

# A FRAMEWORK FOR WELLBEING

*As we look towards New Zealand's first "Wellbeing Budget" in 2019, CARL BILLINGTON takes a closer look at what we mean by wellbeing and how we might measure it.*

economics is a realisation that *how* we grow is just as important as *how much* we grow.

"The dialogue around climate change has highlighted the possibility that we could grow ourselves out of existence – that's a pretty sharp incentive to refocus our thinking more broadly on how the market economy contributes to wellbeing."

## Understanding the "four capitals"

While there are a number of frameworks and approaches to wellbeing, they tend to be variations on the four capitals approach.

The four capitals are:

- **Natural capital** – covers all aspects of the natural environment needed to support life and human activity
- **Human capital** – the skills, knowledge, and physical and mental health that enable people to participate fully in work, study, and recreation and in society generally
- **Social capital** – the norms and values that underpin society: such as trust, law, cultural identity, Crown–Māori relationship, and connections between people and communities
- **Financial/physical capital** – the things that make up the physical and financial assets we use to support our income and material living conditions.

Following this same approach, Treasury's Living Standards Framework was developed to support more cohesive public policy. It draws on the OECD "How's Life" analysis of current wellbeing and the four capitals as a way of organising indicators of sustainable wellbeing.

Each of the four capitals offers a different view of the resources people draw on to create wellbeing. Together they provide the basis for the Living Standards Framework, alongside the set of indicators that are being developed in support of the 2019 Wellbeing Budget.

As Dalziel explains, "Economists have a good understanding of how to maintain and increase physical capital. Now those principles need to be applied to the full range of capitals. We derive ecosystem services from our natural capital – but

how do we reinvest in maintaining and enhancing the quality of our natural capital so it can continue to provide those services in the future?

***How we grow is just as important as how much we grow.***

"We draw heavily on our social capital every day, but do we know how to reinvest to make sure social capital continues to grow and become more inclusive of new groups in our population? Ensuring those in rural districts have access to global knowledge capital through investment in ultra-fast broadband is also part of this."

The four capitals help highlight a range of questions regarding access, inclusion, and future investment that can inform public policy and focus the interventions we look to put in place.

"We need to recognise that people are actors in their own wellbeing as individuals, as families, as households, and as market participants. Consequently, the role of government is not handing out wellbeing as if it were porridge from a cauldron. Government's role is about enhancing the efforts already being made by people for their own wellbeing."

"In creating their wellbeing, people draw on services provided by long-term capital assets that are broader than just the things we make and trade. We need to recognise our human, social, and natural capital alongside traditional physical or economic capital. You could also consider cultural, knowledge, and diplomatic capital, but the four capitals give us a good place to start."

***"We need to recognise that people are actors in their own wellbeing as individuals, as families, as households, and as market participants."***

## The privilege of access

Carla Houkamau, Associate Professor and Associate Dean for Māori and Pacific Development at the University of Auckland Business School, picks up on the theme of access, highlighting it as a class

## The economics of wellbeing

Traditionally, wellbeing has always been the focus, if not always the outcome, of economics. The current *kōrero* that is developing around wellbeing, economics, and public policy represents a return to this original understanding.

Paul Dalziel, Professor of Economics at Lincoln University, explains, "We have tended to separate social policy from economic policy in the belief that the best contribution economic policy can make to wellbeing is to increase financial growth."



**Paul Dalziel**

"I think one of the underlying drivers for the current movement towards wellbeing

issue and one of the biggest obstacles we need to overcome to achieve widespread wellbeing for New Zealanders.



**Carla Houkamau**

“A major challenge Māori have in achieving equity in wellbeing is a socio-economic problem. The barriers in access are actually socio-economic – in short, what we have is a class issue.”

Houkamau points to data recently released that found only 6 percent of approximately 16,000 students accepted into university courses in law, medicine, and engineering come from our more disadvantaged homes, while over 50 percent of students come from our top three income brackets.

The same research found that while 50 percent of students from high-decile schools go on to university, only 17 percent from low-decile schools do.

**“The barriers in access are actually socio-economic – in short, what we have is a class issue.”**

“Market forces have very real flow-on effects that impact directly on wellbeing,” Houkamau observes.

