Article 1

Wellbeing in abundance

Looking after our own backyard

Wellbeing – what is it, why should we care and what does measuring it and trying to implement it mean for New Zealand?

Attention is increasingly being focused on wellbeing as a way to determine a country's economic success – most obviously signalled by our Government's January announcement that it will introduce a wellbeing Budget in 2019.

Deloitte has been exploring the issues, perspectives and frameworks around wellbeing and the potential impacts on New Zealanders. Wellbeing is the focus of our ***State of the State*** 2018 report, which this year, takes the form of a series of articles.

In our first ***State of the State***[1] report in 2016, we focused on social investment and last year[2], we explored household resilience, so wellbeing is the natural next topic for us. As the 2019 wellbeing Budget could mark a world first, it makes sense that all of us who work in, for and alongside the public sector come to grips with the potential impacts of wellbeing frameworks.

By David Lovatt

David Lovatt is Deloitte New Zealand's national leader for the public sector. His passions lie in helping public sector organisations be more successful in a rapidly changing and dynamic environment. He does this by focusing on strategy and transformation, citizen and government outcomes, innovative services and new ways of working, and the growth of new public sector capabilities.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

"We want New Zealand to be the first place in the world where our Budget is not presented simply under the umbrella of pure economic measures, and often inadequate ones at that, but one that demonstrates the overall wellbeing of our country and its people"

Jacinda Ardern, Prime Minister
100-day plan speech, January 2018[3]

To help equip interested parties, Deloitte's eight-part series explores what's needed to deliver greater wellbeing for New Zealand. Along the way we will look at the various wellbeing frameworks, the relationship between social investment and wellbeing, a range of lenses through which wellbeing can be perceived, and we will provide some recommendations for a way forward.

There is a lot to be said for taking a wider lens on New Zealand's prosperity than just our ability to grow financial and physical capital. As the guide to Treasury's 2018 Investment Statement ***Investing for Wellbeing*** [4] states, "Fiscal sustainability is not an end in itself. It is a tool to support the wellbeing of current and future generations, including helping to achieve social and environmental goals."

The Statement said, "Wellbeing comprises tangible and intangible aspects of life experience, including housing, income, employment, community engagement, enjoyment of environmental amenity, education and health and security." In the Living Standards Framework[5] these aspects are supported now and in the future by four capitals – natural, social, human and financial/physical. Many of these aspects and capitals are hard to measure, and knowing the impact of government decisions on each aspect or domain is also not straightforward.

The Statement and the four capitals recognise that people, economies and countries are not one-dimensional, and neither are the outcomes that contribute to our wellbeing, such as good health, education, income, and employment.

To date, we have cared about gross domestic product (GDP) because we assume it means more wellbeing, but that's not necessarily the case given the trade-offs we make to grow GDP. World Economic Forum studies[6] have shown that there is a rising disconnect between countries' per capita GDP and their citizens' wellbeing, as rapid output growth exacerbates health challenges and erodes environmental conditions. Given this, people are increasingly valuing non-material wealth – wellbeing – just as highly as monetary wealth, if not more.[7]

Discussion to date around wellbeing has largely been on frameworks and measurement that can judge whether or not wellbeing is happening. However, if people and organisations don't know ***how*** to actually create more wellbeing, then no wellbeing framework or measurement will have an impact.[8,9,10,11,12]

Beyond the door marked "wellbeing measurement" lies the path to fundamentally different actions and choices for government, NGOs, communities and businesses.

Defining wellbeing

Wellbeing
Wellbeing is our quality of life. Kiwi values lie at the heart of our perceptions of wellbeing. The issues that affect the quality of life in New Zealand include civic and human rights, culture and identity, housing, knowledge and skills, leisure and recreation, material standard of living, employment status and job satisfaction, the physical and natural environment, safety and security, health and social connectedness.[25]

Resilience
Resilience is the ability to absorb, bounce back from or adapt to disruption without compromising wellbeing. Resilience considers how well and how quickly we can bounce back from adversity – anticipated or unexpected. Shocks we can anticipate include the rising cost of our Kiwi lifestyle; healthcare, housing and education costs are all going up faster than inflation.

Other challenges ahead, like the changing nature of work, global financial and political turmoil, trends in industry and natural disasters, bring with them a cloud of uncertainty around our future. But even smaller-scale shocks brought on by economic loss, health problems and income volatility can have as great an impact on household wellbeing as these larger-scale disruptions.

We are only as resilient as our people, businesses and social infrastructure. How well we respond to future uncertainty relies on ensuring resilience at all of these levels, individually and together.[26]

Social investment
In a New Zealand context, social investment has been defined as government activity undertaken on the basis of a return on investment justification.

Data is used to quantify a social problem, including the long-term costs to individuals and government. Agencies seek funding for interventions on the basis of the likelihood and extent to which future costs to government are reduced by improving social outcomes.

Finally, measurement and reporting is undertaken to ascertain how successful programmes are in achieving both the cost reduction and improved life outcomes. Measurement also provides a better understanding of what works, which influences future investment decisions.[27]

For more information visit:
www.deloitte.com/nz/stateofthestate

Where are we in 2018?

Social investment has been part of public policy for several years now. Introduced by former Finance Minister Bill English, social investment is focused on targeted, early investment in vulnerable and high-risk groups to achieve better long-term results. It uses big data and analytics to identify where to invest to create the best results, with the overall aim of reduced demand for social services.[13]

While the title "social investment" may not be as popular now, some of its key principles remain in social policy despite shifts in the prevailing political winds.

Social Development Minister Carmel Sepuloni said recently the social investment model was poorly understood and too focused on fiscal liability and her Government's focus would be on social wellbeing. She said her Government would no longer require NGOs to give up their data to guarantee funding. It would also not be seeking to base decisions and funding on individual-level data on vulnerable people.[14]

However, discussion around wellbeing is not well served by limiting it to a right versus left ideology or pitting social investment against wellbeing. Wellbeing is an evolution of social investment: it is the *why* of social investment.

