The Living Standards Framework 2021

28 October 2021
Acknowledgements

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Disclaimer

This paper reflects the current views, conclusions and recommendations of the New Zealand Treasury. All views expressed in this document are those of the Treasury.
Executive summary

Purpose and background

This paper describes the 2021 version of the Living Standards Framework (LSF). The new framework is an evolution of the 2018 version, which itself built on earlier versions of the LSF. The 2021 LSF is intended to better reflect children’s wellbeing and culture, including being more compatible with wellbeing as understood in te ao Māori and by Pacific Peoples. This paper also seeks feedback on the Treasury’s initial thinking on additional indicators to measure the new parts of the LSF.

We continue to evolve the LSF because the Treasury is committed to offering the best economic advice it can. This requires us to continually develop and strengthen our key analytical and policy frameworks, such as the LSF. The areas in which we have developed the framework reflect feedback from stakeholders, particularly from when we released the LSF Dashboard in 2018.

Our approach

We have taken an integrated approach to the challenge to better reflect children’s wellbeing and culture, so many of the changes to the LSF cut across the development areas. We have also not attempted to comprehensively incorporate everything that is important for children, or te ao Māori and Pacific perspectives. We have aimed to incorporate some of the most important concepts at a high level, but intend to use the LSF alongside in-depth frameworks such as:

- He Ara Waiora for a Māori perspective on wellbeing
- Lalanga Fou for a Pacific perspective on wellbeing, and
- the Children’s Commissioner’s Wellbeing Wheel for a perspective on children’s wellbeing.

This approach maintains the integrity of these complementary perspectives while also minimising the complexity of the LSF.
Overview of the 2021 LSF

The new version of the LSF is introduced in the following diagram.

The new LSF has three levels and a series of analytical prompts that apply to each one. While this introductory diagram is quite simple, there is substantial depth beneath each level of the framework. For casual users of the LSF this simple diagram will be sufficient, but more advanced users will need to explore the nuances within and between each element of the framework.

Level 1: Our Individual and Collective Wellbeing

This level of the framework captures those resources and aspects of our lives that have been identified by research or public engagement as being important for our wellbeing as individuals, families, whānau and communities.

In the previous version of the LSF, wellbeing was implicitly conceived as being about individual people. This new version introduces the concept of collective wellbeing to reflect the importance of families, whānau and community to the wellbeing of Māori, Pacific Peoples, and many other New Zealanders.
We have also revised the definitions of the 12 wellbeing domains to better reflect child wellbeing and the wider role that culture plays beyond identity in our wellbeing. For example, we have redefined the social connections domain as family and friends to capture the central importance of attachment to the wellbeing of children.

**Level 2: Our Institutions and Governance**

This is a new level in the LSF. It captures the role that our political, economic, social and cultural institutions play in facilitating the wellbeing of individuals and collectives, as well as safeguarding and building our national wealth. This level captures the role that, for example, schools have in the wellbeing of children, marae have in the wellbeing of tangata whenua, or the fisheries regulatory system has in sustaining Aotearoa’s fisheries for the benefit of all.

**Level 3: The Wealth of Aotearoa New Zealand**

This level captures how wealthy we are as a country, including aspects of wealth not fully captured in the system of national accounts, such as human capability and the natural environment.

The word ‘capital’ is now only used for financial and physical capital, which together with human capability, social cohesion and the natural environment are collectively referred to as the Wealth of Aotearoa New Zealand. The change in language reflects that things like the natural environment, our health and skills are valued for more than their role as factors of production, particularly in certain cultural traditions.

We have also refined the definitions of some aspects of our wealth and the wellbeing domains to clarify their overlapping relationship with one another. For example, the wellbeing domains of health, knowledge and skills, and cultural capability and belonging each capture a part of human capability. The purpose of the wellbeing domains is to capture the private benefit that these personal characteristics generate for the individuals and communities that are healthy, skilful and culturally capable. At the third level of the framework, the human capability aspect of our wealth captures the public benefit that is created for all of us in Aotearoa New Zealand by having a healthy, skilful and culturally capable population.

We have added culture at the bottom of the framework to emphasise that all aspects of our wealth, our institutions and our wellbeing are cultural – culture is in every part of the framework.

**Analytical prompts**

We have added the prompts of productivity and sustainability as lenses with which to analyse our wealth and wellbeing, alongside distribution and resilience. Each of these prompts are important for understanding trends in wellbeing, as well as the potential impacts of policy. The prompts are provided to encourage and support analysts to explore the different levels of the framework through the lenses of these different criteria.
Next steps

The next step in this work is to add new indicators to the LSF Dashboard to reflect the new and revised parts of the framework. As a measurement tool, the Dashboard will provide the indicators that the Treasury will use to inform the development of its first Wellbeing Report in 2022, which is now required every four years under the Public Finance Act 2022. We welcome comments on the draft indicators, and ideas on other indicators, that might help us to better understand wellbeing in Aotearoa New Zealand in the new and revised parts of the LSF.

We seek feedback on the following questions:

- Are the criteria we have used to assess the current and provisional new indicators the right ones?
- Have the indicators been assessed fairly against these criteria?
- Are there any indicators that, based on the criteria, are not high enough quality to include?
- Are there other indicators that would perform better on the various criteria?
- What are the most essential indicators to add into each element of the framework?
- Are the links to the more detailed reports and data sources we have identified the right ones, and what other links are missing?

To provide feedback on these questions, please email cea@treasury.govt.nz by 15 December 2021.
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1 Introduction

This paper describes the 2021 version of the Living Standards Framework (LSF). The new framework is an evolution of the 2018 version. The changes are intended to better reflect children’s wellbeing and culture, including te ao Māori and Pacific cultures. This paper also seeks feedback on the Treasury’s initial thinking on additional indicators to measure the new parts of the LSF.

The primary purpose of the LSF is to support the Treasury to deliver high-quality policy advice. It provides the Treasury with a framework to understand the drivers of wellbeing and to consider the broader impacts of our policy advice in a systematic and evidenced way. We see it as robust policy – and robust economics – to draw on a range of data and evidence to understand the dependencies and trade-offs across the different elements of wellbeing.

The Treasury has also released the LSF Dashboard as a measurement tool to support the LSF. The LSF Dashboard provides a range of indicators across the elements of the LSF to support the measurement of progress in living standards and wellbeing. The LSF Dashboard indicators will underpin the four-yearly Wellbeing Report, which the Treasury is required to publish for the first time in 2022 under the Public Finance Act 2022. We welcome comments on the draft indicators, and ideas on other indicators, that might help us to better use the new elements of the LSF to understand wellbeing in New Zealand.

The LSF is one of two wellbeing frameworks at the Treasury. The second is He Ara Waiora, meaning a pathway towards wellbeing. He Ara Waiora is a framework that helps the Treasury to understand waiora, often translated as a Māori perspective on wellbeing. While the changes to the LSF are intended to align it more closely with te ao Māori, He Ara Waiora is the Treasury’s primary approach to incorporating te ao Māori perspectives into policy development. To ensure we do so with integrity, we are maintaining a relationship with the group of Māori thought leaders who originally developed the framework.

This paper comprises a further three sections that provide:

- background to this work and the reasons for further development of the LSF
- an overview of the new LSF and a summary of the key changes to the framework from the 2018 version, and
- an initial assessment of the implications of the new framework for the LSF Dashboard.

It also includes three appendices. The first appendix defines each part of the framework in more detail and the second provides the proposed new wellbeing indicators. The third provides a summary of the feedback we received in the development of this 2021 version of the LSF.
2 Background and approach

This section explains the purpose of refreshing the LSF and the broad approach that the Treasury took to this work.

The evolution of the Living Standards Framework

As a relatively early adopter of wellbeing thinking, the Treasury has deliberately taken an iterative approach to developing the LSF over time. There have now been three versions of the LSF, which we have iteratively developed in response to the emerging international and New Zealand literature, our own research, and dialogue with people across Aotearoa New Zealand on our maturing approach. We have also learned from other wellbeing initiatives, such as the Waikato Wellbeing Project.

The Treasury published its initial version of the LSF in 2011 and then released a new version in 2018. This version reflected local and international research on wellbeing, including a range of public feedback and expert advice. The second version was an important step forward. By drawing extensively from the OECD’s ‘How’s Life?’ framework, it benefitted from their extensive research on what matters for wellbeing across countries. It also made it easier for us to understand how Aotearoa New Zealand is doing compared to other countries.¹

However, our external engagement around the development of the LSF Dashboard in 2018 highlighted that our international approach may not fully capture the distinctive nature of wellbeing in Aotearoa New Zealand or the wellbeing of children. This paper describes how the Treasury has developed the LSF to better reflect these issues.

Our approach

We have drawn on the extensive feedback we received during the development of the LSF Dashboard to inform this refresh of the LSF, and on the feedback we have received on the range of LSF discussion papers published in recent years.² As well as reviewing the literature, we have engaged with key agencies and wellbeing experts as we developed the changes to the framework. We acknowledge and thank the many people who have contributed to our understanding of wellbeing and the development areas of the framework.

¹ For further information on how the LSF has changed over time, see: https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards

² The Treasury has sponsored several discussion papers about these issues, including: An Indigenous Approach to the Living Standards Framework; He Ara Waiora: A Pathway Towards Wellbeing; A Pacific Perspective on the Living Standards Framework and Wellbeing; An Asian Perspective on the Living Standards Framework; and Culture, Wellbeing and the Living Standards Framework: A Perspective. These papers add to those published alongside the 2018 framework, namely: The Start of a Conversation on the Value of New Zealand’s Social Capital, Natural Capital, Human Capital; Financial/Physical Capital; and Resilience and Future Wellbeing. These papers are all available on the Treasury website by ctrl-clicking on the hyperlinks above.
As highlighted above, we have taken an evolutionary approach to the development of the LSF. We have sought to retain the strengths of the 2018 version and to refine the framework rather than revolutionise it. The three other principles that have underpinned our approach, which are explained further in the following sections, have been:

- looking for changes that resonate across the development areas
- developing the LSF in the context of a multi-framework approach where the LSF will be used alongside frameworks from other cultural and child perspectives, and
- balancing adding greater richness to the LSF with the need to manage the complexity to encourage and support its application amongst Treasury and other policy analysts.

**An integrated approach**

This version of the LSF has focused on four development areas: te ao Māori, Pacific Peoples’ perspectives, child wellbeing and the different ways in which culture contributes to wellbeing. We realised early in our work that these priority areas are very interrelated. Therefore, while this paper does explain how the changes to the LSF speak to each of the development areas, the changes do not map one-to-one to each of these areas. Several changes strengthen or better align the LSF across two or more of the development areas.

We have focused on te ao Māori in recognition of our Treaty responsibilities, and on both Māori and Pacific Peoples in recognition of the imperative to improve wellbeing outcomes for these communities. Given the very many other ethnic groups in this country, it was not possible to consider each one individually. However, the Treasury values the wellbeing of all ethnic groups in New Zealand and we hope that many of the changes to the framework will resonate with other groups. The introduction of the concept of collective wellbeing, for example, will resonate with many other ethnic groups, as will the cultural capability and belonging domain of wellbeing.

**The relationship between the LSF, He Ara Waiora and other wellbeing frameworks**

He Ara Waiora is the Treasury’s main approach to better incorporating te ao Māori perspectives into our work. He Ara Waiora is a mātauranga Māori framing of wellbeing. It was initially developed for the Tax Working Group by the group of expert Māori thought leaders Ngā Pūkenga, who continue to work with the Treasury to further develop and apply He Ara Waiora to our policy work.²

We have made some changes to the LSF to better reflect te ao Māori and Pacific Peoples’ perspectives, as outlined in the following section. These changes aim to improve alignment with He Ara Waiora, and other frameworks that represent different cultural perspectives, rather than to comprehensively incorporate them.

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The Treasury aims to use He Ara Waiora, the LSF and other complementary frameworks alongside each other to better understand the distinctive nature of wellbeing in different communities in this country. We believe that this approach, combined with ongoing engagement with these communities, is likely to be more effective than trying to incorporate all perspectives into one generic framework where the distinctive aspects of Māori and Pacific wellbeing would inevitably be lost.

This approach was supported by the external experts in te ao Māori and Pacific wellbeing with whom we consulted. The experts recognised that there is more work to be done to explore the inter-relationships between the LSF and He Ara Waiora and other frameworks, but thought that the changes to the LSF did improve alignment. There is also more work to be done on how the frameworks can best be applied alongside each other in practical contexts. We will be continuing these discussions and developing tools to support analysts to use these frameworks in complementary ways to provide new policy insights.

Managing complexity

One of the key challenges in this refresh of the LSF has been that the depth and richness of the four priority areas could potentially add a lot of complexity to the framework. Given the purpose of the LSF as a policy tool, we need to balance the greater richness this complexity can bring to our policy advice with the pragmatism that too much complexity could limit its use by time-poor policy analysts.

We have balanced these competing tensions by keeping the main diagram introducing the LSF relatively simple and including more detail in the many pieces of analysis and discussion that sit behind it. We have retained the name ‘Living Standards Framework’ for continuity, but given the many discussion papers, analytical papers and so on sitting behind the framework, a more accurate name would perhaps be ‘Living Standards Approach’.
3 The new Living Standards Framework

This section provides a summary of the new version of the LSF and a basic explanation of the rationale for the changes. More detailed definitions of each element of the framework and explanations for the changes are available in appendix one. For those who want to delve even deeper, there is an accompanying discussion paper that explores some of the relevant academic literature.4

The 2021 LSF is shown in Figure 1. It has three levels, which are summarised in Table 1 and described in the following sections.

Figure 1: The 2021 version of the LSF

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Table 1: The three levels of the 2021 LSF

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Individual and Collective Wellbeing</td>
<td>This level of the framework captures those resources and aspects of our lives that have been identified by research or public engagement as being important for the wellbeing of individuals, families, whānau and communities.</td>
</tr>
<tr>
<td>Our Institutions and Governance</td>
<td>This level captures the role our institutions play in safeguarding and building our wealth, as well as facilitating the wellbeing of individuals and collectives.</td>
</tr>
<tr>
<td>The Wealth of Aotearoa New Zealand</td>
<td>This level captures how wealthy we are in aggregate as a country, including sources of wealth not fully captured in the system of national accounts, such as human capability and the natural environment.</td>
</tr>
</tbody>
</table>

Level 1: Our Individual and Collective Wellbeing

This level of the framework includes 12 domains that reflect what research and public engagement have shown are important for the wellbeing of both individuals and collectives, such as families, whānau and communities of place, identity and interest.

The LSF now recognises that the wellbeing of groups or collectives is important, as well as the wellbeing of individuals. Depending on one’s values, the wellbeing of these groups may be intrinsically important (or merely instrumentally important) for the wellbeing of the individuals within these groups. Either way, analysing the wellbeing of groups and advising on the impact of policies on their wellbeing is an important part of using the LSF in the work of the Treasury.

