Tēnā koutou katoa. Greetings and welcome.

I am delighted to speak with you today to launch our approach to Te Tai Waiora, Wellbeing in Aotearoa New Zealand 2022, the Treasury’s first regular report on the state of wellbeing in Aotearoa New Zealand.

In recent years there have been increasing calls for economists and policymakers to look beyond GDP or financial metrics, and to consider a wider set of measures of the success of public policy. I’m pleased to say that the Treasury has long had a focus on this broader, wellbeing approach. We have strived for policy analysis that takes account of a range of outcomes that we all care about, such as health, the environment and social cohesion, in addition to traditional measures of financial success and a strong and productive economy.

My speech today will traverse a number of evolving strands of wellbeing analysis at the Treasury, all culminating in this year’s Wellbeing Report, Te Tai Waiora. This is a collective endeavour and at the outset I want to acknowledge and thank the very many contributors to this work.

The Treasury’s Living Standards Framework (LSF) dates back more than a decade. Today I will introduce you to the latest update of the LSF and the associated LSF Dashboard of wellbeing measures. I will also touch on He Ara Waiora, the Māori wellbeing framework we apply in our work (see Figure 1).

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1 I would like to acknowledge with thanks all those involved in preparing this speech. In particular, thank you to Diana Cook, Diego Cardona, Tim Hughes, Dominick Stephens, Max Christie, Giles Bollinger, Tim Ng, Bryan McDaniel and Michael Thomson.

Te Tai Waiora, Wellbeing in Aotearoa New Zealand 2022, will use these conceptual frameworks and the LSF Dashboard as a starting point for its analysis. But the Treasury is also undertaking further analytical work so that the Wellbeing Report will provide new empirical insights on wellbeing in New Zealand.

The early insights from work towards Te Tai Waiora show that on average Kiwis are fortunate to enjoy high levels of wellbeing in many areas. But strong averages can mask some deep divisions and concerning trends. One of the most striking I want to highlight today is a growing gap in wellbeing between young and old.

I would also like to talk about how wellbeing appears to have held up surprisingly well in the COVID-19 pandemic to date — but experiences differ greatly and some of the long-term effects are perhaps yet to be seen. And COVID-19 reinforces the salience of building resilience to inevitable shocks — like pandemics, wars, and earthquakes—as well as known challenges—such as climate change and an aging population.

I’ll finish with some observations on how Te Tai Waiora might help elected officials shape priorities and direct resources to what matters for us in Aotearoa New Zealand. Lifting living standards for our mokopuna will require a long-term, intergenerational focus on wellbeing in policy and investment decisions.

Figure 1 – The Living Standards Framework and He Ara Waiora

Living Standards Framework

Understanding the interdependencies across the different dimensions of wellbeing is at the heart of robust economics and policy analysis. The LSF and He Ara Waiora provide frameworks for doing this. They encourage us to use economic tools, like cost benefit analysis, in a rigorous and thoughtful way.

The LSF breaks wellbeing down into twelve domains, such as health, safety, and cultural capability. The LSF also has a focus on the stocks of resources available to New Zealand that could provide wellbeing in the future, such as our natural environment, human capability, social cohesion and financial and physical capital.
The Treasury has recently produced an updated version of the LSF that delves deeper into how culture, particularly Māori and Pacific cultures, and different life circumstances, particularly for children, affect the way wellbeing is understood and experienced by people (see Figure 2).

**Figure 2 – The evolution of the Living Standards Framework**

I want to highlight two key changes from previous versions of the LSF. The first is describing our wellbeing as both individual and collective.

This reflects in part a Māori concept of mana as inherent in both individuals, he tangata, and communities, he kainga. However, this concept of collective wellbeing resonates beyond Māoridom. It is explored in economics through concepts such as externalities and collective action problems, which provide frameworks for considering the ways in which individual choice can influence collective outcomes. This is an area that many of the finest minds in economics have dedicated their careers to, including Elinor Ostrom, Ronald Coase, Oliver Williamson, Douglass North and others.