“We’ve all seen it happening: those with the financial means gravitate to areas with higher priced homes and well-funded and resourced schools. This movement increases housing prices in those areas, ensuring only others with equivalent financial means can follow, and those schools gain more resources and attract more qualified and experienced teachers, leaving schools in lower decile communities under-resourced and struggling to attract staff.

**“Homogenising Māori, or any group of people, ‘others’ them and detracts from class issues.”**

“While efforts have been put into cultural responsiveness to Māori, this is not going to cure inequality in educational outcomes. There are kids from high-income Māori families who have access to te reo Māori, are very confident in Māori

culture, and get the benefits of attending high decile schools. Their experience with their teachers and school will be different from those whose families are living in poverty – who have access to culture but whose parents are seriously struggling financially. Ethnic identity does not make everyone exactly the same.

“Even when it comes to the current conversation about wellbeing, people tend to ask what a Māori perspective on wellbeing looks like. Although it’s typically well-intentioned, it highlights the way we tend to homogenise Māori as if they’re all the same.

“Homogenising Māori, or any group of people, ‘others’ them and detracts from class issues. The education system is not exempt. The New Zealand School Trustees Association released a report earlier this year *Education matters to me: Key insights*, which showed that Māori children and young people experience racism at school and are treated unequally because of their culture. The New Zealand Educational Institute recently published research that shows that Māori and Pasifika principals are targets of racism too. It’s simply appalling.

“From a wellbeing standpoint, Māori need the same as anyone else: access to good work, safe and warm accommodation, positive relationships with family and friends, and to be treated with respect without being stereotyped. These needs are fairly universal, and the main determinant of access to good quality education is family income,” Houkamau adds.

“If we ask what Māori success as Māori looks like, there isn’t just one answer. Māori cultural values and practices do influence decision making and perceptions of success and wellbeing for Māori but, at the same time, they are not homogenous with many displaying economic attitudes and aspirations quite different from those attributed to traditional Māori ways of being,” Houkamau adds.

Now that we know what some of the indicators and issues are, the next step is finding ways to measure our progress.

#### **Measuring wellbeing**

Conal Smith, Principal of Kōtātā Insight, has been working alongside Treasury and others on exactly this issue. Smith observes that although there is a large and robust pool of scientific literature in the field of wellbeing, integrating this into the public policy conversation is a newer development.

“It might be something a number of civil

servants are wrestling with for the first time, but there is a lot of literature in the scientific community and a strong consensus regarding what we mean by wellbeing and how it can be measured.



**Conal Smith**

“People tend to talk about wellbeing either in terms of the capability of people to live the kind of lives they value or in terms of a positive subjective evaluation of your life. One perspective focuses on capability, the other fulfilment,” Smith explains.

**“There is a lot of literature in the scientific community and a strong consensus regarding what we mean by wellbeing and how it can be measured.”**

“Regardless of which approach you adopt, the two frameworks come up with the same sorts of factors and, empirically, both approaches lead to the same list of indicators and outcome measures.

“The four capitals offer a consistent way of looking at the resources people have available to invest in their wellbeing – they’re not measures of wellbeing, they’re the resources we use to produce wellbeing,” Smith explains.

From a policy perspective, this framework offers a robust and consistent way of evaluating the quality and availability of those resources for different people in different settings – and our ongoing ability to invest in and grow these capitals for the future. This approach enables a number of important policy conversations.

Statistics NZ and Treasury are currently working on developing a suite of supporting indicators that will help us measure and track wellbeing. In addition to making it easier for people to measure the level of wellbeing, the intent is that people can explore the distribution and inherent trade-offs between different capitals.

“We need to know the distribution of outcomes across the country and what the gaps look like both vertically, between the top and bottom, and horizontally, between Māori, Pākehā, male and female,



## The wellbeing of democracy

One of the other exciting possibilities of the wellbeing framework, at least for philosophy lecturer Dan Weijers (University of Waikato), is its potential to refocus politics on what really matters.



Dan Weijers

“Internationally, we’ve seen the growing trend of a sort of politics of personality. As members of the public engage more and more with digital media and less and less with the machinery of government, there is a risk that people vote based on which political personalities they like best, rather than which policy platforms they believe are best for the country,” Weijers explains.