The 12 domains of wellbeing are not exhaustive and are deliberately unranked. Different individuals, groups and cultures will define wellbeing in different ways or value some domains more highly than others, and some additional domains will be important to the wellbeing of some people. For example, the wellbeing of children is partly (but not fully) captured by the LSF as a general framework, which should be used alongside a dedicated child wellbeing framework in policy contexts involving children.
<table>
<thead>
<tr>
<th><strong>Domain</strong></th>
<th><strong>Definition</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality, such as eating well and keeping active.</td>
</tr>
<tr>
<td>Knowledge and skills</td>
<td>Having knowledge and skills appropriate to one’s life stage and continuing to learn through formal and informal channels.</td>
</tr>
<tr>
<td>Cultural capability and belonging</td>
<td>Having the language, knowledge, connection and sense of belonging necessary to participate fully in one’s culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.</td>
</tr>
<tr>
<td>Work, care and volunteering</td>
<td>Directly or indirectly producing goods and services for the benefit of others, with or without compensation.</td>
</tr>
<tr>
<td>Engagement and voice</td>
<td>Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.</td>
</tr>
<tr>
<td>Income, consumption and wealth</td>
<td>Using income or in-kind transfers to meet today’s needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance and public insurance (the social safety net).</td>
</tr>
<tr>
<td>Housing</td>
<td>Having a place to call home that is healthy, suitable, affordable and stable.</td>
</tr>
<tr>
<td>Environmental amenity</td>
<td>Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.</td>
</tr>
<tr>
<td>Leisure and play</td>
<td>Using free time to rest, recharge and engage in personal or shared pursuits.</td>
</tr>
<tr>
<td>Family and friends</td>
<td>Loving and supporting close friends, family and community members, and being loved and supported in turn.</td>
</tr>
<tr>
<td>Safety</td>
<td>Being safe from harm and the fear of harm and keeping oneself and others safe from harm.</td>
</tr>
<tr>
<td>Subjective wellbeing</td>
<td>Being satisfied with one’s life overall, having a sense of meaning and purpose, feeling positive emotions, such as happiness and contentment, and not feeling negative emotions.</td>
</tr>
</tbody>
</table>
Level 2: Our institutions and Governance

The term ‘institutions’ refers to formal rules, informal norms, and the formal and informal organisations those rules and norms are embedded within. Institutions are often nested in complex relationships. For example, a company is a type of organisation that can be formed according to the rules of the Companies Act 1993. These rules are administered by the organisation that is the Companies Office. The set of legal rules for the formation and operation of companies in the Companies Act is a key part of New Zealand’s corporate governance regulatory system (an institution), which in turn is primarily created by the organisation that is Parliament.

New Zealand’s organisations, laws and social norms govern how we may use our collective wealth and influence what levels of wellbeing we achieve. They also influence the extent to which we draw down our wealth, protect it or reinvest it for the future. Analysing our institutions helps us understand how well we are allocating and using our wealth to support and sustain our wellbeing. The resilience of our institutions is at the heart of our capability as a country to respond to shocks or unexpected negative events, as well as to take advantage of opportunities.

Institutions also play a major role in shaping the permissible exercise of choice. For example, agencies like the Ministry of Primary Industries, Maritime New Zealand, the Environmental Protection Authority and local councils create and enforce rules about the permissible use of fisheries, waterways and other natural resources. These institutions are complemented by civil society actors, like Forest and Bird and the Queen Elizabeth II Trust, who further help to prevent unintended erosion of our national wealth over time.

Institutions also define and protect rights, such as the right to free education that is specified in the Education and Training Act 2020. Some of our most important institutions are constitutional, such as the Treaty of Waitangi and the Bill of Rights Act 1993.

The institutions can be disaggregated into six spheres as detailed in Figure 2 and Table 3. What sets each sphere apart is a common set of values, roles and rules. For example, the market sphere is defined by relationships of anonymous competition between individuals and firms, whereas the family sphere is defined by intimate, cooperative relationships.

Figure 2: Institutional spheres
<table>
<thead>
<tr>
<th>Institutional sphere</th>
<th>Definition of organisations in this sphere</th>
<th>Characteristic rules and norms in this sphere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families and households</td>
<td>People who either live together or identify as family. These are generally groups who care for, nurture and support one another, and manage shared resources at a personal or household level.</td>
<td>Informal family rules and norms, often unspoken.</td>
</tr>
<tr>
<td>Whānau, hapū and iwi</td>
<td>Tangata whenua groups connected by whakapapa. Iwi and hapū usually refer to extended kinship groups with a distinct territory. Whānau often means an extended family and in modern usage can include non-kin friends and associates.</td>
<td>Kawa and tikanga in their many manifestations.</td>
</tr>
<tr>
<td>Firms and markets</td>
<td>For-profit entities and the various markets they are involved in, such as product markets, capital markets, the housing market and the labour market.</td>
<td>Internal company policies, contracts and cultural norms for business, as shaped and regulated by civil law, competition law, employment law etc.</td>
</tr>
<tr>
<td>Central and local government</td>
<td>The legislature, executive and judiciary, as well as entities constituted under the Public Service Act 2020, Crown Entities Act 2014, State Owned Enterprises Act 1986, Local Government Act 2002 etc.</td>
<td>Primary and secondary legislation, local bylaws, and more detailed rules and enforcement by administrative bodies.</td>
</tr>
<tr>
<td>Civil society</td>
<td>Non-profit entities such as charitable trusts, professional associations and unions, political parties, clubs and religious bodies.</td>
<td>Trust charters, professional codes of conduct, club rules etc.</td>
</tr>
<tr>
<td>International connections</td>
<td>Foreign governments, firms and other organisations with whom we trade and co-operate to achieve shared goals or compete when our interests are not aligned.</td>
<td>International treaties and arrangements.</td>
</tr>
</tbody>
</table>
Level 3: The Wealth of Aotearoa New Zealand

Our wealth is divided into four categories along with culture, which underpins all the others. These are summarised and defined in Table 4.

This version of the LSF continues to group financial and physical capital as one category of wealth. It consists of three main subcategories:

- physical capital
- financial capital, and
- intangible capital, such as intellectual property, also known as knowledge-based capital.

The value of these assets is understood primarily in terms of their market value, although knowledge in the public domain is free and so is difficult to value.5

The other three aspects of our wealth are the natural environment, our human capability and social cohesion. Like physical and financial capital, these contribute to economic production processes and so can be at least partly measured by their market or shadow prices. However, we value these aspects of our wealth for more than their contribution to economic production and their full value is not captured by their prices. Because the value of these aspects of our wealth goes beyond their role as factors of production, we have shifted to describing them as wealth, rather than as types of capital as we did in previous versions of the framework.

This level of the framework is designed to support the monitoring and analysis of our overall wealth as a country, particularly whether that wealth is being sustained for future generations. The focus is on the aggregate level and trend of each aspect of wealth, but their distribution is also important in the microeconomic contexts of the two other levels of the framework. For example, the distribution of health and skills shapes wellbeing in the first level of the framework and the distribution of access to physical and financial capital shapes the resilience and productivity of organisations in the second level.

This refresh did not look at the environmental aspect of the LSF in any depth, but it became clear throughout the process that many people would prefer the framework to be structured in a way more akin to the kind of model popularised by Kate Raworth (‘Doughnut Economics’). This model emphasises that all social and economic activity is embedded within the natural world. This type of embedded ecological analysis can be treated as an optional add-on to the LSF, with detail on the complex inter-relationship between the environment and wellbeing available from Landcare Research.6

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5 For this reason, the system of national accounts tends to include only privately-held intangible capital, such as patents.
Table 4: Wealth definitions

<table>
<thead>
<tr>
<th>Aspect of wealth</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural environment</td>
<td>All aspects of the natural environment which support life and human activity, whether valued for spiritual, cultural or economic reasons.</td>
</tr>
<tr>
<td>Human capability</td>
<td>People’s knowledge, physical and mental health, including cultural capability.</td>
</tr>
<tr>
<td>Social cohesion</td>
<td>The willingness of diverse individuals and groups to trust and cooperate with each other in the interests of all, supported by shared intercultural norms and values.</td>
</tr>
<tr>
<td>Financial and physical capital</td>
<td>Tangible, human-made assets, such as buildings, machinery and infrastructure, including physical taonga, such as marae.</td>
</tr>
<tr>
<td></td>
<td>Intangible, knowledge-based assets, such as research and development, software and databases, and arts and literature.</td>
</tr>
<tr>
<td></td>
<td>Financial assets minus liabilities, including currency, bank deposits, loans and equity.</td>
</tr>
<tr>
<td>Culture</td>
<td>Our accumulated heritage from our ancestors, including knowledge systems, values and beliefs, and their manifestations in objects, practices and concepts. Culture is present in all the other aspects of our wealth.</td>
</tr>
</tbody>
</table>

Analytical prompts

As a policy analysis and advice framework, the LSF includes guidance on how to assess the impacts of policies on the three levels outlined above. This is provided by the four analytical prompts outlined in Table 5. We consider these prompts to be the four most important, but they are not exhaustive.

Table 5: Analytical prompts

<table>
<thead>
<tr>
<th>Topic</th>
<th>Prompts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>How is our aggregate wealth and wellbeing distributed across time, place and groups of people? How does the distribution of our wealth and wellbeing across institutional spheres and individuals align with alternative theories or perceptions of fairness or equity?</td>
</tr>
<tr>
<td>Resilience</td>
<td>Do individuals, collectives, institutions, organisations and the environment have an ability to adapt to or absorb stresses and shocks?</td>
</tr>
<tr>
<td>Productivity</td>
<td>How effectively is our wealth used to generate wellbeing and things of economic value?</td>
</tr>
<tr>
<td>Sustainability</td>
<td>How well are we safeguarding our national wealth for the benefit of future generations?</td>
</tr>
</tbody>
</table>
Differences between the 2018 and 2021 versions

To illustrate the key changes to the framework, we have included the simplest presentation of the 2018 and 2021 versions of the LSF in Figure 3 below. The changes in each level of the framework are explained in the following sections.

Figure 3: Before and after

The 2018 version of the LSF

<table>
<thead>
<tr>
<th>Current Wellbeing</th>
<th>Indicators of Future Wellbeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic engagement and governance</td>
<td>Natural Capital</td>
</tr>
<tr>
<td>Cultural identity</td>
<td>Social capital</td>
</tr>
<tr>
<td>Environment</td>
<td>Financial and Physical Capital</td>
</tr>
<tr>
<td>Health</td>
<td>Human Capital</td>
</tr>
<tr>
<td>Housing</td>
<td></td>
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<td>Knowledge and skills</td>
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<td>Income and consumption</td>
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<td>Jobs and earnings</td>
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<td>Safety</td>
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<td>Social connections</td>
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<td>Subjective wellbeing</td>
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<td>Time use</td>
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The 2021 version of the LSF

- Health
- Knowledge and skills
- Cultural capability and belonging
- Work, care and volunteering
- Engagement and voice
- Income, consumption and wealth
- Environment
- Leisure and play
- Family and friends
- Central and local government
- International connections
- Whānau, hapu and iwi
- Firms and markets
- Natural environment
- Culture
- Financial and physical capital
- Human capability
- Distribution
- Resilience
- Sustainability
- Productivity
Level 1: Individual and Collective Wellbeing

We changed the title of the domain level to show that the domains relate to both individual and collective wellbeing. Collectives include:

- kin-based groups, such as families, whānau and hapū
- communities of place, such as Levin or Horowhenua
- communities of identity, such as Pacific Peoples, and
- communities of interest, such as farmers.

We also revised the definitions of the 12 domains to better reflect child wellbeing (see Box 1).

Box 1: Changes to the wellbeing domains

The key changes are:

- Cultural identity becomes cultural capability and belonging, to reflect feedback that culture contributes more than identity to wellbeing.
- Time use becomes leisure and play, to more obviously reflect the importance of play for the development of children.
- Jobs and earnings becomes work, care and volunteering, to reflect both paid and unpaid contributions to family life and wider society.
- Social connections becomes family and friends, to reflect the importance of close loving relationships for the wellbeing of children.
- Environment becomes environmental amenity, to distinguish its direct role in wellbeing from its broader role as part of our national wealth.
- Civic engagement and governance becomes engagement and voice, with the governance aspect moving to the institutional level.

Level 2: Our Institutions and Governance

This is a new level added to the framework to reflect the role institutions have in intermediating our wealth and wellbeing. This helps incorporate culture into the framework, because all institutions are deeply cultural in their operation.

Level 3: The Wealth of Aotearoa New Zealand

This was previously referred to as ‘Indicators of Future Wellbeing’ or simply ‘the capitals’. In the 2021 version the word ‘capital’ is now only used for financial/physical capital, which together with human capability, social cohesion and the natural environment, are collectively referred to as the Wealth of Aotearoa New Zealand.

We have responded to feedback to separate out culture from the other aspects of our wealth. Given it is cross-cutting, and difficult to measure separately from the other aspects of wealth, we have placed culture as underlying all the other aspects of wealth.
Other changes

We replaced the distinction between ‘future wellbeing’ and ‘current wellbeing’ in the 2018 LSF with one between our wealth being about the aggregate state of affairs across the entire society and the wellbeing domains being about the microeconomic distribution of wealth and experiences across individuals and groups. This recognises that both the wellbeing domains and our wealth are important now and in the future. Their relative importance does differ, depending on the timescale. Our national wealth is important to sustain across multiple generations and is most relevant to analysis over very long-term horizons. In contrast, the wellbeing domains are important over the life-course of an individual, so are relevant to the current and future wellbeing of people who are alive.

We added productivity and sustainability as lenses with which to interpret analyses of our wealth and wellbeing, alongside distribution and resilience.

How does the new LSF reflect the development areas?

Our work to develop this version of the LSF has focused on four development areas: te ao Māori; Pacific Peoples’ perspectives; what matters for child wellbeing; and the different ways in which culture contributes to wellbeing. As explained in section two, these areas are very interrelated, and many of the proposed changes aim to better align the LSF across more than one of these priority areas. This section aims to explain, however, how the changes to the LSF speak to each of the development areas.

Māori and Pacific perspectives

As highlighted in section two, the Treasury has incorporated te ao Māori into its work through adopting He Ara Waiora, a framework based in mātauranga Māori. The aim is that our staff will use He Ara Waiora, the LSF and other frameworks alongside each other to explore wellbeing from different cultural perspectives, values and knowledge systems.

While the principles of He Ara Waiora are derived from mātauranga Māori, many of its elements are relevant to lifting the intergenerational wellbeing of all New Zealanders. However, the LSF and He Ara Waiora should also be used alongside dedicated Pacific frameworks in policy contexts that have particular relevance to Pacific Peoples.

We have also made some changes to the LSF to improve alignment with He Ara Waiora and Pacific wellbeing frameworks, such as Fonofale. These changes include:

- The addition of the concept of collective wellbeing, which in He Ara Waiora is described by the ‘He Kainga’ element. While collectives play a critical role in the wellbeing of many New Zealanders, for many Māori and Pacific Peoples the wellbeing of the individual is intertwined with the wellbeing of the collective.

- The addition of institutions, which determine the fairness and appropriateness of the processes that generate wellbeing. Related concepts are found in He Ara Waiora, which includes four principles around the ‘means’ of developing policy advice and initiatives. One example is the principle of tikanga, which speaks to appropriate processes and values underpinning decision-making, including working in partnership with Māori.
Identifying culture as being at the heart of all aspects of our wealth (see next section) and removing the reference to the natural environment, human capabilities and social cohesion as capitals.

Culture

During both our 2018 and more recent engagement, stakeholders recognised that culture is intertwined with the other aspects of Aotearoa New Zealand’s wealth, but many want it to be more visible in the framework to reflect its importance to our wellbeing. In response, we have included culture as an aspect of our aggregate wealth. However, given culture is cross-cutting and difficult to measure without reference to one of the other wealth dimensions, we have visually placed it below the other aspects of wealth to illustrate that it underlies all the others.

The 2018 version of the LSF included cultural identity as one of the 12 wellbeing domains, but we received consistent feedback that this is too narrowly conceived. For this reason, we reconceptualised the domain as ‘cultural capability and belonging’. We understand the domain as a two-way connection between an individual and their culture or cultures. Having the ability to participate in one’s culture creates a sense of belonging and an ability to access and to use the accumulated wisdom of one’s culture. Participating in a culture also benefits the culture and is a key part of sustaining it. For example, being able to speak a language, such as Samoan, benefits the individual, but also benefits other Samoan-speakers, now and in the future, by keeping the language alive.