The ongoing pandemic is a perfect case of where individual wellbeing has been dependent on collective action for the benefit of all. Tackling climate change and environmental degradation are also examples where we as individuals need to consider how to avoid the tragedy of the commons for the benefit of us all.

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4 For a complete review, see The Living Standards Framework (LSF) 2021 (treasury.govt.nz)

The second change I want to draw your attention to is the addition of the new level of **institutions and governance** to the framework.

The role of institutions in shaping behaviour, and influencing outcomes, has a long history in economic thought, dating back to economists such as John Kenneth Galbraith and Ronald Coase to the new institutional economics of Oliver Williamson and Douglass North. North distinguished between institutions as the formal legal rules and the informal social norms that govern individual behaviour and structure social interactions; and the formal and informal organisations that those rules and norms are embedded within.

The new Institutions and Governance level of the LSF covers both institutions and organisations. This change reflects that our current and future wellbeing are contingent on the strength and health of New Zealand’s institutions, including the institutions of tangata whenua. The resilience of our institutions is at the heart of our capability to respond to harmful shocks, as well as to take advantage of opportunities. It also reflects that much policy work is about strengthening, enhancing, or managing various institutions.

The addition of the six institutional spheres (see Figure 3) also highlights that improving wellbeing is not only the role of government. Markets, whānau, civil society organisations and other institutions are also important. The relative role of each sphere depends on context and needs to be considered as part of any policy work.

*Figure 3 – The new institutions level of the Living Standards Framework*

**Living Standards Framework Dashboard**

So how is New Zealand performing on the different dimensions of wellbeing? To help answer that, today I am pleased to launch a new version of our LSF Dashboard on the Treasury website. The Dashboard assembles 103 indicators across the 12 wellbeing domains, the six institutional spheres and the four aspects of wealth (see a complete list of the Dashboard indicators at the end of this speech). Where available, it also provides international comparisons and distributional breakdowns across ethnicity, age, gender, and places.

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The updated Dashboard aligns with our refreshed LSF, including new indicators on the health of institutions, and measures that reflect child wellbeing—such as child poverty in the income domain, childhood injuries in the safety domain, and love and support for young people in the redefined family and friends domain.7

The LSF Dashboard will continue to evolve as measures of living standards develop. We encourage everyone with an interest in wellbeing to explore the Dashboard and provide feedback on how it could evolve in the future.

He Ara Waiora

The updated Living Standards Framework aligns more closely with a Māori world view but does not attempt to comprehensively capture te ao Māori. Instead we intend to use the LSF alongside He Ara Waiora, as well as drawing on other cultural or child-specific frameworks, where relevant. This avoids overloading the LSF with too much complexity and helps maintain the integrity of those complementary perspectives.

He Ara Waiora is a framework that helps the Treasury to understand waiora, often translated as a Māori perspective on wellbeing. He Ara Waiora presents a holistic, intergenerational approach to wellbeing. While its principles are derived from mātauranga Māori, they are relevant to lifting the intergenerational wellbeing of all New Zealanders.8

While I am not focussing on the application of He Ara Waiora today, in the coming months we will release a paper exploring wellbeing through the He Ara Waiora lens. We are also currently working with Te Puni Kōkiri to develop indicators for the He Ara Waiora Framework.

Te Tai Waiora - Wellbeing in Aotearoa New Zealand

The LSF, the Dashboard and He Ara Waiora will all underpin our upcoming Wellbeing Report, Te Tai Waiora. The report is a new requirement for Treasury under the Public Finance Act, to examine at least every 4 years:

- The state of wellbeing in New Zealand.
- How the state of wellbeing has changed over time.
- The sustainability of, and any risk to, the state of wellbeing.

7 For more information on the new LSF Dashboard, see: https://www.treasury.govt.nz/publications/tp/living-standards-framework-dashboard-april-2022
8 He Ara Waiora was originally developed under the aegis of the Tax Working Group. The Treasury continues to work in collaboration with the Māori thought leaders who originally developed it. For details see McMeeking, S., Kahi, H., & Kururangi, G. (2019) He Ara Waiora: Background Paper on the Development and Content of He Ara Waiora. Christchurch: University of Canterbury. Retrieved from https://ir.canterbury.ac.nz/handle/10092/17576
Te Tai Waiora is one of four stewardship documents prepared by the Treasury. Together, they help orient policy and finances toward long term, intergenerational wellbeing outcomes. Te Tai Waiora—with its focus on building better measures of wellbeing and deepening our understanding of the state and drivers of it — aims to inform elected officials in setting policy and investment priorities, including through the budget.

