their own financial prospects. Economic optimism rocketed and so did perceptions of the job market. Whereas just 18% of people thought it a good time to find a job in 2013, by 2014 that had reached 49%—higher than before the crisis, and in 2015 it grew higher still.

Opportunity didn’t just sweep the middle classes either. We see some of the most remarkable transformation among the poorest fifth of Britons. Just 6% of the poorest—around one in twenty—had a full time job in 2009. Today that is nearly one in three. The number of people cast aside as permanently out of the workforce has fallen by nearly a third. As a result, the gap between rich and poor in full time employment has been halved.

The challenge now for David Cameron’s government is to keep British prosperity growing. Whilst in absolute terms our prosperity is still increasing, we are beginning to struggle to keep up internationally, falling two places to 15th in the 2015 Index. Britain remains extremely competitive for Entrepreneurship & Opportunity (up two places to 6th this year), Governance (9th), Personal Freedom (12th), and Social Capital (12th). In Health, Education, and Safety and Security, the story is not so positive.

The Coalition had a strong record, but if Britain wants to make it into the global top ten alongside key allies like Australia, Canada, and New Zealand, the new Conservative government must improve our international competitiveness in key areas of Prosperity. If our progress in the Prosperity Index can be consolidated and extended, Britain’s future will be bright indeed.

We hope you enjoy this 2015 UK Prosperity Report.
UK Prosperity at a Glance

UK IS THE MOST GENEROUS MAJOR ECONOMY IN THE WORLD

75% of Britons reported having donated to charity in the past month, the third highest in the world behind Malta (78%) and Thailand (87%).

BRITAIN IS THE BEST PLACE IN THE EU TO START A BUSINESS

70% of Britons think the country a good place to start a business, up from 48% three years ago and the highest in the EU. The UK retains the third lowest start-up costs in the world at just £81.45 in 2014.

BRITAIN HAS THE HIGHEST FULL-TIME EMPLOYMENT OF ANY MAJOR EU ECONOMY

43% of Brits have a full-time job, ahead of Germany (37%) and France (34%).

UK RECORDS HIGHEST EVER TOLERANCE OF IMMIGRATION

Britain is more tolerant of immigrants than European nations like Germany. 85% of Britons feel the country a good place for immigrants, the highest recorded and up from 80% in 2007.
Britain is in the bottom 50% of OECD countries for life expectancy (the average Brit can expect to live 81 years). In terms of the number of healthy years we can be expected to live (71 years), Britain has fallen into the bottom 30% in the OECD.

The UK is in the bottom 20% in the OECD for enrolment in tertiary education. The UK is also still outside the top 20 in the PISA rankings. Most disappointingly the UK is ranked 26th in Maths out of the 65 countries assessed in 2012.
As Britain climbed out of recession in 2009, opportunity was at an all-time low. The legacy of underinvestment in skills and aspiration and of the tacit acceptance of inter-generational worklessness met the reality of recession. The result was some of the most ingrained and desperate economic and social poverty in Britain’s poorest communities.

Using survey data from Gallup, we can look deeper at patterns of unemployment across the UK. In 2009, just 6% of the poorest in society had a full-time job, the lowest of any developed country in the world except Spain. One in five were in part-time work but sought a full-time job, the highest of any developed country. Most devastating was the fact that nearly six in ten were out of the workforce altogether, with many trapped by institutionalised worklessness. The gap in full-time employment between rich and poor was a staggering 51%—the highest in the developed world.

Desperation was not confined to the poorest corners of the UK. Just 8% of the population felt that it was a good time to find a job in 2009, down at the bottom with the likes of Romania and Italy. Pessimism spread across the whole economy, with more than half the country thinking that economic conditions were “poor”. Even Greeks had greater confidence in their economy. Just one in a hundred Britons felt they were “excellent”. It was easy to see the root of the malaise: in terms of people’s confidence in financial institutions, the UK as recently as 2014 ranked 128th in the world.