This relational view of culture and identity helps the LSF better align with He Ara Waiora, particularly the concepts of Mana Tuku Iho (belonging and identity) and Mana Tauutuutu (participation and connectedness to community). A relational view accepts that belonging to a culture creates both rights and responsibilities.

Children’s wellbeing

The inclusion of collective wellbeing and the addition of the institutional level are also relevant for the wellbeing of children, given how dependent child wellbeing is on families/whānau and the wider community. It reflects that many of the experiences that shape children’s wellbeing are determined by the adults who care for them.

We amended the wellbeing domains in order to better capture the determinants of child wellbeing and to include indicators from the Child and Youth Wellbeing Strategy. For example, we changed social connection to family and friends and time use to leisure and play. These changes capture the central importance of loving attachment and play for children’s wellbeing. We also amended the jobs and earnings domain to work, care and volunteering to capture the importance of unpaid work for the wellbeing of children. We then refined the definitions of all the wellbeing domains to emphasise that the experiences children have during childhood affect their development and the capabilities they will have as adults.

By adding institutions into the framework, we also recognise the importance of rights instruments such as the United Nations Convention on the Rights of the Child (UNCRC), the Universal Declaration of Human Rights and the Declaration on the Rights of Indigenous Peoples. These are some of the key institutions that safeguard the wellbeing of children, Māori and everyone else.
4  The Living Standards Framework Dashboard

This section explains the purpose and current structure of the LSF Dashboard. It also seeks your feedback on how the LSF Dashboard could evolve and your ideas on indicators and measures that would capture the new or revised elements of the framework.

Purpose of the Dashboard and the 2022 Wellbeing Report

The Treasury released the current version of the LSF Dashboard in December 2018 as a measurement tool to support the Treasury’s staff in applying the LSF. Its primary purpose is to inform the Treasury’s advice to the Government on policy priorities for improving wellbeing, such as advice on Budget priorities, and for wellbeing and stewardship reporting.

The LSF Dashboard provides transparency around the indicators that the Treasury will track to advise on progress in wellbeing, particularly the indicators that will inform the development of our 2022 Wellbeing Report (see Box 2). The Public Finance Act does not prescribe which indicators the Treasury must use when preparing the Wellbeing Report but requires it to select appropriate indicators using its best professional judgement.

The refreshed LSF will better position us for exploring trends in wellbeing for New Zealanders in the Wellbeing Report, particularly for Māori, Pacific Peoples and children. However, the changes listed in the previous section will first require the development of relevant indicators, as the suite of indicators in the LSF Dashboard will underpin our measurement of wellbeing.

Box 2: The Wellbeing Report

The Treasury is now required by the Public Finance Act to prepare a report every four years on the state of wellbeing in New Zealand. We will publish our first Wellbeing Report in late 2022 and its purpose will be to describe the current and past trends in wellbeing and the extent to which our wellbeing is sustainable and resilient. This will include reporting on risks to the state of wellbeing in New Zealand.
The selection of the LSF Dashboard indicators has been informed by public feedback from surveys, submissions and consultation with experts in New Zealand and overseas prior to the public release of the Dashboard in 2018. The Treasury also undertook a limited review of the Dashboard’s indicators as part of a general data update in December 2019. The review focused on opportunities to increase alignment with Stats NZ’s Ngā Tūtohu Aotearoa (Indicators New Zealand) and to respond to the OECD’s recommendations in their Economic Survey of New Zealand 2019.

We have also engaged with experts and other agencies about potential indicators to measure the new parts of the LSF, with the aim of releasing a new Dashboard in early 2022 to complement the new LSF. Annex 2 provides more information on current and potential new indicators, and the section below outlines how you can provide your feedback and ideas on how to measure wellbeing in the LSF Dashboard.

What’s in the LSF Dashboard?

The current version of the LSF Dashboard provides indicators that align with the domains of wellbeing and the four capitals of the 2018 version of the LSF.

The current LSF Dashboard has three sections:

- **Our country** provides indicators and measures across the LSF domains of current wellbeing.
- **Our future** includes indicators for the four capitals.
- **Our people** provides supplementary analysis of New Zealanders’ wellbeing across the LSF domains, using the General Social Survey to explore multi-dimensional wellbeing for different population groups and relationships between the wellbeing domains.

The LSF Dashboard includes trends over time, distributional differences across the population and population groups (for example, by sex, ethnicity, region), and international comparisons where possible.

For the 2022 LSF Dashboard we are looking to add indicators for the new institutional level of the framework. In some cases, it will be possible to identify indicators where movement in one direction is unambiguously good or bad. In other cases, it may be useful to add contextual indicators than can help interpret movement in other indicators, but that may be ambiguous in their interpretation when considered in isolation.

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7 To find out more about the 2019 Dashboard update see: https://www.treasury.govt.nz/publications/tp/living-standards-framework-dashboard-update


9 For more information on the current Dashboard and the indicator changes made in 2019, see: www.treasury.govt.nz/publications/tp/living-standards-framework-dashboard-update
Relationship between the LSF Dashboard and Ngā Tūtohu Aotearoa (Indicators New Zealand)

We are often asked about how the LSF Dashboard fits with Stats NZ’s Ngā Tūtohu Aotearoa (Indicators New Zealand), which is currently being developed by them as a source of measures for New Zealand’s wellbeing. Our measurement frameworks overlap to a large extent but have some differences in indicators as they serve different purposes.

Ngā Tūtohu Aotearoa brings together a broad range of indicators and measures that capture the different dimensions of wellbeing that matter to New Zealanders. It is a broad and deep source of wellbeing data, which supports a range of reporting requirements, including under the United Nations’ Sustainable Development Goals.

The LSF Dashboard provides the indicators that the Treasury believes are most important to track to understand progress in wellbeing in New Zealand and to inform the Treasury’s policy advice on cross-government wellbeing priorities. The Dashboard does not aim to be a comprehensive database of wellbeing indicators and is also not intended to provide the level of indicator granularity needed for agency or sector policy analysis. Agencies, local government and non-government interest groups will want to develop their own wellbeing datasets, with a range of wellbeing data and evidence to suit their own needs.

The LSF Dashboard draws from Ngā Tūtohu Aotearoa and the Treasury will seek to align the two databases where it can, but the Treasury may also use other datasets that support its policy analysis. In particular, the Treasury will identify indicators for that data is available and supports distributional analysis and international comparisons, which is important for a framework that supports policy analysis and advice.

Seeking your input on changes to the LSF Dashboard

We intend to revise the LSF Dashboard in early 2022 to reflect the conceptual changes to the framework. We seek your input on the selection of indicators for the revised Dashboard.

There is no guarantee that all the relevant concepts can be adequately measured with existing data, or that the data available meets all the relevant data quality parameters. Having said that, we will make all reasonable efforts to represent the revised framework in the LSF Dashboard with relevant existing indicators. In some cases, this may mean including data that is lacking in some important way, such as only being available at one point in time.

A provisional list of indicators is appended. Unless there is a better indicator now available we intend to largely retain all existing LSF Dashboard indicators, as well as adding new indicators as necessary to populate the new elements of the framework and to incorporate child-specific indicators. We rely on data for these indicators from a number of organisations, and the way the data is collected and provided occasionally changes. This Dashboard refresh will, therefore, look to alter a few existing indicators to ensure they reflect any changes to the collection or analysis of data sources.
The potential new indicators will be assessed according to the five criteria used to assess the indicators in the existing Dashboard. The indicators should be:

1. Directly relevant to the concept being measured.
2. Comparable with indicators used elsewhere.
3. Sensitive to policy interventions and amenable to change.
4. Able to be disaggregated to look at the distribution of outcomes.
5. Timely, in that they are available without too long a delay and can provide information on changes over time.

A sixth overall criterion will be parsimony. Many indicators could potentially be added to the LSF Dashboard, but the more that are added the harder the Dashboard becomes to use and maintain. Therefore, we are aiming to include only a small number of key indicators for each element of the framework, while also maintaining a balance between child-focused and adult-focused indicators. This fits with the strategic focus of the Dashboard to inform advice on cross-government priorities and to inform reporting on overall trends in Aotearoa New Zealand’s wellbeing.

We also intend to provide links in the Dashboard to more detailed data sources for users interested in more specialist topics. For example, rather than reproduce every indicator from the New Zealand Health Survey data explorer or the Child and Youth Wellbeing Strategy, we will choose a small number of indicators from each and provide links to the more detailed data sources.

We are also participating in interagency work that aims to identify appropriate indicators of Māori wellbeing aligned with He Ara Waiora. In the meantime, we will continue to offer ethnicity breakdowns for all indicators where available.

With these comments in mind, we seek feedback on the following questions:

- Are the criteria we have used to assess the current and provisional new indicators the right ones?
- Have the indicators been assessed fairly against these criteria?
- Are there any indicators that, based on the criteria, are not high enough quality to include?
- Are there other indicators that would perform better on the various criteria?
- What are the most essential indicators to add into each element of the framework?
- Are the links to more detailed reports and data sources we have identified the right ones, and what other links are missing?

To provide feedback on these questions, please email cea@treasury.govt.nz by 15 December 2021.

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For analysis of the existing indicators and detail on the criteria, see:

Appendix 1 – Definitions of elements in the framework

Introduction

This appendix defines each element of the framework in more detail. Where the definition of an element has been revised since the 2018 version (LSF2018), we describe and explain the nature and purpose of the change. We also explain where feedback has suggested alternative definitions to those we have landed on, and why we have chosen to go with the definitions in the 2021 version (LSF2021).

General considerations

Culture and children

In many cases, we have reworked the definitions of the elements of the LSF to better reflect culture and the wellbeing of children. Culture primarily affects the definitions of our national wealth. Children’s wellbeing primarily affects the definitions of the wellbeing domains.

Adding institutions

In some cases, the way in which the 2018 domains and capitals were defined captured aspects of life in New Zealand that fit more naturally into the new institutional level of the framework. This issue primarily affects the definitions of social cohesion and the former ‘civic engagement and governance’ domain.

Collective wellbeing and relationality

We have introduced the concept of collective wellbeing into the LSF. This approach to wellbeing places greater emphasis on relational interdependence between people. We have reflected this in the definition of many of the wellbeing domains to emphasise that for a relationship to benefit all parties, each will usually both give and receive. This is very important for more socially-oriented domains such as safety and the friends and family domain.

Stocks and flows, capitals vs domains

We have also taken the opportunity to clarify the relationship between the wellbeing domains and our national wealth. In the 2011 version of the LSF, the capitals were described as the stocks and the wellbeing domains as the flows that these capitals facilitate. In the 2018 version of the LSF, a further distinction was made between the capitals representing future wellbeing and the wellbeing domains representing current wellbeing.

For the full 2018 definitions, see: www.treasury.govt.nz/sites/default/files/2018-12/lsf-background-future-work.pdf
Problems have emerged as we have operationalised these distinctions in the application of LSF2018. A more detailed analysis of this issue is available in the accompanying discussion paper, but the upshot is that a more useful distinction between the wellbeing domains and our national wealth is a distinction between the microeconomic and macroeconomic levels of analysis.

The wellbeing domains capture the microeconomic distribution of advantage and life circumstances across individuals and groups. The four aspects of our national wealth capture the macroeconomic aggregation of our wealth across the whole country, including wealth held by individuals, partners and institutions.

This distinction helps clarify the partial overlap between the wellbeing domains and our national wealth. For example, the LSF Dashboard includes a measure of educational achievement under both human capital and the knowledge and skills domain. This makes sense because our aggregate human capital, or capability, is simply the sum of our individual human capability.

The nature of the overlap between the wellbeing domains and each aspect of our wealth is detailed in the sections on each wealth below, but it is important to note in general that there is not a tidy mapping between the four aspects of our wealth and the wellbeing domains. For example, the subjective wellbeing domain does not map to any aspect of our wealth. Our wealth and our wellbeing overlap, but are not identical.

The micro-macro distinction helps clarify that there are stocks and flows at all three levels of the framework, and that each level is relevant to both current and future wellbeing. At the micro level of the framework, individual knowledge, skills and resources are personal stocks that contribute directly to the wellbeing of an individual or group. These resources are the basis of the current wellbeing, but also the future wellbeing of the individual or group, particularly from a life-course perspective. These resources can accumulate or deteriorate over time based on flows of investment and can also be used to generate flows of experience that also constitute wellbeing.

At the macro level of the framework, the four aspects of our wealth are our national stocks, but these are subject to flows of investment, depreciation, deterioration and waste. These stocks contribute to the current wellbeing of the country, and sustaining them is important for long-term wellbeing, particularly of future generations.

In some cases, we have amended the definition of an element of the framework to help clarify this distinction. This distinction also helps explain why both stock and flow measures can be found in all levels of the LSF Dashboard.
Subcategories

In some cases, we have combined into a single element of the framework two or more aspects of life in Aotearoa New Zealand that some stakeholders felt would be more appropriately separated. For example, this issue affects the environmental amenity and work, care and volunteering domains. We have considered these suggestions within the overall purpose of limiting the number of elements of the framework to a workable minimum, given that each element contains a significant number of potential subcategories and different stakeholders would prioritise different breakdowns. In particular, we have chosen to maintain the number of wellbeing domains at 12.

Level 1: Our Individual and Collective Wellbeing

Introduction

Wellbeing is a concept with multiple definitions. Different individuals, groups and cultures define the ultimate nature of wellbeing in different ways, and it is not for the Treasury to dictate that one conception of a well-lived life is better than any other.

Accordingly, this level of the framework does not define exactly what wellbeing is. Rather, it captures 12 aspects of our lives that research and public engagement over many years has shown are important for wellbeing in some way, without claiming to be an exhaustive or definitive list. Different individuals and groups will value some domains more highly than others, and there are additional domains that are important to the wellbeing of some people that are not captured here. For example, the wellbeing of children is partly (but not fully) captured by this general framework, which should be used alongside a dedicated child wellbeing framework in policy contexts involving children.

Individual relative to collective wellbeing

Human wellbeing can be understood as being about the lives of individuals, collectives, or both. People in our country have different values, with some being more individualistic and others more collectivist in outlook. Because the Treasury, under the Public Service Act, is responsible for serving the New Zealand public in all its diversity, our framework captures both meanings of wellbeing. Examples of collectives that can be well or unwell include:

- kin-based groups such as families, whānau and hapū
- communities of place, such as Levin or Horowhenua
- communities of identity, such as Pacific Peoples, and
- communities of interest, such as farmers.

A thin definition of collective wellbeing is simply aggregate individual wellbeing. A thicker definition includes the concept of relational interdependence between people. The thickest definitions can include relationships with nature, often understood in spiritual terms. For example, in He Ara Waiora collective wellbeing can be thought of as including relationships across generations, being interlinked with Te Taiao (the natural world), and bound together by wairua. We are taking a pluralist approach to wellbeing that encompasses these various approaches.
Depending on one’s values, the wellbeing of these collectives may be intrinsically important, or merely instrumentally important for the wellbeing of the individuals within these groups. Either way, analysing the wellbeing of groups and advising on the impact of policies on the wellbeing of groups is an important part of using the LSF in the work of the Treasury.

The wellbeing domains and the capability approach

In previous versions of the LSF, the capability approach of Amartya Sen and Martha Nussbaum has been cited as an important influence and this continues to be the case in LSF2021. In this version of the framework, we have refined the definitions of the wellbeing domains to make them easier to interpret using the conceptual machinery of the capability approach.

Under the capability approach, what is of primary importance is the substantive freedom (capability) of people to be and to do what they value and have reason to value. The ‘beings’ and ‘doings’ are together described as ‘functionings’. Resources are also important in the capability approach, but only to the extent that they enhance capabilities and functionings.

The 12 domains of wellbeing involve a mix of resources, beings and doings:

- Resources are primarily goods and services, such as food, housing and education services.
- Beings, such as health, and knowledge and skills, are important in part because they help expand one’s capability to exercise choice.
- Doings, such as work, care and play, often represent different ways people can exercise choice.