Wellbeing frameworks offer a revalidation of some of the underlying principles around social investment. Wellbeing (see definitions on previous page) looks at how to navigate a new path in order to create greater, collective social value over the long term and is focused on broader outcomes, rather than purely fiscal measurements, indicators and metrics. The concept is that by creating a wealthier country, measured against all sorts of capital, prosperity can be shared across New Zealand society to weave a stronger and more resilient social fabric as well as an economic one.

For any government, bringing about true wellbeing will require massive shifts right across the public and private sectors. Transformation will not occur in the short term, and rich data, along with appropriate analytics, will be needed along with inspired policy.[15,16]

Wellbeing is an evolution of social investment: it is the *why* of social investment

To enable next year's Budget to have any impact it will need to be very different from the usual in terms of reporting measures and, most importantly, ensuring that initiatives will lead to a stronger, collective benefit.

Potential impacts of wellbeing frameworks in New Zealand

So how could introducing wellbeing frameworks affect government agencies and what would agencies need to do differently?

One way of introducing wellbeing frameworks would be to only change a small part of what Government agencies do. This would help manage the impact from reallocating spend between the services they provide and the investments they make. Another strategy would be to start the budgeting process from a clean sheet of paper, but this zero-based approach could result in big impacts on Government programmes and the services that people currently have access to.

Wellbeing will mean transformation of portfolios, business cases, policy, measurements of outputs/outcomes and resource allocation. Instead of asking "how can we maximise outputs within our existing budget?", agencies might need to ask "how can we maximise outcomes across all four capitals?"

Consider social capital as an example. As Treasury Secretary Gabriel Makhlouf said in a speech in March, "Public policy has a profound impact on social capital. Government policies influence the growth and decline of social capital through their effects on institutional quality, income and wealth inequality, poverty, housing mobility and ownership rates, family and whānau wellbeing, the construction of the built environment and educational outcomes. A shared understanding of what social capital means, why it is important, and what the key risks and opportunities are, is, therefore, a fundamental first step towards a coordinated cross-government approach for better social capital outcomes."[17]

Perhaps we will see different models of decision-making and delivery across the public sector, such as Public Service Mutuals (PSMs) where an agency leaves the public sector but continues to deliver public services via an employee-owned, co-operative model. PSMs are free from government control and enable their staff to deliver and improve their services as they know best. They are becoming more common in the UK and Australia.[18]

According to the UK and Australian governments, PSMs offer important social and economic benefits for public services such as improved organisational performance and efficiency, high employee and user engagement along with wider benefits to society due to a greater sense of citizen empowerment and responsibility.[19]

What will be the impact of wellbeing frameworks on our private sector? At the moment in New Zealand, social enterprise is the exception rather than the rule.[20] However, successful companies locally and globally show us that social enterprise is possible on small and large scale. Social enterprise is generally defined as an organisation whose mission combines revenue growth and profitmaking with the need to respect and support its environment and stakeholder network.[21]

Consumer appetite for such social enterprise will grow and demand for ethical and sustainable businesses practices will start to be the norm.[22]

In the NGO sector, there are also plenty of community initiatives tackling wellbeing issues all over the country. Examples include the Department of Conservation and Mental Health Foundation partnership, ***Healthy Nature, Healthy People***[23], to promote and strengthen the connection between health, wellbeing and nature and a New Zealand Council for Educational Research national survey of students looking at how schools foster student wellbeing, positive behaviour and learning.[24]

What would it look like to scale these up to increase New Zealand's overall wellbeing?

What are the actions and choices that could ensure Kiwis experience wellbeing in abundance from the seeds planted by the living standards framework, four capitals and wellbeing budget?

In our ***State of the State*** article series, Deloitte explores the issues and questions surrounding wellbeing in more depth over the coming weeks and months.

Article two reviews the current landscape around wellbeing and the various wellbeing frameworks and measures, while article three looks at lessons learned from social investment, the living standards framework and the four capitals.

In articles four to seven we consider alternative perspectives, with a focus on what implementing wellbeing – rather than just measuring wellbeing – looks like in each situation. Each person and community's experience of wellbeing is different, reflecting their different needs, wants, opportunities, obligations, trade-offs and starting points.

We'll look at how the State can engage and facilitate changes that grow wellbeing, including the Family by Family approach; a Māori perspective on wellbeing; a regional prosperity lens; and a exploration of two of the four capitals; social and human capital.

Our series finishes with a key to unlocking the next stage of the wellbeing discussion and some recommendations for the way forward. Government needs to lead the change by working with individuals, communities and organisations to deliver real outcomes that foster sustainable wellbeing in our own backyard.