Te Tai Waiora will be as much a journey as a destination for the Treasury. We intend to engage on a range of research and analysis over the remainder of this year, and to pull it all together in the final report towards the end of the year.

Wellbeing trends in Aotearoa New Zealand 2000-2020

Today we are releasing the first in this series of analytical work. Wellbeing Trends in Aotearoa New Zealand 2000-2020 examines trends in the wellbeing domains in New Zealand over the last 20 years.

This paper highlights that Aotearoa New Zealand has many strengths—including high reported life satisfaction, strong employment measures, very high air quality, and measures of social connection. But we also lag behind other countries in a number of areas. For example, we have among the lowest housing affordability and highest teen suicides in the OECD, and lower average household incomes (see a summary in Figure 4).

Figure 4 – A brief summary of wellbeing trends in New Zealand

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Steady</th>
<th>Improving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life satisfaction</td>
<td>Adult skills</td>
<td>Employment</td>
</tr>
<tr>
<td>Self-reported health</td>
<td>Engagement and voice</td>
<td>Air quality</td>
</tr>
<tr>
<td>Loneliness</td>
<td>Social support</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Rental affordability</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological distress</td>
<td>Rental affordability</td>
<td>Incomes</td>
</tr>
<tr>
<td>School achievement and attendance</td>
<td>NEET rates</td>
<td>Riverine E.coli</td>
</tr>
<tr>
<td></td>
<td>Suicide rates</td>
<td>Long hours of work</td>
</tr>
</tbody>
</table>

Trends over time show a mixed picture. Some of our areas of weakness appear to be improving—such as river quality, safety and incomes. At the same time, some areas of strength show signs of deterioration, including self-reported health, life satisfaction and loneliness.

9 Alongside the Long Term Fiscal Statement (He Tirotanga Mokopuna), and Long Term Insights Briefing (which we combined in 2021) the Investment Statement (He Puna Hao Pātiki), as well as non-statutory requirements like Economic Narratives.

10 The Public Finance (Wellbeing) Amendment Act 2020 also requires government to set out wellbeing objectives in its Budget Policy Statement and report on how they guided budget decisions in its Fiscal Strategy Report.
A key theme we are exploring in *Te Tai Waiora* is patterns and trends in the distribution of wellbeing outcomes. This is an area where economic thinking has evolved considerably. Back in the 1970s, Nobel laureate Robert Lucas warned that “of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution”. In contrast, today, in speaking about inclusive growth, Nobel laureate Ester Duflo said “I think the whole notion of a trade-off is likely a fallacy”. Chicago economist Marianne Bertrand argues that examining inequalities does not mean “diminishing the focus on efficiency [because] inequality also hurts efficiency”. And the IMF now recognises that inequality can have adverse political and social consequences, with the potential to undermine macroeconomic stability and sustainable growth.

Distribution is ultimately a question for us as a society, including through our elected representatives, to decide. At the Treasury, we aim to inform those decisions by highlighting trends in distribution and where possible, analysing their causes and consequences.

As you would appreciate, assessing 20 years of wellbeing data reveals a rich array of findings on distribution. It is important to keep in mind that averages can conceal quite different experiences of wellbeing. We know that on many measures Māori and Pacific people are likely to experience lower wellbeing. While gender gaps have fallen on some measures, differences remain. Sole parents, 80% of whom are female, have much lower levels of wellbeing. Disabled people also report lower wellbeing in a range of areas, including finding it harder to express their identity, lower incomes, and a lower sense that life is worthwhile.

**Growing intergenerational gaps**

I encourage those interested in the rich detail on wellbeing trends to read the background paper. The main trend that I want to highlight today is a large—and in many cases—growing gap between young and old.