A fuller explanation of the relationship between the wellbeing domains and the capability approach is available in the accompanying discussion paper.
Health

Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality such as eating well and keeping active.

Health is arguably the single most important aspect of our wellbeing. In a recent public consultation by Stats NZ on what matters most to our wellbeing, health was selected more often than any other category by public respondents.\(^\text{12}\) In empirical analysis, health status often explains as much variation in life satisfaction between individuals as any other variable.\(^\text{13}\)

Being in good health is a functioning (being) that is important in part because it helps sustain many capabilities. For example, good health helps improve our capability to work, study, care for others and make the best use of our leisure time. This current state aspect of health was captured in the LSF2018 definition, which was simply ‘our mental and physical health’.

We have extended the 2018 definition to include health behaviours (doings) that contribute to our future health. This is very important to capture the role that things like nutrition and physical activity have in safeguarding the future health and capabilities of children, given the long-term impacts of childhood health on wellbeing over the full course of people’s lives.

While individual agency is important in healthy behaviours, the social determinants of health are also important for the health of individuals, groups and the whole population. Many of these social determinants, such as income inequality, housing and the environment, are captured by the other wellbeing domains. The institutional context at the second level of the framework can also be considered an important type of social determinant.

A recent paper in *Policy Quarterly* undertook an initial examination of the LSF as it relates to disabled people.\(^\text{14}\) The authors argued for the adoption of a social model of disability as exemplified by the work of Sophie Mitra. While a comprehensive examination of the topic of disability and the LSF has not yet been undertaken, we hope that the addition of the institutional level to the 2021 framework will help analysts focus on the way in which individual functionings, such as impairment, interact with wider systemic factors to be more or less disabling. The upshot for this wellbeing domain is that while impairment may be understood as a health issue, disability is a wider issue that relates to the interaction between personal health and wider societal factors.


\(^\text{13}\) For example, see: [www.treasury.govt.nz/publications/ap/ap-18-04-html](https://www.treasury.govt.nz/publications/ap/ap-18-04-html)

Knowledge and skills

Having knowledge and skills appropriate to one’s life stage and continuing to learn through formal and informal channels.

LSF2018 treated knowledge and skills similarly to health in that they were defined as a current state or ‘being’. Also, similar to health, LSF2021 expands the definition to include the processes that grow and maintain the state of being. In the case of health, the relevant process was health behaviours. In the case of knowledge and skills, it is learning. This reflects feedback from stakeholders interested in the wellbeing of children that the process of education is a major part of child development, and one that can be missed by only focusing on the end result, by which time the opportunity to make the most of a childhood may have passed.

As we noted in 2018, being knowledgeable and skilful is intrinsically valuable to people. For example, Amartya Sen has made much of the role of knowledge in helping people reflect on their values and decide how they wish to exert their moral agency. This capability for internal reflection is clearly for him a very important capability.

Being knowledgeable and skilful also has significant instrumental value, certainly in the labour market, but also in other areas of life such as unpaid work. It is common in economics to distinguish between the private benefits of education (or skill, more generally) and the public benefits. This wellbeing domain captures the private value that knowledge and skills provide for the individuals and communities that are knowledgeable and skilful. The wider benefits to society of having a knowledgeable and skilful population are captured in the third level of the framework, that of human capability.

Knowledge and skills overlap somewhat with the cultural capability and belonging domain. Indeed, in more expansive definitions of the word ‘culture’, all knowledge is cultural, so keeping them separate is somewhat artificial. However, we do separate them to highlight the particular importance of certain types of cultural knowledge for the wellbeing of people, as discussed in the next section of this appendix.
Cultural capability and belonging

Having the language, knowledge, connection and sense of belonging necessary to participate fully in one’s culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.

In LSF2018, this domain was referred to as cultural identity and was defined in two parts:

- having a strong sense of identity, belonging and ability to be oneself, and
- the existence value of cultural taonga.

In LSF2021, we have added culture as underpinning all aspects of our national wealth. The existence value of cultural taonga is therefore captured at the third level of the framework, so we have dropped the second part of the 2018 definition from the 2021 revision of this wellbeing domain.

We received a lot of feedback from various stakeholders on the first part of the definition. The main theme of this feedback was that culture contributes more to our lives than a secure sense of identity. Stakeholders emphasised the importance of having the capability to participate fully in one’s culture (for example, through being able to speak the language, participate in cultural practices such as the Catholic mass), and having culturally relevant knowledge (for tangata whenua, knowledge of one’s whakapapa). This cultural capability is the basis not just for participation in one’s own culture or cultures, but also for confidently participating in wider society.

We have used the phrase ‘culture or cultures’ to reflect that many (if not all) people in Aotearoa New Zealand have multiple cultural affinities based on diverse heritages. It also reflects the fact that there is significant diversity within and overlap across broad cultural labels such as ‘Māori’, ‘Pākehā’, ‘Christian’, ‘Muslim’ and so on.

In the 2021 definition, we have also introduced the phrase ‘helping others grow their cultural capability and feel a sense of belonging’ into the definition. This captures the collective and relational aspect of culture in that individuals can only benefit from culture and feel a sense of belonging if others actively protect, recreate and respect that culture. For example, languages only stay alive if they continue to be spoken, and a key part of maintaining a language is teaching it to each subsequent generation of children.

In other words, this definition asks both if people are well and if they are doing well by others. We can each do well by others who share our own culture or cultures, but another important part of doing well by others is helping those members of cultures other than our own feel a sense of belonging, particularly if we are members of the majority culture.
Work, care and volunteering

In combination, the health, knowledge and skills, and cultural capability we each possess give us the capability to produce things that others want or need. LSF2018 focused on production in the context of paid work. This domain was called ‘jobs and earnings’ and was defined in three parts:

- ‘the quality of people’s jobs (including monetary compensation) and work environment
- people’s ease and inclusiveness of finding suitable employment, and
- their job stability and freedom from unemployment’.

All three of these things are important for individual wellbeing in a self-regarding sense. For those in the labour force, being unemployed tends to reduce life satisfaction substantially. For those in paid work, the quality of the work environment affects wellbeing directly through, for example, providing a sense of meaning, purpose and connection. Paid work also contributes to the wellbeing of employees via the generation of income and the consumption possibilities that income affords.

At the same time, paid work provides substantial benefit for those who end up using the goods and services that are created, and so contributes to collective wellbeing in an ‘other-regarding’ sense. Paid work is far from the only way we generate goods and services for the benefit of others. Many people, including retirees, parents, children and young people, contribute to the economy solely or primarily through unpaid labour, usually outside the production boundary of the national accounts. To better reflect the role of unpaid labour in our wellbeing, particularly the wellbeing of children, we have amended this domain to include both paid and unpaid work. Some stakeholders would prefer we keep these categories separate, but to prevent an increase in the overall number of wellbeing domains we have elected to combine them. By combining them we also seek to make this domain relevant to nearly everyone in the population, not just those in the labour force, and recognise the many different ways that people make contributions to the material wellbeing of society.

To avoid overburdening the headline definition we have dropped the multiple clauses about the quality, suitability and stability of employment, but these continue to be important for wellbeing. These issues can be explored within the context of this wellbeing domain, but they can also be usefully explored at the institutional level of the framework, particularly using the firms and markets sphere. These broader issues to do with employment have a significant structural aspect, in that they reflect not just individual characteristics, but also things like labour market policy settings, success or failure in macroeconomic stabilisation, and the choices taken by employers.

15 Self-regarding achievements are one’s own goals, aspirations, needs and preferences, and other-regarding achievements are the goals, aspirations, needs and preferences of others.
**Engagement and voice**

Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.

In LSF2018, this domain was called civic engagement and governance and was defined in two parts as:

- ‘People’s engagement in the governance of their country, and
- how good New Zealand’s governance is perceived to be and the procedural fairness of our society.’

In LSF2021, the renamed wellbeing domain refers only to the first part of this earlier definition. Engagement overlaps somewhat with the cultural capability and belonging and work, care and volunteering domains, but with an emphasis on democratic governance.

The quality of our society’s governance is certainly of first order importance for wellbeing, but it concerns the quality of our institutions and so is more appropriately captured by the new level of the framework, as discussed in the Our Institutions and Governance section of this appendix.

Engagement and voice are good examples of activities that can benefit both an engaged individual and their wider society, and so contribute to collective wellbeing. For many people, voicing concerns about the state of our society and participating in the search for solutions is a major part of a well-lived life. At the same time, this participation is necessary to maintain the collective institutions that research shows are so essential to building and maintaining wellbeing across a country.

Many types of engagement and voice support the governance exercised by central and local government, such as voting, political party membership, petitioning and jury service. But following leading institutional economist Elinor Ostrom, democratic governance is best understood as polycentric. In other words, engagement in non-governmental organisations (NGOs), civil society groups and political debate online and in other forums is also an important part of the definition. For tangata whenua, engagement in the institutions of hapū and iwi is often an important form of political participation.

Engagement and voice are also important parts of many children’s wellbeing frameworks. While very young children are not yet capable of participating in democratic debate, autonomy is a major part of child development at all ages. As children become young people, many choose to exercise this agency through engagement on issues of the day, such as climate change, and direct participation in the political process, such as members of the youth wings of political parties.

In the language of the capability approach, engagement and voice are ‘functionings’ that it is ultimately up to the individual to choose whether to undertake. But the capability to engage if an individual chooses to is agreed by many to be one of the most fundamental of capabilities. For example, leading capability approach scholar Martha Nussbaum included the right to political participation within her canonical list of the 10 ‘central capabilities’.  

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16 As part of capability 10, ‘Control over one’s environment’. 
Income, consumption and wealth

Using income or in-kind transfers to meet today’s needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance and public insurance (the social safety net).

Wellbeing frameworks, such as the LSF, recognise that the non-material aspects of our lives play a major role in sustaining our wellbeing. But this does not mean that the consumption of goods and services is unimportant for wellbeing, particularly for those doing without the basics, such as food and housing.

Ever-greater consumption has a diminishing role in advancing our wellbeing, but the richer we get as individuals (and as a nation), the more consumption continues to have greater significance for those at the bottom of the distribution. For children and adults experiencing material hardship, this plays a large role in explaining low wellbeing.

In LSF2018, this domain focused on income and consumption at a certain point in time. It was defined as ‘People’s disposable income from all sources, how much people spend and the material possessions they have’. This definition included ownership of consumer durables, but not other types of assets. In the 2019 update of the LSF Dashboard, an indicator of household net wealth was added, but the definition of the domain was not updated. We correct that issue here by expanding the definition to include wealth and savings.

From the perspective of an individual, family, household or community, wealth is important for the resilience of wellbeing. This is because wealth helps protect levels of consumption from dropping precipitously during future income shocks resulting from, for example, illness, unemployment, or the death of a spouse. Wealth can also contribute capital income, allow for the maintenance of living standards during retirement, and enable individuals to bequeath their wealth to their children or other beneficiaries following their death.

Income, consumption and wealth can also be protected via both private and public insurance. In this country, public insurance plays a major role in protecting livelihoods against illness, accident and old age. ACC, the benefit system, New Zealand Superannuation, the health system and other parts of the welfare state can be understood as transfers, but also as collective insurance schemes. We all pay into these schemes via taxes or levies, and then we each draw upon them when needed.

In an earlier draft of LSF2021 we considered introducing public services as a separate wellbeing domain, but we received feedback advising against this as it could wrongly suggest the framework is biased towards public rather than private provision, which is not our aim. However, it is important to note that the right to future entitlements, such as public health services, is a kind of asset that protects against future drops in wellbeing, even in the absence of private wealth and insurance.
Housing

Having a place to call home that is healthy, suitable, affordable and stable.

Being housed is an important functioning. The most important thing for wellbeing is that this functioning is in place; for those of us who are homeless, this is a major barrier to achieving all manner of other valued elements of wellbeing.

For most of us who are housed, this functioning can vary qualitatively, depending on the characteristics of the house you call home. Stats NZ has developed a conceptual framework for housing quality that includes four aspects: habitability, environmental sustainability, functionality and social-cultural sustainability. Generally speaking, the higher quality our housing is, the greater our wellbeing. For example, warm and dry homes are better for our health, including the health of children, than cold and damp homes.

The housing domain overlaps with the income, consumption and wealth domain in a fairly nuanced way. For purely conceptual applications of the framework, this overlap is unproblematic, but in more technical applications, such as cost-benefit analysis, analysts need to be aware of the risk of double-counting.

Economists refer to the flow of benefits generated from being housed as housing services, which form part of the overall consumption bundle of an individual, family or household. For those renting their homes, the price of these housing services is the rental cost of the home. For children and some others, these services are a gift. For homeowners, these services are referred to as capital income. The value of these services can be imputed by what it would cost to rent a house of equivalent quality, and this imputed value can be considered another form of income.

This brief discussion highlights that the issue of housing affordability is a complex one as it is tied up not just with housing itself, but also with wider issues of income and alternative types of consumption.

Home ownership is also a major component of individual, family and household wealth in this country, and a substantial proportion of our physical capital takes the form of residential buildings. For most households with positive net wealth, their house is their main asset.

Regulatory settings and market conditions also mean that there are substantial advantages to home ownership relative to other forms of tenure in this country. For example, long-term security of tenure is very difficult to achieve in the rental market in comparison to owning one’s own home. Reflecting this, an earlier draft of LSF2021 floated the possibility of incorporating home ownership directly into the definition of this domain, but we received some impassioned feedback arguing against this. Stakeholders felt that even though home ownership currently provides wellbeing advantages over renting, this is a problem that should be fixed by removing the bias in our housing markets and regulatory systems towards a particular type of tenure.

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18 Because the statistical imputation of capital income is underdeveloped in this country, we more commonly use a measure of disposable household income after housing costs, which allows a fairer comparison in the material standard of living between people living in different tenure types than does income before housing costs.
Environmental amenity

Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.

LSF2018 titled this wellbeing domain environment and it was defined as ‘the natural and physical environment and how it impacts people today’ (this is different from the natural capital stock, which is measured elsewhere).

As this earlier definition demonstrates with its parentheses, the environment is one area where the LSF has at times been a little vague on the distinction between the wellbeing domains and the capitals. In LSF2018, the natural environment was identified as an area where more work was required to improve its conceptualisation. Since that time, we have been focused on the topics of children and culture, and more work is still required on the natural environment. But in the meantime, and particularly given the importance of Te Taiao to tangata whenua, we have tweaked the definition of both this wellbeing domain and the natural environment aspect of our wealth to improve the conceptual distinction between them.

Broadly speaking, the environmental amenity domain captures the direct contribution that the local environment makes to the wellbeing of individuals and communities in that place. This contribution is sometimes described as a kind of ‘ecosystem service’, which would ideally be included in the measurement of household income but is not due to data limitations.

Because most people live in urban environments, or in environments that have otherwise been significantly modified by human activity, it makes sense to consider the natural and built environment together. As the list in the definition indicates, the natural environment supports our wellbeing directly in many ways, such as through providing clean air, recreational opportunities, and the ability to perform mahinga kai or otherwise gather wild foods.

The built environment includes many features, including sportsgrounds, playgrounds, buildings and more. A major piece of amenity provided by the built environment is from transport networks. One piece of feedback on LSF2018 was that transport was missing from the framework, so this revision is designed to amend this problem. Transport is important for the wellbeing of children and their families, particularly those juggling work and school commitments, and those who may live rurally at some distance from essential services for children, such as health and education. It is also important culturally, for example, for the many tangata whenua who live at some distance from their marae and are reliant on safe and fast transport networks to return to participate in events such as tangihanga.

In contrast, the natural environment aspect of our national wealth captures the overall state and value of the environment generally, including how well placed it is to contribute directly to wellbeing via the provisioning of environmental amenity, as well as indirectly in a wide range of ways, as discussed in the definition of our national wealth below.