End notes

1. Deloitte State of the State 2016. https://www2.deloitte.com/nz/en/pages/public-sector/articles/the-state-of-the-state.html
2. Deloitte State of the State 2017. https://www2.deloitte.com/nz/en/pages/public-sector/articles/the-state-of-the-state-2017.html
3. Prime Minister's speech: The 100 day plan and beyond: setting the direction of the Government, 30 January 2018. www.beehive.govt.nz/speech/100-day-plan-and-beyond-setting-direction-government
4. NZ Treasury; Investment Statement 2018, March 2018. https://treasury.govt.nz/publications/investment-statement/2018-investment-statement
5. NZ Treasury; Living Standards Framework, December 2017. https://treasury.govt.nz/publications/presentation/living-standards-framework
6. Wallis, S; Five measures of growth that are better than GDP, World Economic Forum, 2016. https://www.weforum.org/agenda/2016/04/five-measures-of-growth-that-are-better-than-gdp/
7. Duraiappah, A; The growing disconnect between GDP and wellbeing, World Economic Forum, 2014. https://www.weforum.org/agenda/2014/05/growing-disconnect-gdp-wellbeing/
8. Grimes, A; NZ policy from a wellbeing perspective, July 2017. https://www.newsroom.co.nz/@future-learning/2017/07/02/36860/nz-policy-from-a-wellbeing-perspective
9. Dalziel, P and Saunders, C; abstract from "Wellbeing Economics", Lincoln University, June 2014. https://www.nzae.org.nz/wp-content/uploads/2015/01/Dalziel_and_Saunders_Wellbeing_Paper.pdf
10. NZ Treasury; Discussion paper (DP 18/01): Wellbeing Frameworks for the Treasury, February 2018. https://treasury.govt.nz/publications/dp/wellbeing-frameworks-treasury-html
11. Grattan Institute: Seminar on Wellbeing in public policy practice, November 2010. https://grattan.edu.au/events/wellbeing-in-public-policy-practice/
12. OECD; Measuring Well-being and Progress. http://www.oecd.org/statistics/measuring-well-being-and-progress.htm
13. NZ Treasury; Social Investment. https://treasury.govt.nz/information-and-services/state-sector-leadership/cross-agency-initiatives/social-investment
14. Minister of Social Development announcement, May 7 2018. https://www.nzherald.co.nz/index.cfm?objectid=12046837
15. UK Department of Health; Wellbeing: Why it matters to health policy, 2014. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/277566/Narrative__January_2014_.pdf
16. Ministry for the Environment; 2017 changes to the National Policy Statement for Freshwater Management, Sept 2017. http://www.mfe.govt.nz/fresh-water/regulations/national-policy-statement-freshwater-management/2017-changes
17. Makhlouf, G, NZ Treasury; speech "Social Capital and the Living Standards Framework", March 2018 https://treasury.govt.nz/publications/speech/social-capital-and-living-standards-framework
18. UK Government: Introduction to Public Service Mutuals, April 2017. https://www.gov.uk/guidance/introduction-to-public-service-mutuals#what-is-a-public-service-mutual
19. Employee Ownership Australia and New Zealand (EOA); Public Service Mutuals. http://www.employeeownership.com.au/interested-in-starting-a-public-service-mutual/
20. Interview with Alex Hannant, Sept 2017. https://thespinoff.co.nz/business/18-09-2017/social-enterprise-alex-hannant-2/
21. Deloitte Insights; The rise of the social enterprise, 2018. https://www2.deloitte.com/content/dam/insights/us/articles/HCTrends2018/2018-HCtrends_Rise-of-the-social-enterprise.pdf
22. Ibid.
23. Department of Conservation; DOC and Mental Health Foundation partnership. http://www.doc.govt.nz/healthy-nature-healthy-people
24. Boyd, S, Bonne, L and Berg, M; "Finding a balance-fostering student wellbeing, positive behaviour and learning", Findings from the NZCER national survey of primary and intermediate schools 2016. http://www.nzcer.org.nz/system/files/National%20Survey_Wellbeing_for%20publication_0.pdf
25. Statistics NZ; Wellbeing. http://archive.stats.govt.nz/browse_for_stats/people_and_communities/Well-being.aspx
26. Deloitte State of the State 2017. https://www2.deloitte.com/nz/en/pages/public-sector/articles/the-state-of-the-state-2017.html
27. Deloitte State of the State 2016. https://www2.deloitte.com/nz/en/pages/public-sector/articles/the-state-of-the-state.html

Article 2

Beyond GDP
Measuring New Zealand's wellbeing progress

Over the past years, we have witnessed a renewed effort to go beyond Gross Domestic Product (GDP) in measuring wellbeing and social progress. More recently, the New Zealand Government has made a commitment to do the same.

There are three evidence-informed foundations for this effort and commitment. First, people care about their wellbeing as well as their income. Second, wellbeing depends on a range of factors, only some of which can be purchased.

Third, public policy that is exclusively or primarily focused on increasing income (or GDP in aggregate) may actually end up decreasing wellbeing now, or in the future. In this article, we discuss why there has been an increased focus on wellbeing as a measure of progress and as an objective of public policy.

By Joey Au & Girol Karacaoglu

Joey Au is a Senior Associate at Victoria University's Institute for Governance and Policy Studies. He has previously worked at the New Zealand Treasury as Senior Advisor to the Chief Economist and as an economist at the OECD.

Girol Karacaoglu is the Head of the School of Government at Victoria University of Wellington. His immediately prior position was Chief Economist of the New Zealand Treasury.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

We also outline the various approaches to defining and measuring wellbeing, and sketch the current state of wellbeing measurement in New Zealand. Finally, we create a new wellbeing index for New Zealand based on methodology from the Netherlands and discuss the policy implications of this work.[1] Here we make the fundamental point that there is a critical difference between the best way to measure wellbeing and the main influences on it, and what factors to focus on and how, in order to improve wellbeing.

Background and context

Dissatisfaction with income as a measure of wellbeing has a long history.[2] The move to expand measures of wellbeing beyond income was given a significant push forward with the publication of the Stiglitz-Sen-Fitoussi Commission report in 2010.[3]

In principle, there could be wide variations in what matters for individual wellbeing but many studies (covering a large variety of countries and cultures across time) have repeatedly identified the same general list of main influences on wellbeing. In other words, based primarily on robust, survey-based, empirical work, we have a broad sense of the common elements of what individuals value.[4]

To be consistent we use the OECD terminology and refer to these common ingredients as the "domains of wellbeing". These are represented by the components of the OECD's Better Life Index (BLI).[5]

Dissatisfaction with income as a measure of wellbeing has a long history

The main components of the BLI (see Figure 1) for individual wellbeing include quality of life and material conditions. These components represent the factors that people value and have reason to value.[6]

Similarly, the Social Report produced by the New Zealand Ministry of Social Development identifies ten domains of wellbeing: health, knowledge and skills, paid work, economic standard of living, civil and political rights, cultural identity, leisure and recreation, safety, social connectedness, and life satisfaction.[7] Statistics NZ also refers to three domains in its framework for measuring sustainable development: environmental responsibility, economic efficiency and social cohesion.[8]

Under the BLI, the ultimate source of sustainable wellbeing over time relates to the stocks of capital assets, broadly defined, that yield income and other sources of wellbeing now and into the future.[9] These assets (see Figure 1) include economic (or built) capital, human capital, natural capital, and social capital.