While in many countries older people do less well on various wellbeing metrics, Aotearoa New Zealand is comparatively quite a good place to be old. Some older people are struggling of course, but most are doing well – particularly those who are partnered and own their own home.

On average, over-65s are more satisfied with life, have a higher sense of belonging, are less lonely, have more social support, experience fewer negative emotions, are more politically engaged, volunteer more, and have more leisure time.

It is good that the older among us tend to be so well. We also see improvements in some areas for younger people, such as a recent decline in child poverty. But our younger people fare less well on many other metrics. This is concerning both for the wellbeing of young people now, and for the potential long-term impacts on their wellbeing over the rest of their lives.

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One of New Zealand’s areas of strength is in the **work, care and volunteering** domain. We have high employment, high job satisfaction, low unemployment, and the highest rate of volunteering in the OECD.

While we lead the OECD pack in employment (see Figure 5), we are only around the OECD average in terms of the rates of young people not in employment, education or training or NEETs (see Figure 6) and our NEET rates continue to be higher among Māori and Pacific peoples.

*Figure 5 – Employment rate, percent of working age population* 

*Figure 6 – NEET (not in employment, education or training) rate, 15-19 year-olds, % in same age group*

We see a similar intergenerational pattern emerging in **knowledge and skills**. The picture looks best for adult skills, particularly in adult literacy and problem solving (see Figure 7). By contrast, rates of childhood skills are in the middle of the OECD pack and appear to be declining over time (see Figure 8). The gap between ethnicities is large and closing marginally at best, and through a process of levelling down rather than levelling up.16

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14 Source: OECD.

15 Source: OECD.

Another domain of wellbeing where the young are doing less well is housing. Young people are more likely to rent homes than in the past, and rentals are more likely to be crowded, less healthy and less stable. New Zealand has among the least affordable housing in the OECD on many measures (see Figure 9 as an example), with renters paying a greater proportion of their income on housing on average.

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*Figure 7 – Average scores for adult literacy across the OECD, 2018*¹⁷

*Figure 8 – Trends in average PISA scores for New Zealand over time*¹⁸

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¹⁷ Source: OECD.

¹⁸ Source: OECD.
Housing also matters for wellbeing due to the role it plays as a stock of wealth. Since the early eighties house prices in New Zealand have increased more than five-fold, a higher rise than any other OECD country. At that time, 73% of people in their early thirties owned a home; by 2018 it was 51%.

The result is growing wealth inequality between the young and old. Consider the difference in wealth distribution by age in 2000 compared to 2018. As you can see in Figure 10, in both cases we see a pattern where older people have more wealth. This is expected—we tend to accumulate wealth as we grow old. But since the turn of this century the gap between wealth of the over 65s and under 35s has more than doubled. Limitations in our wealth data make it hard to be precise, but we estimate that at least half of this gap can be attributed to the growth in house prices.

**Figure 9 – Percent of renting households in the lowest income quintile spending more than 40% of their income on housing costs**¹⁹

**Figure 10 – Median wealth by age in 2001 and 2018**²⁰

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¹⁹ Source: Ministry of Social Development and OECD.
²⁰ Source: Household Economic Survey (Stats NZ).
These trends, coupled with the many ways in which housing impacts on wellbeing, explain why housing is a strategic priority for the Treasury.

Health is another of our strategic priorities. Our health is the foundation for our human capability. It is strongly associated with other aspects of our wellbeing, and people tend to rate health as among the most important aspects of their wellbeing.

It is good then that, like in most countries, our health has steadily improved for many years. A baby born today can expect to live longer, and for more years in good health, than at any time in our history. We also have very high self-reported health—a big strength for our wellbeing.

Despite this, increases in life expectancy and healthy life expectancy seem to be flattening out. As shown in the Figure 11 below, the number of years a baby can expect to live in good health has also flattened out, and we have now fallen slightly below the OECD median for this measure.