Today, all this has changed. Unemployment sits at 5.4% and the UK economy is predicted to grow by 2.5% this year. 2015 sees the UK rise nine places in the Economy sub-index, with our highest ever level of economic prosperity securing Britain’s place in the global top 20 on this measure. Crucially, Britain sits five ranks higher today than it did before the crisis hit. The UK is also rising up the ranks of the Entrepreneurship & Opportunity sub-index, knocking on the door of the global top five.

Reform has not been easy. The biggest shake-up of welfare for a generation and the dogged pursuit of fiscal prudence have not been without criticism. Yet given state of opportunity and optimism in the country in 2009, more of the same would have been devastating for Britain’s prosperity today.

Be it in employment, entrepreneurship, opportunity, or optimism, the results for national prosperity have been marked. The transformation...
has been remarkable. Indeed, some of the changes that the Index tracks over the last seven years are among the most impressive in the developed world.

Today, Britain has the highest level of full-time employment among the poorest of any major EU economy. From the sick nation of the developed world with 19 out of 20 without full time work, our poorest communities have seen a fivefold increase in full-time employment since 2009. Today nearly one in three have a full-time job and the gap between rich and poor in full-time work has been halved. Only 8% want to increase their part-time work to full-time, and the out of workforce percentage has been reduced by nearly a third to 42% (see right). The employment profile of the poorest has been transformed.

The experience of the financial crash and the tough years that followed has strengthened the British belief in opportunity and the value of hard work. 78% of Britons reported that ‘working hard gets you ahead in life’ on the eve of the crash in 2007. Today, 88% believe this to be true. Opportunity is flourishing. The Prosperity Index shows how economic development—from education and mortality to poverty and jobs—has grown more equal since 2009.

Unsurprisingly, economic optimism has rocketed. From the 8% who felt in 2009 that it was a good time to find work, to the 49% who do today. Even as recently as 2012, Britain had lower job optimism than France. At only 10%, it put us at just 18th in the EU. In 2015 Britain stands tall as the third most optimistic nation in Europe.

This optimism also extends to Britain as the natural home for entrepreneurs. The UK in terms of the Entrepreneurship & Opportunity sub-index, has risen two places this year from 8th to 6th. Based on 2014 survey data from across the EU, Britain is the best place for people who want to start businesses and third in the whole developed world. Much of this entrepreneurial optimism is recent. Just 48% of Brits thought the UK a good place to start a business in 2012. Today that stands at 70% (see left). Britain has become the entrepreneurial capital of Europe.

It is easy to see why. The Entrepreneurship & Opportunity sub-index shows that the UK still has the third lowest business start-up costs in the world. In 2014 it cost just £81.45 to start a business, and Britons did. The UK now has the highest level of business ownership of any country in the EU except Spain.

"THE EMPLOYMENT PROFILE OF THE POOREST HAS BEEN TRANSFORMED"

The Index records that the economy was not the only problem for British prosperity in 2009. The lack of optimism and opportunity weighed heavily on the UK’s potential to do well in the Prosperity Index as the world climbed out of recession.

Yet the Index also shows Britain’s remarkable economic transformation. From welfare reform and the economic turnaround to the hard graft of our entrepreneurs and job creators, Britain has moved onto a far more positive path. Today our economy is stronger, more entrepreneurial, and more innovative than it was six years ago. Economic performance, employment, entrepreneurship, and opportunity are driving Britain’s prosperity growth.

1 Poorest fifth of society had average household earnings of approximately £8250 in 2013/14 (Source: Office for National Statistics)
2 UK poll conducted April 14th - May 27th 2014. Nationally representative sample of 1000 adults.
3 Source: Eurostat
4 Source: PWC
5 Source: Prosperity Index, “Uneven Economic Development”
The upward march of UK prosperity in 2015 sees Britain reach her highest ever level of absolute prosperity captured by the Index. That Britain is more prosperous today matters: it means more people in work, greater economic optimism, opportunity for entrepreneurs, and higher satisfaction with freedom of choice. These are all important for the quality of life in the UK.