There is a related fundamental point. Some of the measures of social progress (i.e. contributors to wider wellbeing) such as "basic human needs" (including nutrition, basic medical care, and shelter) are positively and sustainably correlated with income, whereas others such as "opportunity" (including personal rights, tolerance, and inclusion) are less so.[10]

Figure 1: The OECD wellbeing framework

Source: OECD, 2013

Other approaches to measuring wellbeing

What we have outlined previously is not the only approach to measuring wellbeing.

In measuring whether a country is making progress, some use a dashboard approach, presenting multiple indicators and measures, while others construct aggregate or composite indices.[11]

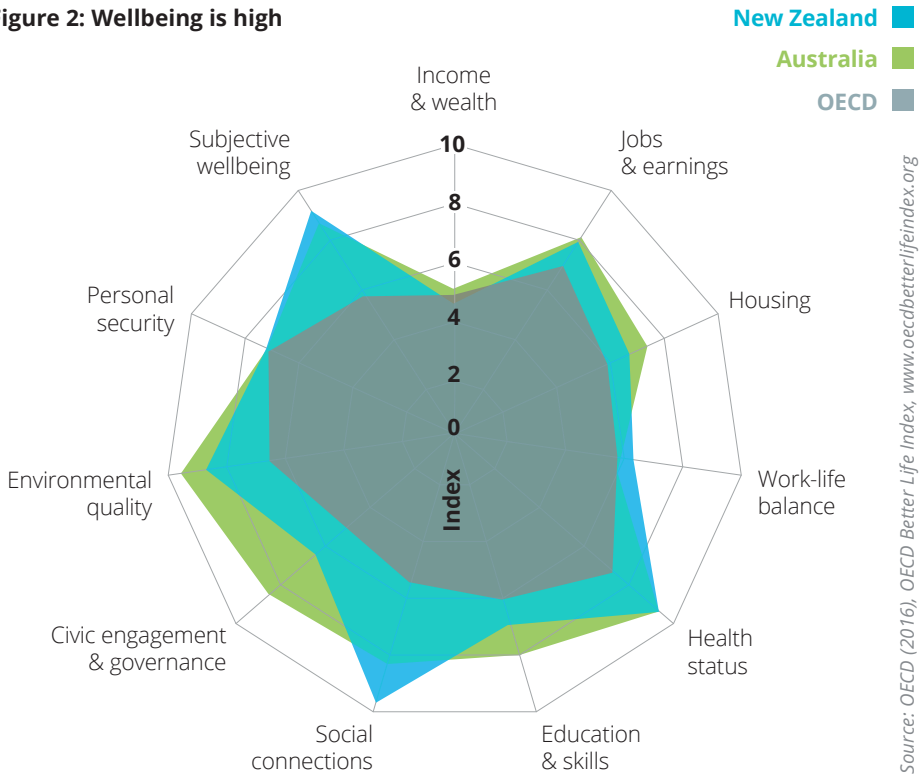
Most prominent among the latter are the BLI[12,13] and the UNDP's Human Development Index.[14] The World Bank uses Genuine Savings,[15] (also known as Adjusted Net Savings), which emphasises sustainability through measuring changes to capital stocks. Some for-profit and many non-governmental organisations have developed their own measures, including the Legatum Institute's Prosperity Index[16] and the New Economics Foundation's Happy Planet Index.[17]

In addition, a Genuine Progress Indicator has been proposed since the late 1980s as an improved measure. It includes factors like income inequality, contributions from the informal economy and households, deductions for unwanted expenses and the depletion of resources.[18]

The World Bank has experimented with a number of total wealth indicators, including Adjusted Net Savings. It measures an economy's long-term sustainability by calculating how much of national product is not immediately consumed, investment in education, and the depletion of natural resources.[19]

The UN launched an Inclusive Wealth Index (IWI) focusing on stocks rather than flows, as GDP does. The IWI measures sustainable economic development to gauge the difference between produced capital (what the human economy produces through industrial activities) and human and natural capital.

Figure 2: Wellbeing is high



Source: OECD (2016), OECD Better Life Index, www.oecdbetterlifeindex.org

These measures, while useful, still use the same linear, input-output approach of current national accounts methods. Some argue that, "If we are to succeed at moving beyond the current model of growth at all costs to embrace the idea of a wellbeing economy, we need a different approach to data collection and modelling that is adaptable, evolutionary, and integrated."[20]

An alternative approach focuses directly on measuring outcomes, in the form of subjective wellbeing. The basic idea is, having attempted to improve objective conditions that drive wellbeing, public policy makers would test whether this is actually increasing wellbeing through carefully structured surveys.[21]

How is New Zealand doing?

Using a wellbeing lens, focusing on outcomes over the past decade, New Zealand has done relatively well - whether we base this assessment on New Zealand's performance relative to other countries or relative to its own history.

As the 2017 OECD Report on New Zealand summarises:

"New Zealanders enjoy high living standards, with all components of the Better Life Index stronger than the OECD average, except for household disposable income and wealth... New Zealand substantially outperforms most other OECD countries on social connections, health status and overall environmental quality. High living standards are also reflected in a superior subjective measure of wellbeing. They are underpinned by robust institutions, good governance, generally best-practice policy settings, a stable macro-economy and a high-quality education system. New Zealand also performs well on gender inclusiveness, with one of the smallest gender wage gaps in the OECD."[22]

Figure 2 shows New Zealand's performance, compared with both Australia and the OECD average, on the BLI. We can also assess New Zealand's performance relative to its own history by considering recent trends. In Figure 3, some of the components of wellbeing have improved in New Zealand over the past ten years, while others have deteriorated.

Figure 3

Change in New Zealand's average wellbeing

over the past 10 years

Income & wealth

Household net adjusted disposable income has increased over the past decade. After rising sharply from 2005 to 2007, growth stalled in 2008, resuming in recent years and peaking in 2013.