Figure 11 – Healthy life expectancy across the OECD over time

We are also seeing increases in reported psychological distress, particularly among younger people (see Figure 12). Loneliness is highest among those aged 15-24 and has increased substantially between 2014 and 2018. Those under-25 are least likely to report a high sense of belonging to Aotearoa New Zealand, are least likely to report that life is worthwhile, and are less likely to vote than young people in other OECD countries.

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21 Source: Global Burden of Disease (Institute for Health Metrics and Evaluation).
Layering the large, and in some cases growing gap in wellbeing between young and old on top of other major trends—climate change, biodiversity loss, higher public debt, an infrastructure gap and an aging population—raises big questions for intergenerational equity. For centuries human prosperity has grown generation by generation. We need to address these challenges if our next generation is to be better off than we are.

The Treasury’s He Tirohanga Mokopuna 2021, our Long Term Fiscal Statement and Long Term Insight Briefing, explored how policy settings can affect intergenerational fiscal outcomes. Reforms to superannuation settings and health, ensuring sustainable revenue to cover public expenditure, policies to mitigate and adapt to climate change, manage shocks and strengthen public financial management are all fundamental to sustainable debt and future wellbeing.

The Treasury is currently advising on how fiscal targets can support intergenerational equity—by providing incentives for current consumption to be paid for by current generations, and prudent debt targets that balance debt management with prudent investment that will also provide benefits for future generations.

**Wellbeing in the COVID-19 pandemic**

The trends report has looked at longer-term patterns in wellbeing rather than the more recent impacts of the pandemic.

The events of the last two years or so have only reinforced the importance of taking a wellbeing approach to policy. The pandemic reminded us how inter-related health and the economy are. Controlling the virus helped to protect jobs and income. At the same time, it has become clear that wellbeing is about much more than not getting the virus. The response of New Zealanders to the pandemic highlighted the importance of whānau, friends, iwi and community pulling together and supporting each other.

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22 Source: New Zealand Health Survey (Ministry of Health).
In July 2020, the Treasury published a rapid review of potential wellbeing impacts of the pandemic.\(^{23}\) We are updating that now for *Te Tai Waiora*. Today I would like share some initial reflections on emerging evidence from this work.

COVID-19 continues to cause real personal hardship as we adjust to its ongoing presence in our communities. Nevertheless, compared to many other countries, New Zealand has come out relatively well from the pandemic to date. Our COVID-19 mortality rate has been low, and life satisfaction has stayed high across all ethnicities. The economy has been resilient overall, with GDP well above pre-pandemic levels, unemployment at record lows, household income and wealth rising, and business balance sheets strengthening across almost every sector.\(^{24}\)

Of course, the pandemic is not over yet. We face new economic headwinds, including inflation, rising interest rates and tight supply constraints. And the positive headlines mask underlying cautions that we are examining more closely—to the distribution of activity across our economy, and to potential longer-term wellbeing impacts.

**Distribution.** The experience of the pandemic has not been the same for all of us, and some need support more than others. Since the start of the pandemic, the Treasury has been asked frequently about effects on income and wealth distribution. Often the expectation is that inequality has risen. However, the early evidence is that neither wealth nor income inequality has increased in the pandemic to date—in fact, in the year to June 2021 income inequality actually fell (see Figures 13 and 14). Relative wage gaps between low and high skilled workers have also fallen.

\[\text{Figure 13 – Gini Coefficient – Income (Index)}^{25}\]

\[\text{Figure 14 – Gini Coefficient – Individuals Net Worth (Index)}^{26}\]

\(^{23}\) You can find it here: [https://www.treasury.govt.nz/publications/dp/dp-20-02](https://www.treasury.govt.nz/publications/dp/dp-20-02)

\(^{24}\) Between January 2020 and January 2022 Treasury calculations on RBNZ data show increased cash/reduced debt across all sectors except financial institutions and rental, hiring and real estate services.

\(^{25}\) Source: Household Economic Survey (Stats NZ).