Some stakeholders would prefer us to separate the built environment from the natural environment, but this would add to the number of wellbeing domains and breach our design principle of parsimony. In more detailed applications of the framework, it may often make sense to disaggregate the high-level domains in ways such as this.
Leisure and play

Using free time to rest, recharge, and engage in personal or shared pursuits.

In LSF2018, this domain had the slightly obscure name of time use, but it was defined in largely the same way as ‘the quality and quantity of people’s leisure and recreation time (that is, people’s free time where they are not working or doing chores). The title time use reflected that time poverty is often associated with poor wellbeing. Having adequate time to rest and attend to one’s own needs is an important part of wellbeing.

Substantively there is little different in LSF2021, but we have amended the title to read leisure and play. This revised title gets more clearly at what this domain is about, to help people understand the framework at a glance without having to work their way through a lot of detailed definitions.

We have added the word ‘play’ in the title to reflect that, for children’s development and wellbeing, it is not just free time that is important, but also the opportunity to use that time for independent learning and discovery. For example, this could be done through reading, playing with toys and games, playing sport, and using public facilities, such as playgrounds, pools, sports grounds, museums, libraries and so on.

Many adults also choose to use their leisure time to engage in play, and to participate in or enjoy the arts and other ‘cultural’ activities, such as kapa haka. In an earlier draft of LSF2021 we considered directly incorporating these types of activities into the definition of this wellbeing domain, both to better incorporate culture into the framework and to reflect evidence that these kinds of activities tend to support higher subjective wellbeing. However, feedback from stakeholders suggested that for adults this would be overly prescriptive. It is ultimately a matter of personal choice as to how people use their free time, so what is important is that they have the capability to enjoy the arts and other cultural activities if they wish. As part of this, it is useful to monitor participation in cultural activities to help identify if there could be barriers to participation that may be a matter for policy consideration.

20 In a limited sense of the term ‘cultural’; in a wider sense nearly all human activities are cultural.
Family and friends

Loving and supporting close friends, family and community members, and being loved and supported in turn.

According to the Stats NZ public consultation on our national wellbeing indicators, our relationships with other people are second only to our health in importance for our wellbeing. These relationships have been included in social indicator frameworks for a long time. For example, MSD’s former Social Report included social connectedness as one of its outcome domains from its very first iteration in 2001 right through to its final one in 2016.

In LSF2018, this wellbeing domain was titled social connections and was defined as ‘having positive social contacts and a support network’. In the associated discussion, the emphasis was on supportive relationships between adults living in different houses.

These wider friendship and community contacts are important for wellbeing in many ways. Friendship is intrinsically enjoyable and also provides an additional form of support we can draw on in times of need, promoting resilience to life’s downturns. Wider networks can also be a source of advantage, helping us achieve our aspirations in work and other aspects of life.

However, intimate family and whānau relationships are just as or even more important than friendships and community relationships, particularly for the wellbeing of children. As such, we have tweaked the name and definition of this domain to place greater emphasis on the role our most intimate relationships have in our wellbeing. As part of this, we have introduced the term ‘love’ into the definition of this domain. Love is a major focus in the Child and Youth Wellbeing Strategy for obvious reasons; love is arguably the basis of all aspects of child wellbeing. But for most (if not all) of us, adults and children alike, love is surely essential for our wellbeing as well, particularly in a more general sense closer to the term ‘aroha’ than the limited meaning of romantic love. For example, many people would say they love their friends too.

Some stakeholders expressed concern at the prospect of the Treasury or the Crown generally taking an interest in people’s most intimate relationships. It is certainly not the case that love is something that the Government should be seeking to provide direct to people. However, the distinction between the Government’s role in supporting wellbeing and the role of others is important and is a major reason why the institutional level has been added to the LSF, as discussed below.

However, it is also the case that in many areas of government policy, such as adoption law, family visas, relationship property, marriage laws, policing of family violence and so on, the Government cannot help but take a stand on issues that can have a very significant impact on intimate relationships and therefore the wellbeing of an individual, couple, or entire community (such as the rainbow community). Attending to the direct or indirect impact that government policy may have on intimate relationships is therefore very relevant to wellbeing analysis and advice.

The final tweak we have made to this domain is to emphasise that social support is generally reciprocal. If we wish to be supported and loved by others, we generally need to be willing to support and love them as well. This helps reflect the concept of collective or relational wellbeing directly into this wellbeing domain.
Safety

Being safe from harm and the fear of harm and keeping oneself and others safe from harm.

LSF2018 defined this domain as safety from crime and from the fear of crime. Although the impact of crime on wellbeing varies significantly, depending on the nature of the crime and the characteristics of the person who is victimised, victimisation certainly can cause substantial harm to wellbeing. Safety from victimisation is very important for sustaining wellbeing.

Fear of crime is somewhat independent of crime itself because some of those people most fearful of crime are those who are least likely to experience it. But fear can itself affect wellbeing, and inhibit the capability to fully participate in society, so is important to also address victimisation.

We have extended the definition of this wellbeing domain for LSF2021 in two ways. One is to emphasise that, like social relationships, safety is reciprocal. For us each to be safe, others need to keep us safe, and for them to be safe we need to keep them safe. For example, victimisation only occurs when other people choose to do harm. But safety is not just about crime. For example, bullying is not usually a criminal matter, but can cause significant harm to children and young people. In a contemporary context, safety is as much about behaviour online as in a physical space.

Another way we have extended the definition is by incorporating the concept of keeping oneself safe. This change is driven by consideration of the safety of young people, who can exercise their growing autonomy in risky ways, such as hazardous drinking and unsafe driving. While taking calculated risks is for many people an important part of living life to its fullest, young people are still developing and the brain’s capability to fully assess risk and take complex decisions can take until age 25 to fully develop.
Subjective wellbeing

Being satisfied with one’s life overall, having a sense of meaning and purpose, feeling positive emotions, such as happiness and contentment, and not feeling negative emotions.

This wellbeing domain is unchanged from 2018. Although there are subjective aspects to all of the wellbeing domains, the term subjective wellbeing is something of a term of art within wellbeing economics. Increasingly, economists consider questions of value to be the relative contribution of the various aspects of our lives to our subjective wellbeing as conceived in one of three ways: life satisfaction, meaning and purpose, and both positive and negative affect.

This wellbeing domains capture all three of these aspects of subjective wellbeing. Some stakeholders have suggested that we should treat this wellbeing domain as the ultimate arbiter of value in the LSF, with all other elements of the framework being instrumental to it. These stakeholders point to work by wellbeing economists, such as Richard Layard, John Helliwell and Daniel Fujiwara. This work has updated much of the machinery of welfare economics, particularly cost-benefit analysis, to reflect the impact that various policy and investment decisions have on subjective wellbeing.

The main advantage of treating subjective wellbeing as the ultimate value is that it would allow us to directly compare trade-offs between elements in the framework according to a common currency, and to make prioritisation decisions based on this.

While it goes beyond our role as neutral public servants to assert that subjective wellbeing is ultimately all that matters for policymaking, knowing that one investment can be expected to have a greater impact on subjective wellbeing than another is a very useful piece of information and one that we will certainly use to inform our advice to Ministers. As such, analysis of subjective wellbeing and wellbeing cost-benefit analysis is greatly encouraged, and there are tools and guidance about this available on the Treasury website.21

21 The Treasury's CBAx tool: https://treasury.govt.nz/cbax
Level 2: Our Institutions and Governance

Introduction

Perhaps the biggest change from LSF2018 is to give governance and institutions greater prominence in the framework. We do this by placing them in their own level, intermediating our wealth and wellbeing. In LSF2018, governance sat alongside civic engagement as one of the wellbeing domains and institutions were captured as part of social capital.

There are three main reasons we have given institutions and governance more prominence in LSF2021.

The first is to reflect the priority development areas of children and culture. One criticism that has been made of the LSF and wellbeing analysis generally is that it might be seen to imply that the responsibility for improving everybody’s wellbeing primarily sits with government. Adding the institutional spheres helps address this criticism by encouraging analysts to consider what the appropriate role of government is vis-à-vis other institutions in any given policy context. For example, the wellbeing of children is primarily a matter for families and whānau, and the Government’s role is often indirect, supporting children via supporting families. For the wellbeing of Māori, Pacific Peoples and other groups, the appropriate role for government is often one of supporting, partnering with, or simply leaving be institutions, such as marae, runanga, churches, community associations and so on.

The second reason reflects the LSF’s primary role as a policy framework rather than a monitoring framework. The whakapapa of the LSF includes many frameworks that have been designed primarily as measurement and monitoring frameworks, such as the OECD How’s Life? framework, the World Bank’s Inclusive Wealth Framework and MSD’s Social Report framework. For a monitoring framework, it is sufficient to measure outcomes, such as whether a wellbeing domain is improving, staying stable or deteriorating. But for a policy framework, it is also necessary to consider what choices are available to improve those outcomes over time.

For policy analysis, the institutional level encourages consideration of, among other things:

- how institutional settings might be expanding or constraining the choices available to individuals and collectives
- what choices are being made by individual and group agents and whether they are consistent with the wellbeing of current and future generations, and
- what choices are available to government to, for example, work with other actors or influence the choices being made by them.

The third reason we have given institutions more prominence is to better incorporate the topic of resilience into the LSF. Resilience to stresses and shocks has long been part of the LSF, but it has not always been clear how this has related to the wellbeing domains and capitals. As the recent experience with the COVID-19 pandemic has illustrated, strong and supple institutions improve our ability as a society to absorb the costs of unexpected events and adapt quickly to changing circumstances in order to sustain our wellbeing and wealth in the face of crisis.
The term ‘institutions’ refers to formal rules, informal norms, and the formal and informal organisations those rules and norms are embedded within. Government institutions are just one type of institution. For example, family is another kind of institution, and each specific family has its own rules and norms.

‘Governance’ is the function these institutions perform. Institutions shape the exercise of agency of individuals and collectives. Governance is likewise distributed across society. To continue the example, each family exerts its own type of governance over itself, which it performs by creating, maintaining and managing its own rules and norms. Each family, firm, NGO and so on can therefore be considered a regulatory centre, and the overall governance of society ‘polycentric’ through having many regulatory centres. These centres are connected in a dense network of interactions and overlapping influence over rules and norms, in a phenomenon known in the public policy literature as ‘network governance’.

We capture this idea of overlapping governance with the stylised diagram in Figure 4. While the true number of overlapping institutions is a very large and unknowable number, it is useful to think about the relative role of six institutional spheres. These are defined and described in more detail in the remainder of this section.

**Figure 4:** Institutional spheres
Families play many roles in supporting wellbeing. In the wellbeing domain family and friends, we emphasise their role as the site of deep interpersonal connection and the joy and sense of meaning associated with that. Families can also contribute for better or worse to the safety and feeling of safety of family members. On the positive side, living with others tends to improve perceived safety in comparison to living alone. However, some of the least safe children and adults in our country are those whose family environments are unsafe, as they are the site of family violence and other kinds of family harm.

Healthy family functioning is therefore an important direct contributor to wellbeing, but families also support wellbeing indirectly via their role in economic production. Many goods and services that can be purchased on the market, such as cleaning, house maintenance, childcare, food preparation and so on, are also produced in households for the benefit of family members free of charge. A very longstanding criticism of the system of national accounts is that this household production, which when estimated represents substantial value, is treated as outside the ‘production boundary’ and not counted. This can lead to many familiar problems with interpreting changes in statistics, such as gross domestic product (GDP) and net national income (NNI), if those are associated with shifts between paid and unpaid labour.

Families and households can also increase our standard of living by making more efficient use of resources, particularly when family members live in the same house. For example, it is generally cheaper per person to heat a house, provide internet and so on for a household with multiple people in it than for one with only one person. While many households are made up family members, others (especially of young flatters) are important economic units even in the absence of family ties between housemates.

Families have always been complex entities and in 2021 that statement is as true as ever. Shared-care arrangements, multi-generational living, blended families and many other types of arrangements are far from uncommon. There are also substantial flows of care and resources between extended family members living in different families and households, particularly between generations, as life expectancy increases.

Economists and statisticians often side-step these complexities by focusing on households rather than families. Many of our most important statistics, such as child poverty figures, look at resource sharing within a household, rather than between family members in multiple households. Without substantial effort across the data ecosystem in modernising family statistics, we will be relying on these conceptually limited sources of data for some time to come. But conceptually speaking, it is important to remember when using the LSF that families are far more complex entities than our official statistics allow for.

One important source of complexity is the distinction between families and whānau. Some submitters suggested that we should not separate out whānau into a different institutional sphere, as they are so closely related to families. While there is significant overlap between the concepts of family and whānau, we have elected to emphasise that they are distinct entities, as discussed in the next section.
Whānau, hapū and iwi

Tangata whenua groups connected by whakapapa. Iwi and hapū usually refer to extended kinship groups with a distinct territory. Whānau often means an extended family and in modern usage can include non-kin friends and associates.

A key strength of LSF2018 is its alignment to international wellbeing frameworks. But one of the main criticisms of LSF2018 was that this strength is also a weakness in that it omits much of what is unique to this country, particularly te ao Māori. One of the ways we have addressed this weakness is by emphasising in LSF2021 the unique and central role indigenous institutions play in sustaining the wellbeing of tangata whenua.

The defining characteristic of institutions in this sphere is that they are based on whakapapa connections. It is often said that whānau is the foundational unit of Māori society, but whakapapa also provides the basis for many other Māori institutional entities such as hapū and iwi. These institutions are the means by which Māori collectively exercise mana motuhake, and also play a major role in sustaining Māori culture for the benefit of future generations.

The Treasury applies a complementary wellbeing framework, He Ara Waiora, which we use to incorporate te ao Māori into our work with appropriate guidance from Māori thought leaders. One of the distinctive features of He Ara Waiora is the large emphasis it places on tikanga and other cultural values that guide the behaviour required to achieve wellbeing. The introduction of institutions into the LSF brings the framework more into line with this feature of He Ara Waiora. Within the tangata whenua institutional sphere, tikanga can be understood as playing a role similar to that which, say, law plays in the government sphere, in shaping both what decisions are possible and the procedures that need to be followed when taking them.

There is substantial overlap between this institutional sphere and all the other five. For example, following the Treaty Settlement process, many iwi govern their assets using legal trust structures that overlap with the civil society sphere and facilitate their interaction with government and the private sector. Many for-profit entities in the firms and markets sphere are owned by tangata whenua, both individually and collectively. Collectively-owned entities often have multiple imperatives, including intergenerational financial, environmental, social and cultural enhancement.

For the purposes of government policymaking, and the Treasury’s policy advice, perhaps the most important intersection is between the tangata whenua sphere and the government sphere. This intersection is governed of course by Te Tiriti o Waitangi, one of our most important institutions.
Firms and markets

For-profit entities and the various markets they are involved in, such as capital markets, the housing market and the labour market.

While the LSF has always included several non-market sources of our wellbeing, firms and markets continue to be very important for any wellbeing framework for a number of reasons.

First, to the extent that consumption is important for wellbeing, particularly consumption of basics like food and housing services, firms often play the primary role in producing those goods and services for consumption and making them available for purchase. A substantial portion of our nation’s wealth is invested in firms for this very purpose. Firms take much of our nation’s wealth and use it to generate goods and services for consumption.

Firms also play an important role in shaping the fate of our national wealth. On the positive side, firms play a major role in the ongoing formation of physical and intangible capital, through capital investment, research and development and so on. Since most firms are ultimately owned by households, much of this investment takes place on behalf of households whose savings they invest either directly (for example, through shareholding) or indirectly (for example, through retirement saving schemes). But on the negative side, some firms (like actors in other spheres) can be involved in the deterioration of the natural environment, and perhaps social cohesion too.22

Another important role played by firms in supporting wellbeing is as employers. As noted earlier, work can be an important part of an individual’s wellbeing. Both the ability to obtain a job and the quality of the job environment are very much in the gift of employers. The choices employers make can be very important for how inclusively labour markets operate to the advantage of people, such as women and disabled people, who have historically faced substantial discrimination that has limited their ability to achieve their aspirations.