Housing conditions

The number of rooms per person has remained relatively stable since 2005, and above the OECD average.

Housing affordability has meanwhile worsened slightly in the past decade, with the proportion of income spent on housing costs increasing from 25.8% in 2005 to 26.2% in 2014.

Health status

Life expectancy at birth has improved by roughly two years since 2005, in line with the OECD average increase.

Self-reported health has remained relatively stable from 2007 to 2016.

Social connections

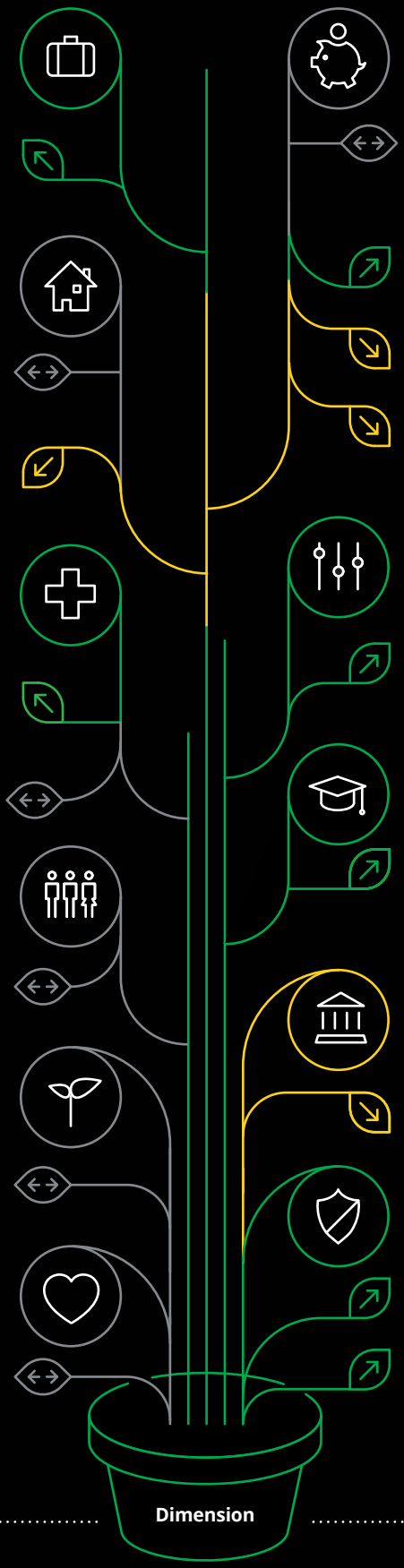
The share of people who have relatives or friends whom they can count on to help in case of need has remained reasonably stable in the past ten years.

Environmental quality

Both satisfaction with local water quality and exposure to PM2.5 air pollution have remained relatively stable in New Zealand over the past decade.

Subjective wellbeing

Life satisfaction in New Zealand has remained broadly stable and at relatively high levels over the past decade.



Jobs & earnings

In 2015, the employment rate was very close to its 2005 level, having fallen from 2006 to 2010 and gradually recovered in more recent years.

Real earnings in New Zealand are 14% higher than a decade ago.

Other job indicators have worsened in the last ten years.

Labour market insecurity remains relatively high compared to 2005, and the incidence of job strain has risen by almost seven percentage points.

Work-life balance

The share of employees working 50 hours or more per week fell by two percentage points from 2005 to 2015 in New Zealand, steeper than the 0.7 percentage point fall recorded for the OECD on average over the same period.

Education & skills

The share of adults having completed upper secondary education increased by 2.5 percentage points from 2014 to 2016 (comparable data are not available prior to 2014).

Civic engagement

Voter turnout among the population registered to vote fell by 3.3 percentage points between the 2005 and 2014 general elections.

Personal security

The rate of deaths due to assault has fallen by almost one-quarter compared to 2005.

The proportion of people who feel safe when walking alone at night has increased gradually, from 61% in 2005-2007 to 65% in 2014-16.

Notes on change indicators

For each indicator in every dimension: refers to an **improvement;** indicates little or **no change**; and signals **deterioration.**

This is based on a comparison of the starting year (2005 in most cases) and the latest available year (usually 2015 or 2016).

Source: OECD, 2013

Although this multi-dimensional view of the main factors affecting wellbeing is useful in telling us which factors have improved, it doesn't tell us whether New Zealand's overall wellbeing has actually improved. For example, to say that overall wellbeing has improved we would need to be certain that the contributions of the increases in income, personal security, and other areas more than offset the decline in wellbeing associated with decreases in civic engagement and housing conditions.

With information about what matters most to New Zealanders, we can construct an "average" wellbeing index to measure and track New Zealand's overall wellbeing over time. We do that below by following a methodology developed for the Netherlands, again using OECD data.[23]

A wellbeing index for New Zealand – data and methodology

The dimensions of wellbeing we have selected are from the OECD's BLI. These have the advantage of being empirically supported and internationally comparable. In addition, the BLI initiative offers the opportunity to use weightings of the BLI domains, based on preferences, to create an aggregate index for measuring a country's progress in terms of overall wellbeing.[24]

For New Zealand, these dimensions are shown below. The figures in parentheses are the weights from the BLI website (accessed on 1 December 2017):

1 Income & wealth **(0.083)**

2 Jobs & earnings **(0.085)**

3 Housing **(0.087)**

3 Work & life balance **(0.095)**

5 Health status **(0.101)**

6 Education & skills **(0.097)**

7 Social connections **(0.080)**

8 Civic engagement & governance **(0.066)**

9 Environmental quality **(0.094)**

10 Personal security **(0.089)**

11 Subjective wellbeing **(0.107)**

Weighting is a controversial topic in the construction of composite indicators. Our choice is based on reasonableness and convenience, but other methods are possible. Further detail about our method is available at www.deloitte.com/nz/stateofthestate.