\(^{26}\) Source: Household Economic Survey (Stats NZ).
Government supports through the pandemic, as well as broader welfare and wage reforms, have played a role in this (for some, counterintuitive) result. And while rising house prices increased wealth inequality between those who own and do not own housing, it did not increase overall wealth inequality. This is because house price growth benefits people in middle wealth brackets the most, as the most and least wealthy have a lower share of their wealth in housing.27

Despite this, deep existing inequities remain, and COVID-19 has driven some big shifts in activity that have disproportionately hit very specific groups. Disruption to work and income from sickness and isolation requirements have particularly affected Pacific peoples, who account for 8% of the population but 15% of COVID-19 cases (and to a lesser extent Māori, with 17% of the population and 21% of cases). Many CBD services, hospitality, events, tourism and educational businesses have been severely affected. While in some cases, a bounce-back is likely as conditions normalise, in others the shifts may be more permanent and will require adaptation—for businesses and workers.

**Longer-term wellbeing impacts.** Some effects of the pandemic may not yet be shown fully in the data. For example, while the risk of labour market scarring from high youth unemployment has not panned out, there is still the potential for longer-term impacts on our human capability.

Many metrics on education have shown resilience. Compared to most other OECD countries, New Zealand had fewer days of school closures during the first year of the pandemic (see Figure 15), and a higher-than-average number of students with online learning access at home. Participation in secondary and tertiary education increased over the last 2 years. Learning progress had not fallen for most broad student groups in 2020 and we have not seen any significant changes in equity of learning, although the existing inequities have not gone away.

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Of more concern, the Ministry of Education is seeing reductions in school attendance and early childhood education participation, as more learners are absent due to illness or learning at home due to self-isolation. The Ministry tells us that these disruptions have been disproportionately experienced by students in Auckland, Tai Tokerau, and Waikato; in low decile schools; and for Māori and Pacific students.

There are also risks to the health dimension of our human capability. Health care services have been disrupted in the pandemic. Patterns of inequality in access to health may have been deepened, with immunisations of young children falling for all children, and especially Māori and Pacific children (see Figure 16). The New Zealand Health Survey shows a general increase in the share of the population reporting psychological distress over 2020/21, particularly for Pacific peoples, Asian peoples, women, and the young (15 to 24 years old).

Source: OECD.
Another important source of wealth in the LSF is social cohesion. The high trust of New Zealanders in each other and our institutions, and a spirit of reciprocity, have had a big role in the success of our COVID-19 response.30

Nonetheless, as the pandemic has stretched out, we have seen a slight decline in trust levels, after a peak in June 2020. By February 2022, more than a quarter of the population was feeling impatient to get back to normal life and more than 10% was feeling angry about the restrictions on individual freedom (see Figure 17).

Figure 16 – Child immunisation rates, % of children immunised29

[Bar chart showing immunisation rates for different groups of children in March 2020 and September 2021.]

Source: Ministry of Health.


Figure 17 – Feelings about COVID-19 disruptions, % of New Zealanders31

[Bar chart showing feelings about COVID-19 disruptions from March 2020 to February 2022.]

Source: Mind and Mood of New Zealanders: The Arrival of Omicron (Ipsos).

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29 Source: Ministry of Health.


31 Source: Mind and Mood of New Zealanders: The Arrival of Omicron (Ipsos).
The strong fiscal and monetary response that supported the economy in the pandemic has played an important role in the surprisingly strong (on average) wellbeing outcomes to date. As monetary and fiscal policy normalise, some of the longer-term impacts of COVID-19 may become more apparent. It will not be fiscally sustainable to continue with the extraordinary levels of fiscal support provided to date. Moreover, there is a risk that high levels of support could exacerbate inflationary pressures or reduce productivity by discouraging businesses and people to adapt to long-term changes. In a COVID-resilient economy, we expect that businesses, communities, and individuals are better able to adapt to living with COVID-19, and plan for and self-manage disruptions.