“This raises numerous challenges, not least of which is the fact that these perceptions of political personalities are being largely derived through heavily filtered social media platforms that have biases built into the algorithms they use to present content.”

Weijers highlights the wellbeing framework as a way of potentially focusing both politicians and members of the public on issues of public and social policy beyond personalities.

“If the framework could be constructed and presented in a way that is intuitive and reflects what matters to everyday New Zealanders, it could become a reference point in pre-election cycles – enabling us to evaluate the policy position of each party in relation to the various trade-offs across different dimensions of wellbeing and for evaluating actual policies once they are implemented.

“There’s an opportunity each time we conduct the census to include questions about what matters most to New Zealanders and ensure the framework remains up-to-date,” Weijers adds.

“If we really got behind this, it could be a powerful force for creating genuine dialogue between New Zealanders and governing bodies, and it could help protect our democracy from devolving into personality politics. The events of recent weeks suggest this might be more timely than we thought.”

young and old,” Smith explains.

“We also need to look at whether we see the same people represented in the same positions for each indicator – the ‘joint distribution of outcomes’,” Smith adds. “Knowing whether those in the bottom 5 percent for poverty, for health, and for social inclusion are the same sets of people and communities is really significant. It helps highlight any geographic or demographic dimensions to the issue.

“We also need to consider the spill-over effects and trade-offs between different capitals. Health is a key dimension of wellbeing that has a number of positive spill-over effects for education and employment.

“Conversely, we might see a way to improve incomes through dairy intensification but at the expense of water quality, or we see a way to benefit one community but it comes at the expense of another. Our wellbeing framework needs to enable us to consider each of these dimensions,” Smith adds.

### Co-designing our indicators

Statistics NZ have been running a collaborative development process with stakeholders across the country to identify what matters most to New Zealanders when it comes to wellbeing and to begin identifying a suite of supporting indicators.

“We’re developing a comprehensive suite of around 100 indicators that cover environmental, social, cultural, and economic measures,” Eleisha Hawkins, Director – Office of the Government Statistician and Chief Executive, explains.

“That may seem like a lot, and you wouldn’t focus or report on all 100 at the same time. The comprehensive approach recognises that while issues of natural capital (such as environmental sustainability, land use, water quality) might be the current priority, in the future, it might focus more on aspects of social capital. Our aim is to build that longevity and flexibility into the framework from the beginning.”



Eleisha Hawkins

Stats NZ ran a public consultation during July, August, and September, followed by a series of technical data workshops

and further consultation with iwi and other stakeholders, exploring what matters most to New Zealanders and their communities.

“Our aim is to launch the final suite of indicators in March 2019, with an interactive website later in the year that will allow people to interrogate and filter the data themselves,” Hawkins adds.

“What we’ve heard the most often from people is that whatever is produced needs to enable communities and local groups to see themselves in the data. There’s huge potential for this at a local level, as well as the more obvious public policy opportunities.

“Local councils are accountable for supporting the wellbeing of their communities but often have no way of gathering data, or are left to make the best of data that’s drawn from wider regional boundaries.

“For somewhere like Masterton City Council, that means trying to work with Wellington regional data, which includes areas such as Wellington CBD. It really reduces the utility of the data. They need data at a local level – we’re hoping to be able to achieve that,” Hawkins explains.

***“Local councils are accountable for supporting the wellbeing of their communities but often have no way of gathering data.”***

“When we went and spoke to different communities, we also heard a number of really great local initiatives that community groups want to be able to measure the impact of. We want the final framework to be brought into by New Zealanders, not just by officials.

“We also hope it will help people understand the connection and relationships between different aspects of wellbeing by making it easier for people to explore trade-offs, potential blind spots, and how the decisions we make today impact our future,” Hawkins adds.

“It’s an exciting, and at times daunting, initiative to be part of. We look forward to seeing where it all leads.”

### Find out more

You can read Treasury’s approach to the Living Standards Framework at <https://treasury.govt.nz/sites/default/files/2018-02/tp-approach-to-lsf.pdf>