A wellbeing index for New Zealand – results

Figure 4 presents one of the main findings of this exercise. It shows that over the past ten years or so (using the measures we have developed) there is not much difference between real GDP per head of population and a broader wellbeing measure when assessing New Zealand's progress.

We show the contributors to the movements of the wellbeing index over those ten years, on a year-by-year basis. In Figures 5 and 6 (see next page) we show the cumulative contributions of each BLI domain to overall wellbeing.

Figure 4: Income vs wellbeing

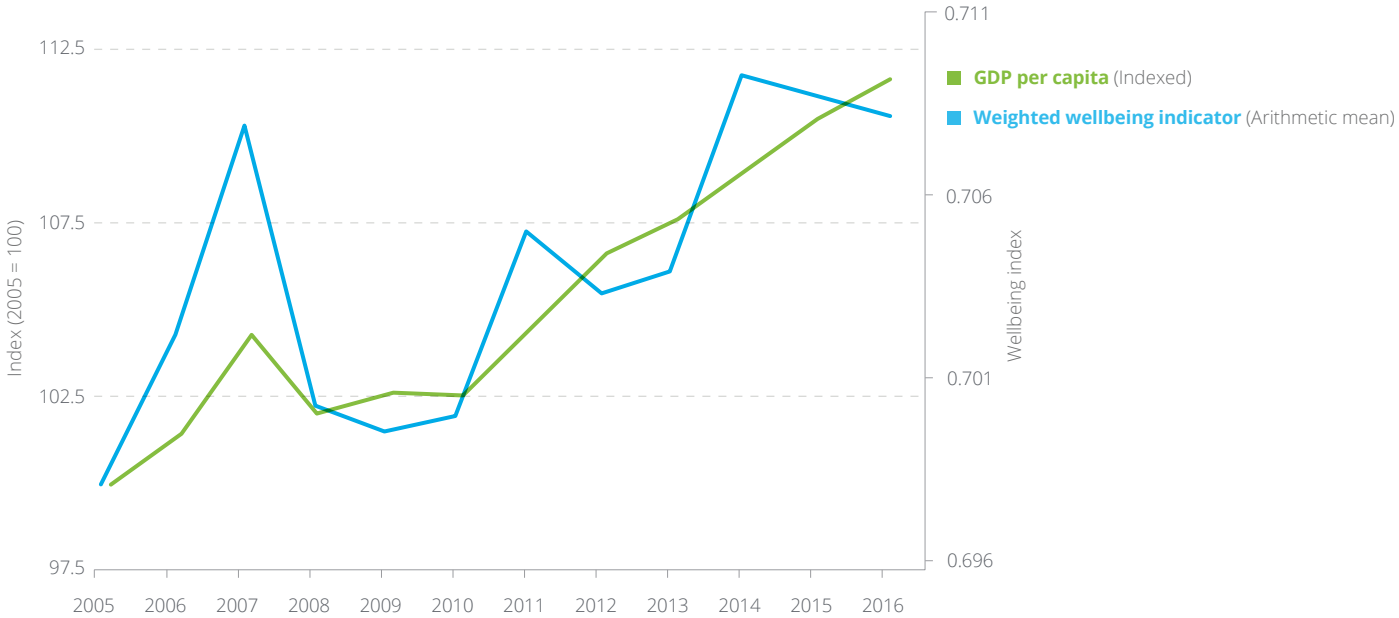


Figure 5: Year-on-year contributions to wellbeing

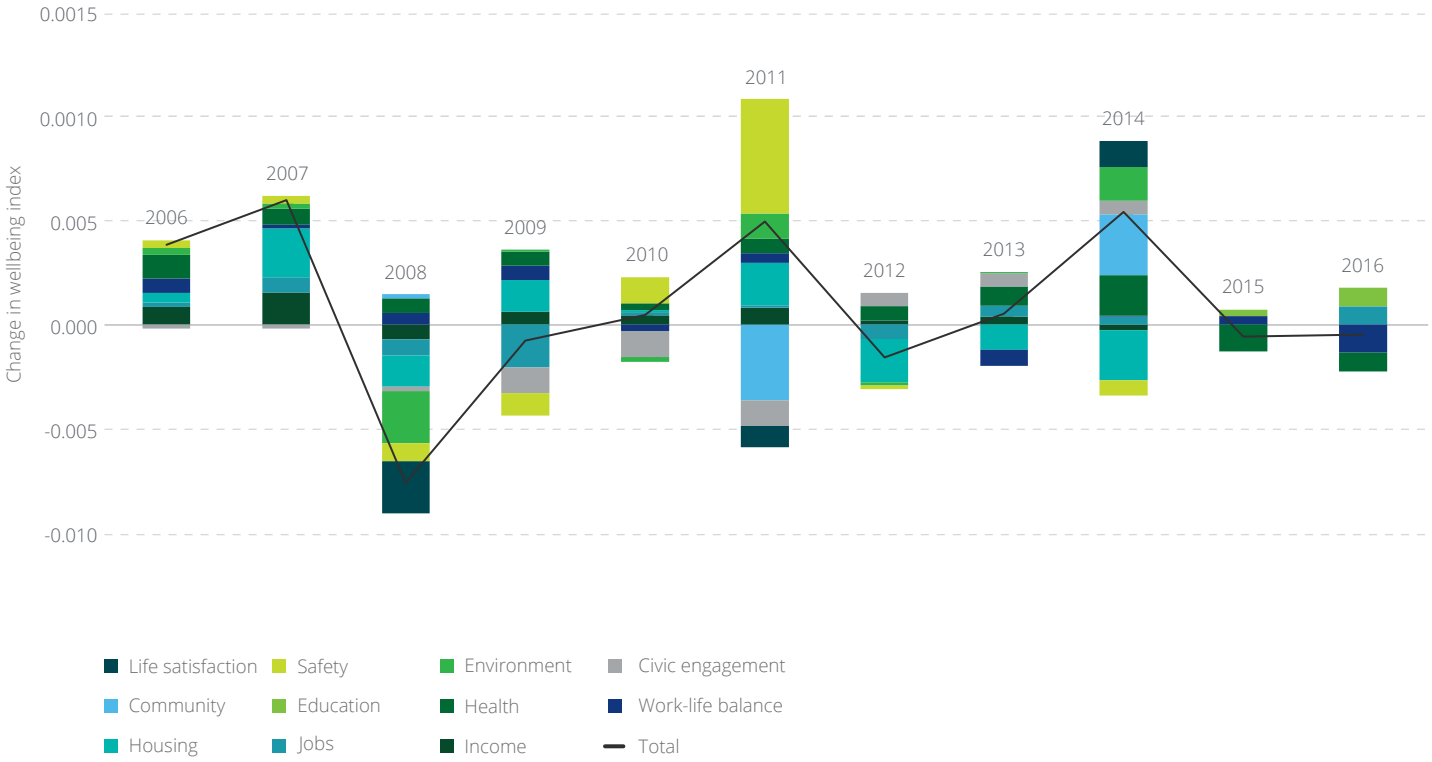
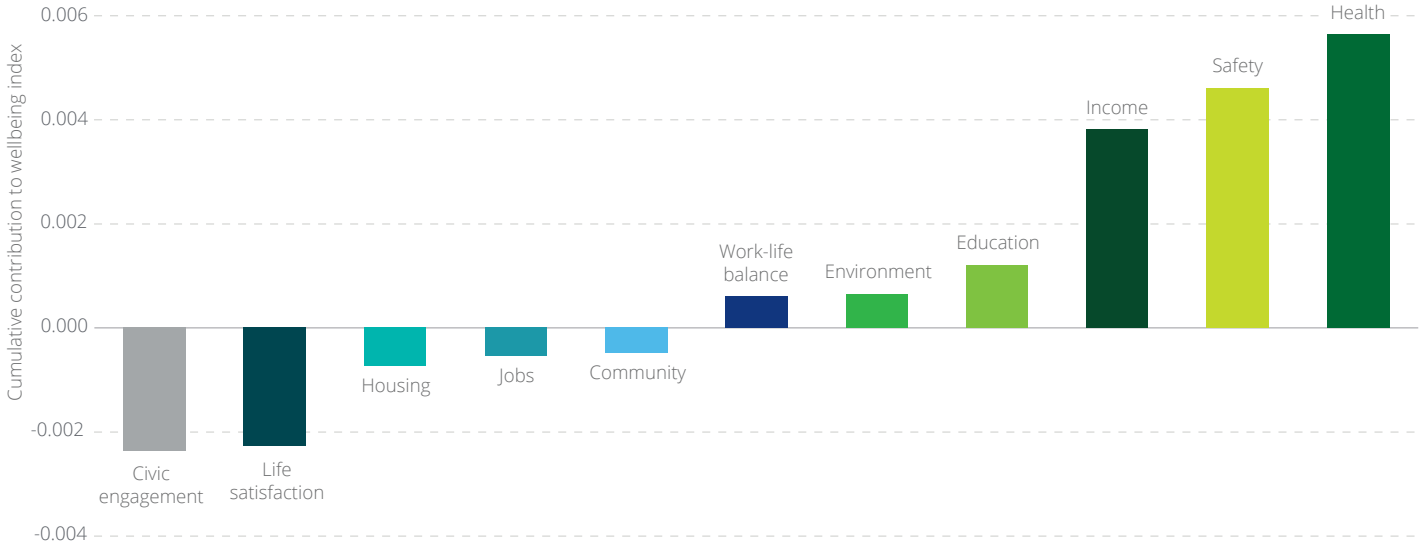


Figure 6: Cumulative contributions to wellbeing



Discussion – so what is the benefit?
We associate wellbeing with people's ability to live the lives they value. If the purpose of public policy is to improve the wellbeing of individuals and communities, as we believe it should be, then measuring the progress of wellbeing is of public interest.

This measurement can be done at various levels. Two options that we have shed some light on in this paper are to first ask people how they are feeling about their own lives (see subjective wellbeing in Figure 3), and second, to measure whether the key ingredients or domains of wellbeing are improving over time. In other words, we have reported progress over the past ten years on both subjective wellbeing (but only at a very aggregate level in Figure 3) and on the main domains of wellbeing. As much as it can, the data also allows us to disentangle movements in the main domains of wellbeing so that we can get a sense of the detail behind the overall measure.

All this can help inform, and hopefully also improve, public policy towards improving wellbeing on a sustainable basis.
With the usual cautions about the completeness and quality of the data, the evidence presented suggests:

- Over the past ten years or so, it is difficult to differentiate between income and wellbeing as indicators of progress for New Zealand.
- The main positive contributors to overall wellbeing over the past ten years are due to improvements in safety, income and health.

These explorations also provide guidance on the type of data we need to collect to inform public policy on wellbeing, as well as identifying the main gaps in the existing data.

The data used in this paper is deliberately sourced from the OECD, both for convenience and to help with international comparability. The price we pay for this pragmatism is the compromise we face with the quality of the data used.

If the purpose of public policy is to improve wellbeing, as we believe it should be, then measuring the progress of wellbeing is of public interest

Any serious extension of this work would almost certainly require moving away from OECD data and starting to build a wellbeing database for New Zealand, using the very best data we can generate. This is a project that is already underway at Statistics New Zealand. As that data becomes publicly available, we will all be able to improve our measures of wellbeing.

Conclusions and next steps
Although our analysis and results may help inform public policy, they do not tell us how to design or implement public policy.

For example, the finding that the quantity and quality of housing is a negative influence on wellbeing does not tell us how to "solve the housing problem". This is a separate matter, subject to ongoing debate.

While we will not contribute to the debate in this article, it is sufficient to say that the heart of it concerns the role of government. Is it to equip people to pursue the lives they have reason to value (a "wellbeing state") or is it to directly provide people with what matters for their wellbeing (a "welfare state")? Where does "agency" (or accountability and responsibility) lie – with the individuals concerned or with the government, or a mix of the two?