Yet we must have one eye on future prosperity. It is here where Britain’s comparative performance internationally becomes critical: having dropped in overall Prosperity by two ranks this year to 15th, Britain is in much the same relative position as she was in 2009. Looking deeper, there is cause for both celebration and for concern.

We have already seen the areas where Britain’s prosperity growth is at its most impressive. In 2009, nearly 60% of developed OECD countries ranked above Britain in the Economy sub-index. That gap is closing. In 2015, the UK outranks nearly 60% of its peers. In particular, our economic optimism has moved us from the bottom 30% to the top 20%. A similar positive trend is visible in employment.

In Entrepreneurship & Opportunity, sustained improvement has lifted us into the top 20% of the OECD on this measure. Most notable is that we have moved into the top 10% for start-up costs and top 30% for R&D expenditure. There is more to do on the latter, but the UK is now spending more (as % GNI per capita) on R&D than tech-magnet Ireland.

Personal Freedom (ranked 12th) has seen the most impressive transformation, rising seven ranks since 2009 to push the UK into the top 30%, predominantly as a result of growing tolerance of immigrants and minorities in comparison to OECD peers. Britain is the 5th most tolerant country of ethnic minorities in the developed world, closing in on the ideal of a free and tolerant society for which Britain was once renowned.

Yet there are areas of significant concern for the UK. The Health sub-index (where it is ranked 20th) may have seen a slight improvement compared to the UK’s developed OECD peers, but Britain still ranks in the bottom 50%. Most troubling is the fact that Britain is also in the bottom 50% for life expectancy, and in terms of the number of healthy years we can be expected to live, Britain has fallen into the bottom 30%. However, Britain has moved up out of the bottom fifth...
RISING BUT FALLING: WHERE BRITAIN IS LOSING HER EDGE

for immunisation rates; and in terms of the degree to which we feel our health stops us doing things we would normally do, we are now among the best three in the OECD.

This mixed picture continues in both the Education and Social Capital sub-indices where Britain has slipped marginally. The UK may have risen from the middle of the pack to the top 3% in terms of the number of primary aged children who attend school, but it has fallen into the bottom fifth for tertiary education enrolment (be it university or vocational training). Overall in Education we rank behind 70% of our OECD peers. In Social Capital, Britain is now third in the world based on charitable donations, but the strength of our family ties have weakened, taking us from the top 3% in 2009 to sit behind half the OECD today. The Big Society has not delivered.

Even where improvement has been made, warning signs are still visible. In Governance (ranked 9th), whilst we are now knocking on the door of the top 20% overall, we have dropped out of the top 10% in terms of our regulatory quality (and the extent to which it permits a flourishing private sector), and from the top 30% to the bottom half of the OECD for government effectiveness, ranking equally with France.

Despite decades of Civil Service reform and more recent action on red tape, bureaucracy and inefficiency are hindering prosperity.

As Government considers its priorities for the next four and a half years, it can reflect on some successes. There are many areas where the UK flies its flag proudly in the upper ranks of the Prosperity Index and areas where the country has posted impressive improvements.

Yet David Cameron must turn his attention to those areas where Britain lags behind internationally. Life expectancy, government effectiveness, tertiary education, close social networks: these are all complex policy issues, but issues that must be addressed nonetheless. The Index can point to the countries above us that we should look to for inspiration: EU allies like Germany, the Nordics, and Britain’s friends in Canada, Australia, and New Zealand.

The upward march of Britain year on year must be sustained, but if we are to safeguard future prosperity, so too must it be extended to the international rankings.

Note: OECD comparator countries exclude Luxembourg due to data availability, and Mexico and Turkey as the World Bank do not classify them as ‘high income’.
Looking Forward and Upward

GETTING BRITAIN INTO THE GLOBAL TOP TEN

Britain has come a long way since 2009. From employment and optimism to freedom and opportunity, Britain is a more prosperous place than it was seven years ago.