In comparison to firms, markets play a slightly more abstract role. If markets are functioning well, they can improve our overall wellbeing by improving allocative efficiency, creating incentives for productivity-enhancing innovation and so on. But if markets are performing poorly, such as housing markets, then this can lead to all manner of adverse wellbeing impacts. There are of course many ways in which markets can fail and attending to market failures, such as monopolistic behaviour, is an important role for government in supporting wellbeing.

Firms and markets are also sources of both risk and resilience. Risk-taking is a key feature of entrepreneurship, and these risks often create significant rewards for both entrepreneurs and wider society. Dynamic firms and markets can also be a source of resilience to shocks and stresses. A society that took no risks would struggle to adapt in the face of changing circumstances. At the same time, as demonstrated in recent years by the global financial crisis, systemic risk-taking across markets can lead to substantial drops in wellbeing if not well regulated.

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22 Attribution is more difficult for social cohesion, but there is certainly reason to think that choices made by both traditional media and social media firms, for example, may have contributed to declines in both interpersonal and institutional trust in countries such as the United States.
Central and local government

The legislature, executive and judiciary, as well as entities constituted under the Public Service Act, Crown Entities Act, State Owned Enterprises Act and, Local Government Act.

The Government plays several important roles in relation to wellbeing. The first is similar to the key role of firms and markets; the production of goods and services for consumption. To oversimplify, in New Zealand in recent decades central government has tended to provide most health, education and justice services, local government has provided most sanitation and recreation services, infrastructure spending has been split between the two, and most other goods and services have been provided primarily by firms and markets. But in different countries at different times, a wide variety of choices have been made about the relative roles of local government, central government and the market in the production of goods and services.

Many people have strong views on the relative merits of government vs market production. As politically-neutral public servants, Treasury analysts should provide advice on the evidence of how different forms of production might affect both the level and distribution of consumption of the goods and services in question, rather than assuming a priori that one type of provision is generally better than another.

Another important role of government is as an employer. In the same way that firms hold some responsibility for the wellbeing of employees, so too does government, at least for the working conditions of the people who work directly or indirectly for it, including many frontline public servants, such as police officers, nurses, teachers and so on.

Like firms, government also invests in our national wealth. For example, education and health services also double as investment in human capability, which benefits everyone. Government also funds a great deal of research activity, particularly primary research.

Unlike firms, government has the power to create and enforce laws and associated regulations. Some of these rules are designed to prevent deterioration in our national wealth, particularly environmental wealth. Others are designed to support the effective functioning of other institutional spheres. For example, markets can sometimes exhibit a tendency to monopoly without regulation.

The final role of government to emphasise here is risk management at both a micro and a macro level. At a micro level, government has long provided public insurance mechanisms such as ACC, superannuation and welfare that recognise that private insurance markets are often inadequate to ensure universal protection against personal misfortune.

At a macro level, government tends to inherit any risks that grow in scale beyond what other actors in society can manage, or where only a national level of response is adequate. Because of the Government’s role as insurer of last resort, against both known and unknown risks, a strong fiscal position has long been (and will continue to be) a strong focus for the Treasury. Recent crises, such as the global financial crisis, the Kaikōura and Canterbury earthquakes, and the ongoing pandemic, have demonstrated that wellbeing is more readily sustained when government has the fiscal headroom to invest rapidly in response to sudden and unexpected challenges.
Civil society

Non-profit entities such as charitable trusts, professional associations and unions, political parties, clubs and religious bodies.

Civil society includes a diverse range of organisations. One important type of civil society organisation is religious organisations, such as churches and mosques. These institutions are very important for many sub-populations, such as Pacific Peoples and refugee and migrant communities. Many churches, particularly those well-connected internationally like the Mormon and Catholic churches, hold significant amounts of financial and physical capital and often deploy it towards social ends.

A second type is professional organisations and unions, such as the NZ Educational Institute, the Royal Australasian College of Surgeons, the Law Society and the Council of Trade Unions.

A third type of organisation includes sporting and cultural institutions, such as Te Papa, the NZ Symphony Orchestra, Te Matatini, NZ Rugby and so on. Many of the submissions on the Dalziel et al (2019) paper on culture wanted the special contribution of these organisations acknowledged in the LSF, and it is only right to do so.²³

A fourth type of organisation is philanthropic funders, such as the Tindall Foundation and Foundation North. These grant-makers, along with religious organisations, iwi and government, fund a fifth type of organisation in this sphere (not-for-profit social service providers), such as community health and housing providers, including urban marae and other kaupapa Māori organisations. This fifth group often combines funding from multiple sources and frequently relies on labour provided voluntarily by local people for the benefit of the local community.

This fifth kind of organisation plays an important direct role in sustaining the wellbeing of individuals and collectives, particularly those who are disadvantaged in some way. Through the provision of food parcels, emergency housing, social work services and so on, NGOs are often at the forefront of dealing with some of our most significant wellbeing challenges.

Civil society plays an important role in creating and sustaining social cohesion and providing a vehicle for people to exercise voice and engagement. This is most obviously the case with political parties, but there are also many other ways people can participate in democratic self-governance, such as by starting or signing a petition.

A final point is that while these various organisations have their differences, an important trait they have in common is that all of those operating in this sphere tend to be highly mission-led. Although actors in all spheres have implicit values and principles, these tend to be articulated more loudly and forcefully in the civil society sphere. These values, be they grounded in mātauranga Māori, Pacific worldviews, religion or secular philosophies, are cultural in nature, so a thriving set of civil society institutions is important to sustain culture. By expressing shared cultural values, these organisations play a vital role in both reflecting and reinforcing cultures. Including these organisations is therefore an important way to respond to the challenge of incorporating culture into the LSF.

International connections

Foreign governments, firms and other organisations with whom we trade and co-operate to achieve shared goals or compete when our interests are not aligned.

Given our refresh topics of children and culture, there are three main reasons we have added international connections to the framework. First, the wellbeing of many Pacific Peoples is highly intertwined with the wellbeing of people across the Pacific, and we wanted a way to capture transnational flows of people, money, culture and so on. The second reason was in response to criticism that the earlier version of the framework was largely silent on transnational issues about the environment, such as ocean health. Given the holistic approach to wellbeing in te ao Māori, and the centrality of Te Taiao, acknowledging the transnational aspect of environmental governance seemed important. The third reason we included it was to capture the importance of international human rights instruments, such as the UNCRC, in shaping the governance of children’s wellbeing in New Zealand.

There are of course many other reasons that international connections are important to our wellbeing, such as trade, security and so on. We have not explored these topics as part of this refresh process, but by adding international connections into the LSF we have now located these topics clearly in the framework, creating space to explore them in more depth in the future.

One suggestion by stakeholders was to consider international connections as a separate level in the framework, given that there are connections between domestic and international governments, domestic and international firms, domestic and international NGOs and so on. While this is an elegant suggestion, it would make the LSF visually more complex. The same idea is achieved through the overlapping spheres – it is in the interaction between domestic and international institutions that the international connections sphere takes on its importance for our domestic wellbeing.

For policymaking, the role of government in facilitating our connections with the rest of the world is very important. Many of the most pressing issues about wellbeing can only be addressed through international cooperation, and so effective diplomacy and statecraft on the global stage is an important contribution to New Zealanders’ current and future wellbeing, and one that has been underemphasised in previous versions of the LSF.
Level 3: The Wealth of Aotearoa New Zealand

Introduction

Ever since the 1776 publication of Adam Smith’s most famous book, the wealth of nations has occupied a central place in the work of economists. Over time, the way in which national wealth has been understood has steadily evolved. In Adam Smith’s day, wealth was understood to be about a country’s land, labour and capital, as well as how productively these were used. At this time, the word capital referred almost exclusively to physical capital, such as plant, equipment and inventory.

Over the course of the 19th and especially the 20th centuries the term capital was steadily expanded to cover other things of value. An early conceptual shift was to include financial capital, which has become increasingly important as the role of financial institutions in the economy has steadily grown. Also, as increasingly complex economies required greater specialisation and training in their workforces, labour was termed human capital to emphasise the need for investment in skills alongside investment in equipment.

More recently, the initial focus of the classical economists on land has given way to a much wider appreciation of the many ways the natural environment contributes to our wellbeing, alongside a shift in language to the term natural capital. The role of our institutions, networks and relationships has also inspired the use of the term social capital. These four capitals have been at the heart of the LSF since 2011.

This shift to describe everything of value as a kind of capital has proved popular. In some wellbeing frameworks there are even more capitals, including knowledge capital, cultural capital and diplomatic capital. At the same time, the expanding writ of the term capital is not without some prominent critics. Kenneth Arrow is critical of the term social capital as stretching the metaphor too far, and Amartya Sen has criticised the term human capital as treating human abilities as merely instrumental to production. We also received feedback during this LSF refresh that the term capital can be both alienating and unintuitive in meaning for non-economists.

As part of a general move to use more accessible language for the LSF, we have renamed three of the four capitals from LSF2018. Social capital becomes social cohesion, human capital becomes human capability and natural capital becomes natural environment. These changes are described in more detail in the sections below, but in general should be seen to be presentational rather than substantive, designed primarily to improve the accessibility of the framework to non-economists. The term capital can be used interchangeably for those who prefer that term, or where it supports more technical applications of the framework.

We also received feedback that we should differentiate the capitals more, particularly by disaggregating financial and physical capital, which are very different things. We gave this proposal serious thought, but ultimately decided to retain the longstanding division of our wealth into four categories for the sake of both continuity and consistency with comparable international frameworks. In more detailed applications of the framework it will often be useful to decompose our wealth into more detailed subcategories.
Another idea that was debated as part of our LSF refresh process was whether to include cultural capital as another kind of capital. In the end we instead decided to add culture as underpinning all the other aspects of our wealth, as discussed in the relevant section below. As part of this substantive change, we have revised the definitions of all four aspects of our wealth to elaborate on the cultural aspect of each.

As discussed earlier, we have also refined the distinction between the wellbeing domains and our national wealth to clarify that the distinction is between the micro and macro levels of analysis. The overlap between the domains and our wealth is different for each aspect of our wealth. In the descriptions of each aspect of our wealth below, we clarify the precise nature of the overlap for each.
Human capability

People’s knowledge, physical and mental health, including cultural capability.

This aspect of our wealth is defined in a similar way to LSF2018, except we have emphasised that the knowledge we hold is deeply cultural in nature. Our human capability is the one aspect of our wealth where there is a complete overlap between our national wealth and the wellbeing domains, in this case health, knowledge and skills, and the cultural capability part of cultural capability and belonging (the belonging part is more closely related to social cohesion). Our aggregate human capability is simply the sum of individual human capability.

One important question is whether there should be an overlap between the wellbeing domains and our wealth, given the extra complexity this creates in the framework. The short answer is that the overlap is necessary to capture both the private and public benefits of things like our knowledge and skills. It is beneficial for individuals to be well educated, but the value each individual can derive from their skills also depends on the skills of others. For example, many migrants to New Zealand are motivated to come here because they can be more productive (and thus earn higher incomes) in this country, given our high levels of aggregate human capability and other types of wealth.

The flows that build health, knowledge and skills, and cultural capability at an individual level are captured in the wellbeing domains. To some extent these simply aggregate up to shape future trends in our national human capability, but there are also different kinds of flows that primarily affect the aggregate level of analysis. The most important of these flows are demographic, particularly fertility rates and net migration. Changes in these rates over time shape both the total level of human capability in the country and its composition.

One of the most important trends shaping the future capability of this country is population ageing. This topic has important fiscal implications, as explored in a series of Long-Term Fiscal Statements. But it also has important economic and general wellbeing implications, particularly as the number of older people out of the workforce, and in need of healthcare, expands faster than the number of people in it.

Migration is also a very important topic in this country, given internationally high levels of both inward and outward migration, at least up until the onset of the COVID-19 pandemic. The characteristics of both emigrants and immigrants go a long way to shaping the overall mix of skills and other capabilities in the population, with indirect impacts on us all.

The current pandemic has also provided a good demonstration of the role that collective public health measures can have on our population. These measures can be somewhat different to individual choices, such as healthy eating, that aggregate up in a linear, additive way to shape the overall population. Many public health measures have a highly non-linear impact, depending on various factors, such as vaccine coverage and levels of compliance with public health restrictions.

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24 Similar observations relate to other parts of our wealth, such as physical capital. Physical capital has both private and public benefits, in that countries with higher levels of aggregate physical capital tend to attract higher wages for any given type of skill. Anyone who has moved from New Zealand to Australia in search of higher pay can attest to this, although of course how productively capital is used is also important.
Financial and physical capital

This aspect of our wealth includes three main subcategories: tangible, human-made assets such as buildings, machinery and infrastructure, including physical taonga, such as marae; knowledge-based property assets such as research and development, software and databases, and arts and literature; and financial assets minus liabilities, including currency, bank deposits, loans and equity.

Physical, financial and intangible capital are three distinct things, but we continue to group them together as the OECD does for the sake of not over-complicating the LSF. But disaggregating them into three will often be important for more advanced applications of the framework.

The definition of this aspect of our wealth is largely unchanged since 2018, but we have refined the wording to emphasise the role of culture in all three subcategories and place a greater emphasis on intangible capital. This reflects one of the more expansive meanings of the word culture, which can be taken as a synonym for knowledge or technology.

If this is non-intuitive, a historical example is probably easiest to start with. A useful way to define physical capital is as modified nature, and a major part of any culture is the knowledge of how to modify nature for the benefit of humans. So, for example, knowledge of how to convert stone into tools was a characteristic of many early human cultures, and stone adzes, stone knives, stone-tipped spears and so on are early examples of manifested culture (that is, physical capital). As culture in the sense of knowledge steadily accumulates over time, humanity has gradually accumulated more expansive understanding of how to modify nature. It may be less obvious to us today, but if a stone adze is cultural then so too is any other kind of physical capital, from a steel axe to a chainsaw to a logging truck. These objects manifest the cultural knowledge necessary to produce them.

Financial capital is more obviously cultural, because things like money, particularly fiat money, only exist because members of a shared culture agree that it does. Money only exists because we believe it does (or at least act as if it does). Financial capital itself has no intrinsic value, but it has been instrumentally valuable in growing the wealth of nations by smoothing exchange, savings, investment and debt. It largely nets out across the economy, but the distribution of financial capital is important to understand the resilience and scope of action of both individual and institutional actors. For example, the Government’s financial capital affects its ability to fund investment in wellbeing.

Intangible capital incorporates both public knowledge and the privately-held knowledge, such as intellectual property (including, for example, programming code), which is a growing part of the overall wealth of our economy. It includes things like literature, film and music that are obviously ‘cultural’ in a more limited sense of that word.

Physical capital overlaps with the housing wellbeing domain, and financial capital overlaps with the wealth part of the income, consumption and wealth domain. But unlike human capability, housing and other assets owned by individuals and households do not fully constitute our national wealth because assets of these kinds are also owned by entities such as government, international investors, charities and other trusts.25

25 Firms own significant assets, but they are in turn owned by their investors, primarily individuals.
Natural environment

All aspects of the natural environment needed to support life and human activity, valued for spiritual, cultural and economic reasons.

The natural environment was not included in the scope of this refresh, so the changes to this aspect of our wealth are relatively modest. As in previous versions of the LSF, the focus continues to be on the role of the environment in sustaining human wellbeing. As described in previous versions, there is a well-developed set of concepts for relating the natural environment to human wellbeing, with a focus on three different kinds of ‘ecosystem services’ that nature provides for humans:

- provisioning services, such as wild food and timber
- regulatory services, such as flood mitigation and erosion control, and
- cultural services, such as recreation, or simply knowing that a species like the kākāpō exists.