**Sustainability and risks to wellbeing**

That takes me to the question of how to build resilience, so that wellbeing is sustainable and risks can be managed. We’ll explore this in *Te Tai Waiora.*

**Resilience of institutions**

One avenue of study will be the resilience of institutions. The more uncertain or unknown a risk is, the more important it is to have flexible and adaptable institutions and good decision-making processes. COVID-19 provides a good example. While a pandemic was a known risk, we could not have anticipated when and how COVID-19 emerged. A study using the Global Health Security Index found that it was countries that did well on measures of institutional resilience that had relatively good health outcomes through COVID-19, rather than those who had high levels of preparedness.\(^{32}\)

New Zealand’s decision-making structures that enabled a ‘go hard, go early’ response, partnerships between central and local government in providing supports, and the ways in which iwi and Māori organisations moved quickly to shield and support vulnerable whānau in their communities are all examples of how institutions supported the pandemic response. Flexible regulatory systems that enable fast adoption of new technologies and practices have also been shown to be important.

**Measuring the wealth of Aotearoa New Zealand**

Resilience is also strongly influenced by the stock of our wealth across its four aspects—physical and financial capital, the natural environment, human capability and social cohesion. For example, the pandemic showed the importance of a strong Crown financial balance sheet as a buffer for fiscal support in shocks, and strong social cohesion in the collective response built on trust in each other to do well by one another.

We envisage a future where comprehensive wealth reporting is built more consistently into policy and budgeting. Measuring wealth is not a short-term endeavour. Inevitably it will be imperfect—it is not possible to quantify all aspects of our human, social and natural assets. But better information about the stocks of the four aspects of our wealth and their trends will strengthen how we evaluate living standards. It will support a longer-term policy perspective on the sustainability of wellbeing in New Zealand.

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\(^{32}\) [Analysing COVID-19 outcomes in the context of the 2019 Global Health Security (GHS) Index | BMJ Global Health](https://bmjopen.bmj.com/content/13/1/e043235)
Without it, we risk overstating the significance of what we currently measure—traditional financial assets and liabilities—and underplaying how our actions may degrade or build other wealth. As economist Sir Partha Dasgupta has argued “An economy could record a high rate of growth of GDP by depreciating its assets, but one would not know that from national statistics…in recent decades eroding natural capital has been precisely the means the world economy has deployed for enjoying what is routinely celebrated as ‘economic growth’.

*Te Tai Waiora* will assess the sustainability of, and risks to, wellbeing over time, with a particular focus on the natural environment and ecosystem services. There are a range of views about the ways in which nature, or *Te Taiao*, and humanity are connected. This an opportunity to broaden our understanding of the natural environment, why it matters to people, and what different measures can tell us about our stock of wealth in the natural environment.

*Te Tai Waiora* will also present values of our human capability—updating previous estimates, examining trends over recent decades, comparing to other countries, and exploring ethnic breakdowns.

While measures of social cohesion are less well-established, we will explore and present different approaches, building on our analysis of wellbeing trends and drawing on methods being considered internationally.

**Further work underway**

Before I close, I want to signal briefly some of the other analytical work underway for the Wellbeing Report, which we will release in background papers and present in future seminars. We are:

- Undertaking a joint project with the New Zealand Productivity Commission to understand what the data is telling us about trends in income and wealth distribution and inequality.
- Exploring population segmentation techniques to better understand what factors are correlated with New Zealanders’ life satisfaction and how these factors interact for different population groups.
- Commencing work to better understand the distributional effects of taxes and government expenditure, and how government spending maps against wellbeing outcomes.

**Using the wellbeing work**

I would like to end by emphasising our aspirations for how the Wellbeing Report fits into our broader efforts to lift living standards.

Addressing twenty-first century challenges means a greater focus on long-term, intergenerational wellbeing outcomes. We are not in a world in which pulling central macroeconomic and fiscal levers alone will lift living standards.

In our public finance system, this will require us to shift towards managing for wellbeing outcomes as well as dollars, multi-year funding arrangements in place of annual budgets, cross-agency collaboration beyond narrow agency appropriations, and deep consideration of baselines as well as incremental activity.
The Wellbeing Report will help inform government policy and investment priorities by building better measures of wellbeing and deepening our understanding of what matters. It sets a frame for more robust analysis of wellbeing through individual policy and budget decisions.

The Treasury is working to embed our Living Standards Framework and He Ara Waiora into our policy and budget advice. While it is still early days, the frameworks are used across the Budget process, including requiring agencies to consider wellbeing impacts in their budget initiatives.