Yet for Britain to rise into the ranks of the top ten most prosperous countries in the world, there remains much to do.

Health is a major area for improvement. With comparative life expectancy falling and the reality that we have not increased our healthy life expectancy for over a decade, serious questions have to be raised about healthcare in the UK. The policy consequences of this are far reaching, but one obvious area for improvement is cancer survival rates, which lag significantly behind other developed nations. Indeed, recent research by Macmillan suggests that survival rates of 5 common cancers in the UK are today what countries like Sweden, Germany, and Italy achieved over a decade ago.

We also need to ask serious questions about education. We are losing our competitive edge in international tests like PISA, but it is not simply about reading, maths, and science. While the presence of coding on the primary curriculum is an important reflection of valuable future skills, teaching methods remain resolutely old-fashioned. In contrast, nations in the top ten for education, like New Zealand (6th), are tearing up traditional ‘factory style’ teaching models in favour of both content and teaching that reflect the reality of a globalised, digital economy. The UK’s rank as 25th in the world in the Education sub-index is poor for a G7 economy.

Britain must also move further up the Personal Freedom sub-index. It is the English-speaking, Westminster style democracies that sit at the top of this measure—Canada is 1st this year—and so raising perceptions of freedom in the UK should not be out of reach. This requires giving people genuine choice and responsibility in every corner of their lives. Progress has been made – free schools give parents greater choice over which school their children attend; income tax cuts give families greater economic freedom, as will taking home a higher wage in the first place – but we remain constrained in many other ways. The tax system is still complex and the overall tax burden high. We have comparatively little choice in healthcare, from where we can see a GP or which hospital we are treated in. Local Government could do a lot more to give local communities choice in the delivery of services. In some areas, elderly care is a one-size-fits-all service you are given, in other areas it is a voucher system that gives real freedom of choice. Choice should be the default, regardless of where you live.

The Index offers many insights on the barriers to prosperity in Britain. It can also point to those nations who rank above us (see table opposite) and who may offer the ideas and innovation to remove them.

In a competitive world, inertia is not an option. If Britain is to join the global top ten, then she must innovate and grow her way up the ranks. Great gains have been made already in Personal Freedom, Economy, and Entrepreneurship & Opportunity, yet this is no time to indulge in self-congratulation. It will be a long march for Britain to become one of the ten most prosperous countries in the world. The Index shows that significant challenges lie ahead.