These services can benefit humans both directly and indirectly. For example, a direct provisioning service is the generation by plants of oxygen that we can then breathe. The environmental amenity domain of wellbeing would capture this kind of direct service. One example of an indirect provisioning service is the production of geothermal electricity for use by manufacturers. This also benefits people indirectly as they consume the manufactured goods, but the contribution of the environment to these final goods is not treated separately in the wellbeing domains.

The natural environment aspect of our wealth captures all of the direct and indirect value of ecosystem services. These services are flows, and the ‘capital value’ of nature at a point in time can in principle be estimated as the net present value of the future flows of services that nature will provide. Other flows that are important in natural capital accounting include flows of waste, greenhouse gases, fertilisers and other human-generated pressures that can diminish the capability of nature to provide ecosystem services in the future. This is another example of where both stocks and flows are important at each level of the framework.

While the LSF emphasises the role of the environment in sustaining human wellbeing, in many cultural traditions some or all of the environment has intrinsic value. Most people agree that at least some non-human animals have intrinsic value, particularly sentient and social animals, such as dogs, whales and elephants. Many others attribute intrinsic existence value to other animals, such as native birds, or more broadly the ecosystems that sustain them. In some knowledge systems, such as mātauranga Māori, all of the environment has intrinsic value, including non-sentient and non-living aspects, such as rivers and mountains. In frameworks such as He Ara Waiora, the concept of wellbeing (waiora) includes the wellbeing of the environment (Te Taiao). We have revised the definition of this aspect of our wealth to emphasise that the environment can be valued for more than economic reasons, with many people valuing it on a cultural or spiritual basis. We have also adopted the language of the natural environment rather than natural capital to emphasise this plurality of value.

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26 In traditional Māori ontology, the distinction between living and non-living was made far less sharply (if at all), with trees, mountains, rivers etc, like humans, considered to be but different manifestations of the life-force (mauri) that flows through and connects all things.
Social cohesion

The willingness of diverse individuals and groups to trust and co-operate with each other in the interests of all, supported by shared intercultural norms and values.

In LSF2018, the fourth aspect of our wealth was described as social capital, which is a slightly vague term because it has been used by different scholars to describe several distinct phenomena. There are two key distinctions between:

- bonding and bridging social capital, and
- interpersonal and institutional social capital.

LSF2018 included all four of these concepts in the definition of social capital, but in 2021 we have tightened the definition of this aspect of our national wealth to include only two of them: interpersonal and bridging social capital. Because the term ‘interpersonal bridging social capital’ is jargon, we have instead adopted the term social cohesion to make the meaning of this aspect of our wealth more intuitively obvious.27

Bonding social capital refers to the value that inheres in networks of people who know each other personally and share common ‘in-group’ norms and values. It is a private or club good that is held by members of the groups in question, so it fits more naturally in the wellbeing domains level of the framework, corresponding to the micro-macro distinction we have drawn between the first and second levels of the framework. More specifically, it corresponds conceptually to the family and friends wellbeing domain.

Bridging social capital refers to the value that benefits a whole society when different groups of people who may have different norms and values nonetheless trust each other and are willing to cooperate. Countries where strangers trust each other do better on a wide range of wellbeing metrics. Because this is a society-wide phenomenon that creates public benefit it fits in the aggregate rather than individual-collective level of the framework.

Interpersonal social capital refers to trust between individual people, and institutional social capital to trust between people and their institutions, such as government. Interpersonal capital can be of the bonding or bridging kind, and this level of the framework includes the bridging variety of interpersonal capital. Trust in institutions is also very important for societal wellbeing, but conceptually corresponds to the second level of the framework.

Social cohesion is obviously cultural because it is grounded in norms and values. What we are emphasising here is that for culturally-grounded norms and values to be consistent with the wellbeing of everyone in society, what we might call intercultural values and norms of tolerance, respect and cooperation are vitally important. From an individual or group perspective, adherence to one’s own cultural values may facilitate one’s own wellbeing, but there is no shortage of examples in the history books of where chauvinistic cultural values have facilitated the wellbeing of the members of that culture, but not of the members of other cultures. In the long term, cultural chauvinism is a recipe for conflict that can harm the wellbeing of all.

27 As noted already, the term social cohesion can also be interpreted in multiple ways. Our definition corresponds to what Joseph Chan would describe as ‘horizontal social cohesion’.
Culture

Our accumulated heritage from our ancestors, including knowledge systems, values and beliefs, and their manifestations in objects, practices and concepts. Culture is present in all the other aspects of our wealth.

As described in earlier sections, culture is an expansive concept that sits behind almost everything. We have emphasised here the major role that culture plays in all aspects of our national wealth, but culture is really in every part of the framework. All institutions are deeply cultural in their construction and operation and most aspects of our wellbeing are cultural too. As one stakeholder pointed out in the LSF refresh process, even something as fundamental as our own brains are shaped physically by the cultures we inhabit. The very language, concepts, metaphors and images that we use to think are inscribed on us from a very young age by the cultures we find ourselves born into.

William Jackson (2009) offers a typology of cultural definitions. Culture has been variously defined as:

- A process of enculturation into a shared way of doing things. This meaning reflects the etymological root of the word, which is the Latin *colere*, meaning ‘to cultivate’.
- A shared state of a group of people, naming their way of life, customs, values, beliefs, knowledge and so on.
- A subset of activities that reflect a shared way of life, particularly artistic and creative activities.

In refreshing the LSF we have sought to give all three meanings of the word ‘culture’ to reflect the various concerns of different stakeholders that led us to look at culture more closely in the first place. Culture as an activity was emphasised by stakeholders in the creative sector of the economy who wanted us to recognise the role that the arts play in sustaining wellbeing. Culture as the way of life of a people is important to capture not only what is distinct about the overall culture of Aotearoa New Zealand, but also about the cultures of the people who live here, particularly tangata whenua. Culture as enculturation is important for the sustainability of culture, as many important aspects of culture, such as language, are only kept alive through regular use.

We considered using the term cultural capital but opted not to. The word capital in the LSF refers to societal aggregates rather than individual sources of advantage, so referring to cultural capital would likely lead to confusion, given that Pierre Bourdieu (who originally coined the term) defined it in that way. When considering the advantage that cultural knowledge grants the individual, the term cultural capability serves the same purpose, as well as being better aligned to the capability approach of Sen, Nussbaum and Robeyns et al that has been an important inspiration for the LSF.
## Appendix 2 – Analysis of the proposed new indicator suite

### Provisional wellbeing indicators for the LSF2021 Dashboard

<table>
<thead>
<tr>
<th>Domain</th>
<th>Indicators (new in italics)</th>
<th>Indicator type</th>
<th>Current</th>
<th>Adult</th>
<th>Child</th>
<th>Average</th>
<th>Deprivation</th>
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<tbody>
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<td>Housing</td>
<td>Household crowding</td>
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<td></td>
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<td></td>
<td>Major repairs needed&lt;sup&gt;29&lt;/sup&gt;</td>
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<td>Average rooms per person</td>
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<td></td>
<td>Average housing cost as % of household disposable income</td>
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<td>Age-standardised home ownership rate</td>
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<td>Health</td>
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<td>Healthy life expectancy</td>
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<td>Suicide rate</td>
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<td>Physical activity</td>
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<td>Knowledge and skills</td>
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<td>Regular school attendance</td>
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<sup>28</sup> For the detailed definition and source for existing indicators, see the LSF Dashboard or refer to www.treasury.govt.nz/sites/default/files/2018-12/lsf-background-future-work.pdf.

<sup>29</sup> To amend the definition to cover children by changing to ‘percentage of people living in a house where major repairs are reported as needed’.

<sup>30</sup> To amend to cover children as well using parent-reported child health status from the Health Survey.
<table>
<thead>
<tr>
<th>Domain</th>
<th>Indicators (new in italics)</th>
<th>Indicator type</th>
</tr>
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<tbody>
<tr>
<td>Cultural capability and belonging</td>
<td>Ability to express identity(^{31})</td>
<td>Current</td>
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<tr>
<td></td>
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<td>Adult</td>
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<td>Average</td>
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<td>Deprivation</td>
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<tr>
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<td>Te Reo Māori speakers</td>
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<td>Māori connection to marae</td>
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<td>Pacific language speakers</td>
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<td>Sense of belonging to NZ(^{32})</td>
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<td>Family and friends</td>
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<td>Social network support</td>
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<td></td>
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<tr>
<td></td>
<td>Someone to count on</td>
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<td>Feeling loved</td>
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<td>Environmental amenity</td>
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<td>Water quality (swimmability)(^{33})</td>
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<td>Engagement and voice</td>
<td>Voter turnout</td>
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<td>Having a say in government</td>
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<td>Income, consumption and wealth</td>
<td>Child poverty – material hardship</td>
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<tr>
<td></td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Income protection</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Superannuation</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Y</td>
</tr>
</tbody>
</table>

\(^{31}\) To extend to young people once WhatAboutMe Survey results are available.

\(^{32}\) Currently a General Social Survey measure for adults is included under social capital. This proposed addition would also include a measure for young people from the WhatAboutMe/CYWS set of indicators.

\(^{33}\) We may need to alter this indicator as the relevant data availability has changed.

\(^{34}\) We may need to alter this indicator as the relevant data availability has changed.
<table>
<thead>
<tr>
<th>Domain</th>
<th>Indicators (new in italics)</th>
<th>Indicator type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Current  Adult Child Average Deprivation</td>
</tr>
<tr>
<td>Work, care and volunteering</td>
<td>Employment rate</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Median hourly earnings</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>NEET rate</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Hours worked</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Unpaid work</td>
<td>Y    y    y</td>
</tr>
<tr>
<td></td>
<td>Involvement in community</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td>Leisure and play</td>
<td>Satisfaction with work-life balance 35</td>
<td>Y    Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Leisure and personal care 36</td>
<td>Y    Y    Y    Y</td>
</tr>
<tr>
<td>Safety</td>
<td>Participation in sport and recreation</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Family violence</td>
<td>Y    Y</td>
</tr>
<tr>
<td></td>
<td>Feeling safe 37</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Intentional homicide rate</td>
<td>Y    Y</td>
</tr>
<tr>
<td></td>
<td>Workplace accident rate</td>
<td>Y    Y</td>
</tr>
<tr>
<td></td>
<td>Offending rates</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Preventable admissions to hospital</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td>Subjective wellbeing</td>
<td>Family wellbeing</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>General life satisfaction</td>
<td>Y    Y    Y</td>
</tr>
<tr>
<td></td>
<td>Sense of purpose in one’s life</td>
<td>Y    Y    Y</td>
</tr>
</tbody>
</table>

35 Data available from age 12.
36 Data available from age 12.
37 To extend to include ‘feeling safe’ indicator from the Child and Youth Wellbeing Strategy in order to cover children.
## Provisional list of institutional indicators for LSF2021 Dashboard

<table>
<thead>
<tr>
<th>Institutional sphere</th>
<th>Indicators (<em>new in italics</em>)</th>
<th>Current</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families and households</td>
<td>Family wellbeing</td>
<td>Y</td>
<td>Currently a social wellbeing indicator</td>
</tr>
<tr>
<td></td>
<td>Household indebtedness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whānau, hapū and iwi</td>
<td>Whānau wellbeing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Iwi balance sheets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central and local government</td>
<td>Trust in government institutions</td>
<td>Y</td>
<td>Currently a social capital indicator</td>
</tr>
<tr>
<td></td>
<td>Perceived corruption</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Crown net worth</td>
<td>Y</td>
<td>Currently a physical/financial capital indicator</td>
</tr>
<tr>
<td></td>
<td>Public service satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms and markets</td>
<td>Multi-factor productivity growth</td>
<td>Y</td>
<td>Currently a physical/financial capital indicator</td>
</tr>
<tr>
<td></td>
<td>Ease of doing business ranking</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Banking sector leverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil society</td>
<td>Volunteering</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-profit economic contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Culture, sport and arts non-profits</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-profit grants, donations and fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-profit sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International connections</td>
<td>Foreign direct investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Terms of trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current account balance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Provisional list of wealth indicators for LSF2021 Dashboard

<table>
<thead>
<tr>
<th>Resource</th>
<th>Indicators (new in italics)</th>
<th>Current indicator</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural environment</td>
<td>Biodiversity and genetic resources</td>
<td>Y</td>
<td>We may need to alter this indicator as the relevant data availability has changed.</td>
</tr>
<tr>
<td></td>
<td>Climate regulation</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drinking water</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net greenhouse gas emissions</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Renewable energy</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sustainable food production</td>
<td>Y</td>
<td>We may need to alter this indicator as the relevant data availability has changed.</td>
</tr>
<tr>
<td></td>
<td>Waste management</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Human capability</td>
<td>Cognitive skills at age 15</td>
<td>Y</td>
<td>Duplicate indicators, also in knowledge and skills.</td>
</tr>
<tr>
<td></td>
<td>Educational attainment of the adult population (upper secondary)</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Life expectancy at birth</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-communicable diseases</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Social cohesion</td>
<td>Trust held in others</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Financial/physical capital</td>
<td>Total net fixed assets</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Gross fixed capital formation</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net international investment position</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>CPI inflation</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment in R+D</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net intangible fixed assets</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>
## Evaluation of potential new indicators