We have also been working to incorporate an increasing range of wellbeing valuations into the Treasury’s cost-benefit analysis tool (CBAx)—for example new guidance on environmental values, including a shadow price for carbon emissions. We are supporting new multi-year funding arrangements in health and climate change to encourage medium term planning. And we are piloting two clusters of government agencies - the Natural Resources and Justice sectors – in Budget 2022. The clusters are focused on inter-agency collaboration, medium-term planning, and value-for-money, and include reviews of baseline spending.

**Looking ahead**

I hope my remarks have given you a flavour of the mahi we are doing to build our collective understanding of wellbeing in Aotearoa New Zealand and to embed that understanding in our work.

Our sincere thanks to the range of individuals and agencies who are supporting us—we are not experts in all the areas of wellbeing and rely on the knowledge, skills, and engagement of others.

If what you have seen here today resonates, links to any of your research underway, or you would otherwise like to connect on the work, please do reach out to us ([CEA.Office@treasury.govt.nz](mailto:CEA.Office@treasury.govt.nz)).

We will continue running this wellbeing seminar series over 2022 and early 2023, including to bring in external ideas as a source of challenge and intellectual stimulation.

Thank you and kia ora.
Our Individual and Collective Wellbeing

Cultural capability and belonging
- Ability to express identity
- Arts participation
- Māori connection to marae
- Multilingualism
- Sense of belonging – adults
- Sense of belonging – youth
- Te reo Māori speakers

Engagement and voice
- Having a say in government
- Perception of public influence
- Voter turnout in general elections
- Voter turnout in local elections

Environmental amenity
- Access to the natural environment
- Drinking water management
- Droughts
- Health impacts of air quality
- Perceived environmental quality
- Swimmability (rivers)

Family and friends
- A place to stay
- Face-to-face contact
- Feeling loved
- Loneliness
- Social network support
- Someone to turn to

Health
- Health status
- Life expectancy at birth
- Mental health
- Suicide rate
- Unmet health needs

Housing
- Household crowding
- Housing cost – deposit affordability
- Housing cost – mortgage affordability
- Housing cost – rent affordability
- Housing cost – share of income
- Housing quality

Income, consumption and wealth
- Child poverty – material hardship
- Consumption
- Disposable income
- Financial wellbeing
- Food insecurity
- Household net worth

Leisure and play
- Leisure and personal care
- Participation in sport and recreation
- Satisfaction with work-life balance

Safety
- Childhood injuries
- Family violence
- Feeling safe
- Intentional homicide rate
- Road toll
- Workplace accident rate

Subjective wellbeing
- General life satisfaction
- Sense of purpose in one’s life

Work, care and volunteering
- Employment rate
- Hourly earnings
- Involvement in the community
- Unemployment rate
- Unpaid work
- Volunteering
- Youth NEET rate

Our Institutions and Governance

Central and local government
- Net core Crown debt
- Perceived corruption
- Trust in government institutions

Civil society
- Non-profit operating surplus
- Volunteering

Families and households
- Family wellbeing
- Household indebtedness

Firms and markets
- Activity outlook
- Banking system capital
- Business turnover
- Multifactor productivity growth
- R&D expenditure

International connections
- Inward foreign direct investment
- Outward foreign direct investment
- Terms of trade
- Total trade to GDP ratio

Whānau, hapū and iwi
- Māori connection to marae
- Whānau wellbeing

Financial and physical capital
- Gross fixed capital formation
- Net intangible fixed assets
- Net international investment position
- Total net fixed assets

Human capability
- Cognitive skills at age 15
- Educational attainment of the adult population (upper secondary)
- Healthy life expectancy
- Non-communicable diseases
- Te reo Māori speakers

Natural environment
- Average temperature
- Biodiversity and genetic resources
- Coastal sea-level rise
- Net greenhouse gas emissions
- Renewable energy
- River health
- Soil quality
- Fish stocks
- Groundwater stocks
- Timber stocks

Social cohesion
- Ability to express identity
- Discrimination
- Sense of belonging
- Trust held in others