## The Legatum Prosperity Index™ Rankings 2015 (Top 30)

<table>
<thead>
<tr>
<th>Overall Prosperity Rank</th>
<th>Country</th>
<th>Economy</th>
<th>Entrepreneurship &amp; Opportunity</th>
<th>Governance</th>
<th>Education</th>
<th>Health</th>
<th>Safety &amp; Security</th>
<th>Personal Freedom</th>
<th>Social Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Norway</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>18</td>
<td>3</td>
<td>13</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Denmark</td>
<td>9</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>16</td>
<td>7</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>New Zealand</td>
<td>14</td>
<td>17</td>
<td>2</td>
<td>6</td>
<td>19</td>
<td>11</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Sweden</td>
<td>7</td>
<td>1</td>
<td>4</td>
<td>17</td>
<td>12</td>
<td>5</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Canada</td>
<td>8</td>
<td>15</td>
<td>7</td>
<td>2</td>
<td>11</td>
<td>9</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Australia</td>
<td>12</td>
<td>14</td>
<td>10</td>
<td>1</td>
<td>15</td>
<td>15</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Netherlands</td>
<td>10</td>
<td>13</td>
<td>12</td>
<td>4</td>
<td>5</td>
<td>19</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>9</td>
<td>Finland</td>
<td>33</td>
<td>8</td>
<td>5</td>
<td>7</td>
<td>13</td>
<td>3</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Ireland</td>
<td>18</td>
<td>18</td>
<td>14</td>
<td>8</td>
<td>17</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>United States</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>9</td>
<td>1</td>
<td>33</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Iceland</td>
<td>31</td>
<td>4</td>
<td>18</td>
<td>10</td>
<td>18</td>
<td>2</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>13</td>
<td>Luxembourg</td>
<td>6</td>
<td>9</td>
<td>6</td>
<td>43</td>
<td>2</td>
<td>10</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>14</td>
<td>Germany</td>
<td>5</td>
<td>16</td>
<td>16</td>
<td>12</td>
<td>6</td>
<td>21</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>15</td>
<td>United Kingdom</td>
<td>19</td>
<td>6</td>
<td>9</td>
<td>25</td>
<td>20</td>
<td>23</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>16</td>
<td>Austria</td>
<td>22</td>
<td>7</td>
<td>15</td>
<td>24</td>
<td>9</td>
<td>16</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>17</td>
<td>Singapore</td>
<td>1</td>
<td>12</td>
<td>13</td>
<td>15</td>
<td>14</td>
<td>12</td>
<td>38</td>
<td>25</td>
</tr>
<tr>
<td>18</td>
<td>Belgium</td>
<td>23</td>
<td>24</td>
<td>17</td>
<td>21</td>
<td>10</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>19</td>
<td>Japan</td>
<td>25</td>
<td>22</td>
<td>19</td>
<td>28</td>
<td>7</td>
<td>22</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>20</td>
<td>Hong Kong</td>
<td>24</td>
<td>10</td>
<td>22</td>
<td>53</td>
<td>28</td>
<td>1</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>21</td>
<td>Taiwan</td>
<td>20</td>
<td>21</td>
<td>36</td>
<td>22</td>
<td>23</td>
<td>6</td>
<td>31</td>
<td>22</td>
</tr>
<tr>
<td>22</td>
<td>France</td>
<td>30</td>
<td>19</td>
<td>20</td>
<td>26</td>
<td>8</td>
<td>31</td>
<td>21</td>
<td>53</td>
</tr>
<tr>
<td>23</td>
<td>Malta</td>
<td>27</td>
<td>20</td>
<td>21</td>
<td>42</td>
<td>25</td>
<td>29</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>24</td>
<td>Spain</td>
<td>37</td>
<td>30</td>
<td>27</td>
<td>19</td>
<td>24</td>
<td>25</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>25</td>
<td>Slovenia</td>
<td>58</td>
<td>25</td>
<td>33</td>
<td>11</td>
<td>27</td>
<td>14</td>
<td>25</td>
<td>40</td>
</tr>
<tr>
<td>26</td>
<td>Czech Republic</td>
<td>26</td>
<td>29</td>
<td>34</td>
<td>13</td>
<td>26</td>
<td>24</td>
<td>45</td>
<td>66</td>
</tr>
<tr>
<td>27</td>
<td>Portugal</td>
<td>62</td>
<td>31</td>
<td>32</td>
<td>46</td>
<td>31</td>
<td>18</td>
<td>16</td>
<td>47</td>
</tr>
<tr>
<td>28</td>
<td>Korea, Rep.</td>
<td>17</td>
<td>23</td>
<td>35</td>
<td>20</td>
<td>21</td>
<td>17</td>
<td>66</td>
<td>85</td>
</tr>
<tr>
<td>29</td>
<td>Poland</td>
<td>34</td>
<td>36</td>
<td>39</td>
<td>33</td>
<td>33</td>
<td>26</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>30</td>
<td>United Arab Emirates</td>
<td>21</td>
<td>28</td>
<td>28</td>
<td>36</td>
<td>34</td>
<td>34</td>
<td>65</td>
<td>39</td>
</tr>
</tbody>
</table>

For full global rankings of all 142 countries in the Index, visit [www.prosperity.com](http://www.prosperity.com)
The Legatum Institute is a charitable public policy think-tank whose mission is to help people lead more prosperous lives.

LEGATUM INSTITUTE
11 Charles Street
Mayfair
London W1J 5DW
United Kingdom

t. +44 (0) 20 7148 5400

www.li.com
www.prosperity.com