<table>
<thead>
<tr>
<th>Element</th>
<th>New indicator</th>
<th>Definition</th>
<th>Source</th>
<th>Population coverage</th>
<th>International comparability</th>
<th>Sensitivity</th>
<th>Disaggregation</th>
<th>Timeliness</th>
<th>Data availability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 1: Our Individual and Collective wellbeing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>Home ownership rate</td>
<td>Proportion of children and adults living in an owner-occupied house, or house owned by a family trust (age-standardised).</td>
<td>Census</td>
<td>Everyone</td>
<td>Fair. Tenure statistics available for OECD (% of households rather than % of people).</td>
<td>Good. Meaningful changes over time and between countries.</td>
<td>Fair. Five-yearly frequency appropriate to relatively slow-moving indicator.</td>
<td>Excellent. Tenure statistics have been in census since at least 1916.</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Food insecurity</td>
<td>Proportion of children and adults living in households where food sometimes or often runs out.</td>
<td>NZ Health Survey</td>
<td>Everyone</td>
<td>To investigate.</td>
<td>Good. This variable is very amenable to policy intervention.</td>
<td>Good. Health Survey data is disaggregated by multiple demographic factors.</td>
<td>Good. Health Survey is run continuously with both monthly and annual reporting.</td>
<td>Fair. Data back to 2015.</td>
</tr>
<tr>
<td>Unmet health needs</td>
<td></td>
<td>Proportion of children and adults with unmet health needs due to GP cost in the past 12 months.</td>
<td>NZ Health Survey</td>
<td>Everyone</td>
<td>To investigate.</td>
<td>Good. This variable is very amenable to policy intervention.</td>
<td>Good. Health Survey data is disaggregated by multiple demographic factors.</td>
<td>Good. Time series back to 2011.</td>
<td>Good. Annual series back to 2011, with one extra data point in 2006.</td>
</tr>
<tr>
<td>Physical activity</td>
<td></td>
<td>Proportion of people who are physically active (did at least 2.5 hours of activity in the past week, spread out over the week).</td>
<td>NZ Health Survey</td>
<td>15+</td>
<td>To investigate.</td>
<td>Good. Meaningful year-on-year change observable.</td>
<td>Good. Health Survey data is disaggregated by multiple demographic factors.</td>
<td>Good. Health Survey data is disaggregated by multiple demographic factors.</td>
<td>Good. Annual series back to 2011, with one extra data point in 2006.</td>
</tr>
<tr>
<td>Cultural capability and belonging</td>
<td>Sense of belonging to NZ</td>
<td>Proportion of young people feeling a sense of belonging to Aotearoa/New Zealand as a whole (12-18 indicator), and proportion of people feeling a sense of belonging to New Zealand of 7/10 or higher (15+ indicator).</td>
<td>WhatAboutMe/CYWS and GSS</td>
<td>12+</td>
<td>Poor. Not comparable.</td>
<td>Unknown. Time series yet to be established.</td>
<td>Good. Multiple disaggregations are available.</td>
<td>Fair. Six-yearly updates scheduled at this stage.</td>
<td>Good. GSS question was in 2016 and will be again in 2022. WhatAboutME is still in its first wave.</td>
</tr>
<tr>
<td>Family and friends</td>
<td>Someone to count on</td>
<td>Proportion of young people who say they have an adult they could turn to if they were going through a difficult time and needed help (12-18 indicator), and proportion of people aged 15+ who reported if they urgently needed a place to stay, it would be easy or very easy to ask someone they know (15+ indicator).</td>
<td>WhatAboutMe/CYWS and GSS</td>
<td>12+</td>
<td>Poor. Not comparable.</td>
<td>Good. Reasonable change between 2014 and 2018.</td>
<td>Good. Multiple disaggregations available.</td>
<td>Good. Regularly included in GSS (every two years).</td>
<td>Fair. Three waves of data so far, back to 2014.</td>
</tr>
<tr>
<td>Feeling loved</td>
<td></td>
<td>Proportion of young people who report they feel loved by those who look after or care for them.</td>
<td>WhatAboutMe/CYWS</td>
<td>12–18</td>
<td>To investigate.</td>
<td>Unknown. Time series yet to be established.</td>
<td>Good. Multiple disaggregations available.</td>
<td>Fair. Intended to be run every three years.</td>
<td>Poor. This is a new question so there is no historical data.</td>
</tr>
<tr>
<td>Element</td>
<td>New indicator</td>
<td>Definition</td>
<td>Source</td>
<td>Population coverage</td>
<td>International comparability</td>
<td>Sensitivity</td>
<td>Disaggregation</td>
<td>Timeliness</td>
<td>Data availability</td>
</tr>
<tr>
<td>---------</td>
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<td>-----------------------------</td>
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<td>------------------</td>
</tr>
<tr>
<td>Environmental amenity</td>
<td>Public transport accessibility</td>
<td>Proportion of people aged 15+ finding it difficult or very difficult to use public transport (age standardised).</td>
<td>General Social Survey</td>
<td>15+</td>
<td>To investigate.</td>
<td>Unknown. Time series yet to be established.</td>
<td>Good. Multiple disaggregations available.</td>
<td>Fair. GSS runs every two years.</td>
<td>Poor. Only one wave of data so far.</td>
</tr>
<tr>
<td>Work, care and volunteering</td>
<td>Involvement in community</td>
<td>Proportion of young people who report helping others in the neighbourhood or community (e.g. help out on the marae or at church, or belong to a volunteer organisation).</td>
<td>WhatAboutMe Survey, CYWS</td>
<td>12–18</td>
<td>To investigate.</td>
<td>Unknown. Time series yet to be established.</td>
<td>Good. Multiple disaggregations available.</td>
<td>Fair. Intended to be run every three years.</td>
<td>Poor. This is a new question so there is no historical data.</td>
</tr>
</tbody>
</table>

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### Level 2: Our Institutions and Governance

<p>| Whānau, hapū and iwi | Whānau wellbeing | Proportion of Māori rating whānau wellbeing as high (≥ 7/10). | Te Kupenga | All Māori aged 15+ identified via census | None – NZ-specific indicator. | Unknown. Time series yet to be established. | Fair. Underlying data is there, but custom request needed. | Poor. planned to be 10-yearly. | Fair. Te Kupenga has been run only twice so far (2013, 2018). |
| Māori economy | Assets held by Māori trusts and incorporations. | BERL | NA | None – NZ-specific indicator. | Good. Steady change over time. | Fair. Disaggregation available by sector and rohe. | Fair. Reports every five years or so. | Fair. Three reports available so far. |
| Banking sector leverage | Tier 1 Capital Ratio (%) | | RBNZ Capital Adequacy Survey | NA | Fair – OECD reports on a similar statistic (banking sector leverage). | Good. can be quite dynamic over time. | Fair. Can be disaggregated by financial institution. | Good. Quarterly data. | To investigate. |</p>
<table>
<thead>
<tr>
<th>Element</th>
<th>New indicator</th>
<th>Definition</th>
<th>Source</th>
<th>Population coverage</th>
<th>International comparability</th>
<th>Sensitivity</th>
<th>Disaggregation</th>
<th>Timeliness</th>
<th>Data availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil society</td>
<td>Volunteering</td>
<td>Total number of volunteer hours per year per 100,000 people.</td>
<td>General Social Survey</td>
<td>NA</td>
<td>To investigate</td>
<td>Fair. Generally stable.</td>
<td>Good. Multiple disaggregations available.</td>
<td>Fair. Multiple data points but not in regular cycle.</td>
<td>Fair. Data can be calculated from 2008, 2010, 2012, 2016 GSS.</td>
</tr>
<tr>
<td>Culture, sport and arts non-profits</td>
<td>Number of culture, sport and recreation institutions per 100,000 people.</td>
<td>Non-profit institutions satellite account</td>
<td>NA</td>
<td>To investigate</td>
<td>Fair. Generally stable but can change over time.</td>
<td>Poor. National indicator only.</td>
<td>Fair. Can be calculated annually but not currently done so.</td>
<td>Fair. Can be calculated back to 1999 but not currently done so.</td>
<td></td>
</tr>
<tr>
<td>Non-profit grants, donations and fees</td>
<td>Total grants, donations and membership fees for non-profit institutions as proportion of GDP.</td>
<td>Non-profit institutions satellite account</td>
<td>NA</td>
<td>To investigate</td>
<td>Fair. Generally stable but can change over time.</td>
<td>Poor. National indicator only.</td>
<td>Fair. Can be calculated annually but not currently done so.</td>
<td>Fair. Can be calculated back to 1999 but not currently done so.</td>
<td></td>
</tr>
</tbody>
</table>

**Level 3: The Wealth of Aotearoa New Zealand**

|---------------------------|-------------------------------|-----------------------------------------------|----------------------------|-----|-----------------------------------------------|---------------------------------|---------------------------|------------------|------------------|
Appendix 3 – Summary of feedback on the LSF refresh

This annex summarises the feedback provided during engagement on a range of potential changes to the LSF during the first half of 2021. Its purpose is to provide a transparent account of the feedback that has been received, both for the benefit of those who provided it and those interested in the history of the LSF, and to give the reasons why it has evolved in the way it has.

Our external engagement was primarily via written feedback, with a limited number of in-person workshops or meetings. External agencies and selected experts were provided with a draft copy of an LSF discussion paper, which raised a range of potential changes to the framework, and were asked for comment. The proposed changes to the framework have evolved through this engagement process to reflect the feedback we heard.

We invited comment on any part of the proposal but, in particular, asked for feedback on four questions:

- Should the LSF be restricted to microeconomic and macroeconomic considerations, or widened to incorporate broader wellbeing-related issues affecting policymaking, such as ethical values and responsibilities?
- Should the LSF include the concept of collective wellbeing alongside the concept of individual wellbeing? If so, how might we best capture the concept of collective wellbeing, acknowledging that many different types of collectives can be well or unwell?
- Should the LSF be used alongside He Ara Waiora, Fonofale and other more detailed wellbeing frameworks as proposed? Or should it go further and fully integrate them into a single universal wellbeing framework?
- Do the proposed changes to the wellbeing domains to capture the wellbeing of children work sufficiently well? If not, what aspects of children’s wellbeing have been missed and how might we incorporate them?

While not all submitters responded to all these questions, those who did almost universally answered yes to all four questions. The exception was a small group of stakeholders who felt that rights and values go beyond the scope of an economics-based framework like the LSF, except to the extent they are instrumental to subjective wellbeing, so they should only be included lightly in the framework. On balance, we decided not to explicitly include ethical values or rights and responsibilities in the framework. However, one of the reasons we have added institutions is because of the role they play in protecting fundamental rights, including freedom.
Themes from external engagement

In addition to the answers to the key four key questions, respondents offered many thoughtful comments that are summarised thematically below. We have done our best to consider and respond to these comments in this paper. However, some comments fell out of the scope of our review and others were sometimes in tension with each other, reflecting the many worldviews, life experiences and diverse ways of thinking our many stakeholders brought to their comments.

General

- All stakeholders agreed with the intent and purpose of the proposed changes: to better reflect te ao Māori, child wellbeing, Pacific wellbeing and culture.
- Some stakeholders suggested replacing ‘living standards’ with ‘wellbeing’ language, and ‘wealth’ with ‘prosperity’.
- Some stakeholders were primarily interested in using the LSF to tackle questions of long-term sustainability and inter-generational equity. Others suggested we should focus more on the lives of people currently here, particularly with a life-course perspective on wellbeing.
- Several stakeholders suggested the LSF needs to incorporate a method to weigh up the relative importance of different elements in the framework for wellbeing and to make prioritisation decisions accordingly.

The challenge of complexity

- Several stakeholders expressed concern that the proposed changes will add too many levels of complexity to the LSF.
- One stakeholder cautioned that if the Treasury makes significant changes, it will need to support agencies (and consultants to agencies) if we want them to be able to use it effectively.
- In response to concerns about complexity, we have kept the introductory diagram summarising the LSF relatively simple.

Collective wellbeing

- Most stakeholders supported the inclusion of collective wellbeing, but noted there may be challenges associated with measurement.
- One stakeholder argued collective wellbeing conflates two notions that should be kept separate: (a) that collective entities can do well or badly overall; and (b) that individuals need others to be well.
- Another stakeholder argued that collective wellbeing will make rigorous cost-benefit analysis more challenging, given that all forms of this analysis are grounded in individualistic notions of wellbeing.
Demographic coverage

- Some stakeholders questioned why we had chosen to focus on Māori, Pacific Peoples and children, but not other population groups. Asian New Zealanders and disabled people were mentioned as two important omissions from this refresh process.

Drawing on different world views

- Some stakeholders highlighted that to date government has prioritised Pākehā perspectives by default and we should be open to other worldviews.

- Our constitutional obligations under the Treaty provide a clear reason for prioritising Māori worldviews, but when we prioritise other value systems we should have clear reasons for doing so. Intergenerational inequities may be a legitimate reason to prioritise Pacific Peoples’ perspectives.

- It may be appropriate to acknowledge values implicit in the framework.

- There is no single Pākehā or Māori culture or worldview, but rather many.

One framework or many?

- Almost everyone agreed we should not combine the LSF with other frameworks. However, several people underlined the importance of incorporating Māori concepts and bringing the LSF and He Ara Waiora closer together.

- Two stakeholders recommended we create a single, shared wellbeing framework that can accommodate all cultures and ways of living.

- Another stakeholder suggested we need to provide clear guidance on how the different frameworks should be used together.

Meeting Crown obligations to Māori

- One stakeholder argued that the framework does not recognise the dual responsibilities that the Crown has to Māori as citizens and as tangata whenua. Another recommended that Māori be represented in the LSF as a Treaty partner.

- Another stakeholder suggested we could consider including further Māori institutions, such as marae.

- One suggestion was that inequities across population groups should be made more explicit in the proposed changes.
Culture

- Opinions differed on how to represent culture in the LSF, but stakeholders generally supported the idea that culture can be thought to underlie all other aspects of the framework.

- Stakeholders did not object to including culture as a form of wealth, but one suggested culture might be better thought of as a mediator like institutions.

- Our response has been to include culture as underpinning the other dimensions of the Wealth of Aotearoa New Zealand.

Institutions

- The inclusion of the institutions and organisations level was the most strongly supported change across our internal and external engagement.

- The downsides of including institutions are that they add complexity and raise questions about which institutions to give prominence to and why. We have attempted to limit this complexity by only including the broad concept in the ‘front page’ LSF and including a breakdown of types of institutions for more advanced users.

- There was a suggestion that we consider having collectives and institutions as a fifth capital.

- One stakeholder said we should treat collective units that government has responsibility for supporting (for example, iwi, civil society) as conceptually different to collective units that influence wellbeing but are outside the Government’s control (international institutions).

Child wellbeing

- Stakeholders expressed general agreement that the LSF should better reflect child wellbeing. However, some felt the initially proposed changes to the wellbeing domains went too far. In response, we simplified the proposed changes, particularly removing an earlier distinction between the ‘stocks’ and ‘flows’ elements of each wellbeing domain.

- One stakeholder noted that we need to be clear about the meaning of ‘capability’ as opposed to ‘capacity’, as the literature on child wellbeing distinguishes these terms.

- The framework could be clearer in highlighting the needs of at-risk groups of children and time poverty related to difficulty in accessing affordable childcare.
Changes to the wellbeing domains

- Most stakeholders favoured making only limited changes to the wellbeing domains. Some new proposed domains, particularly ‘access to collective resources’ and ‘public services’, were not favoured. A couple of stakeholders supported the changes and two wanted no changes in the domains.

- An earlier proposal to remove civic engagement and governance from the list of wellbeing domains to reflect the introduction of the institutional level was not supported.

- Downsides of changing the domains include increased complexity and loss of consistency with the OECD’s framework.

- Some of the initially proposed changes seemed too prescriptive by becoming too specific, particularly for recreation.

- In response, we limited changes to the domains relative to the original proposal that we consulted on.

Valuing the environment

- Having ‘environmental amenity’ as a wellbeing domain is an improvement, but it may not capture all the wellbeing effects of the environment and conflates the distinct role played by the natural and built environment.

- Some stakeholders questioned whether the environment should be represented as having intrinsic value, rather than only as a means to promote wellbeing.

- One stakeholder felt that the change in language from natural capital to natural environment lacks the substantive change in content behind it that is necessary for the LSF to fully reflect the many types of value inhering in the environment.

The capitals

- Some stakeholders recommended differentiating between financial and physical capital as they are different, and that we also need to directly recognise knowledge capital and intangible capital. We responded to this by dividing physical and financial capital and adding intangible capital.

- Some, but not all, stakeholders supported moving away from the language of capitals as it was alienating to non-economists. This feedback is reflected in the renaming of the capitals as the Wealth of Aotearoa New Zealand and only using the word capital to refer to those stocks in the national accounts.
Measurement and application

- Ethical values, responsibilities and collective wellbeing are difficult to measure.
- One stakeholder suggested there should be a balanced number of indicators for each domain and suggested we should not introduce too many new indicators as it may make the LSF difficult to interpret.
- Some indicators are predictors rather than measures of wellbeing, which may or may not be appropriate, depending on our aim.
- More work could be done to further improve the natural capital indicators.

New indicators

- A new child indicator could be related to 'attachment' (normally to a loving parent), which forms the basis for the child’s development.
- We could create some shared indicators between the LSF and He Ara Waiora.
- We can consider using indicators and measures in existing action plans and strategies, such as the Ministry of Health’s Ola Manuia: Pacific Health and Wellbeing Action Plan, the Child and Young Person Wellbeing Strategy and the Children’s Wellbeing Model.
- We could introduce indicators linked to assessment of student learning and cultural participation.
- We may need to design new measures for child wellbeing, but a starting point can be the Youth 19 Survey. We can also refer to the Department of the Prime Minister and Cabinet (DPMC) and Oranga Tamariki and What Makes a Good Life? when developing indicators.
- The current LSF is focused on the skills and qualifications of senior secondary and tertiary learners. One easily available indicator to add in for lower levels would be school attendance.
- Social capital indicators may be good indicators of collective wellbeing.