The current Government has clearly signalled that it wants to frame, design, and implement public policy with an objective of increasing overall wellbeing, not just income, on a sustained basis. If academics, businesses and public servants do not lift their games and provide all the support we can to help the Government achieve this vision, we will have missed a unique opportunity and failed.

Our contributions can have at least four dimensions or objectives
First, to improve the measures and contributors (domains of wellbeing, and the ultimate sources of it – human, natural, social & cultural, and economic capitals). This article is a contribution to part of this first objective. As stated, while for pragmatic reasons we have used the OECD data, any extensions of this work will require access to better quality New Zealand data for each of the domains of wellbeing.

Second, to model and analyse how the various domains of wellbeing, and their ultimate sources, interact with and complement each other. This would be critical information for guiding public sector investments and decision-making.

Third, to continue exploring quantitatively, the main influences on wellbeing, including cultural, historical, and regional (or geographic) dimensions, and what matters most to New Zealanders.

Fourth, given all of the above, explore various ways of designing and implementing sustainable wellbeing-enhancing policies.

This sets the key dimensions of the wellbeing and public policy agenda, and what sets it apart from the last few years' exploration of social investment policies. Our third State of the State article reflects on social investment and how wellbeing strikes a different path.

End notes

1. Rijpma, et al pp 32-34
2. See, for example, Coyle (2014), Coyle (2015), Kubiszewski et al (2013), Nordhaus (1972), Van den Bergh (2009), Saunders and Dalziel (2017), Waring and Steinem (1988), Fleurbaey and Blanchet (2013), and Boarini and D'Ercole (2013).
3. See Stiglitz et al (2010).
4. See Boarini et al (2014), Smith (2015).
5. See Durand (2015), Van Zanden et al (2014)], Watson et al. (2016).
6. See Sen (2009), Alkire (2016).
7. See MSD (2016).
8. Statistics New Zealand (2009). Statistics New Zealand's Framework for Measuring Sustainable Development. Wellington: Statistics New Zealand
9. Arrow, Kenneth J; Dasgupta, Partha; Goulder, Lawrence H; Mumford, Kevin J; Oleson, Kirsten (2012). "Sustainability and the Measurement of Wealth," Environment and Development Economics; Vol 17, pp. 317–353.
10. See the work associated with the Social Progress Index maintained by the Social Progress Imperative [Social Progress Imperative (2017), Porter et al. (2016)].
11. UN (United Nations) (2017). Sustainable Development Goals Report. United Nations Statistics Division.
12. OECD (2017). How's Life? – Measuring Well-being. OECD Publications, November.
13. OECD (2015). How's Life? – Measuring Well-being. OECD Publications.
14. UNDP (United Nations Development Programme) (1999). Human Development Report: Background Papers. Human Development Report Office.
15. World Bank (2013). The Little Green Data Book. World Bank (World Development Indicators).
16. Legatum Institute (2016). Legatum Prosperity Index. Legatum Institute.
17. NEF (New Economics Foundation) (2016). Happy Planet Index. New Economics Foundation.
18. Kubiszewski, Ida; Costanza, Robert; Franco, Carol; Lawn, Philip; Talberth, John; Jackson, Tim; Aylmer, Camille (2013). "Beyond GDP: Measuring and Achieving Global Genuine Progress," Ecological Economics; Vol. 93, pp. 57-68.
19. Qasim, Mubashir; Oxley, Les; McLaughlin, Eoin (2018). "Genuine Savings as a Test of New Zealand Weak Sustainability," University of St. Andrews Discussion Papers in Environment and Development Economics; Paper 2018-01.
20. Costanza, Robert; de Groot, Rudolf; Braat, Leon; Kubiszewski, Ida; Fioramonti, Lorenzo; Sutton, Paul; Farber, Steve; Grasso, Monica (2017). "Twenty Years of Ecosystem Services: How far have we come and how far do we still need to go?" Ecosystem Services; Vol. 28, pp. 1-16.
21. Adler, Matthew D and Fleurbaey, Marc (eds.) (2016). The Oxford Handbook of Well-Being and Public Policy. Oxford.
22. OECD (2017). Economic Survey of New Zealand. OECD Publications.
23. Rijpma, Auke; Moatsos, Michail; Badir, Martijn; Stegeman, Hans (2017). "Netherlands beyond GDP: A Wellbeing Index," MPRA Paper, No. 78934.
24. We make use of the preferences expressed by individuals visiting the BLI website, per Boarini, Romina and D'Ercole, Marco M (2013). "Going Beyond GDP: An OECD Perspective," Fiscal Studies; Vol. 34(3), pp. 289-314.

Article 3

Paving the way to wellbeing
The evolution of social investment

In 2016, we published our first State of the State report, which focused on the social investment approach to policy development and social service delivery.

Two years on, we wanted to look at the policy development disciplines underpinning this approach, and examine what has worked and what needs to improve as social investment evolves into investing for social wellbeing.

Why? Because regardless of the language wrapped around social and economic policy development disciplines, those disciplines can galvanise the public sector into new ways of working and enrich the already strong practices in place.

It is also important to continually test the link between public sector investment and wellbeing.

By Jane Fraser-Jones

Jane's career has been at the nexus of public policy and politics. She has developed, led and negotiated policy across a range of social and economic portfolios as a former Prime Minister's senior advisor. Jane now assists clients with strategies, policies, analysis and decision-making driving New Zealand's public sector.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

New Zealand has seen mixed results from increased social sector spending in recent decades. We know there are groups of New Zealanders who experience persistently poor life outcomes (the topic of focus for our next article). If nothing changes, the cycle of intergenerational disadvantage will continue and future generations of New Zealanders will be left with both higher costs and a less fair society.

Finance Minister Grant Robertson said in his Budget speech that the Government will use Treasury's Living Standards Framework, with its four capitals (human, social, natural and financial) to develop the 2019 Budget and to measure the country's success.[1]

As Treasury Secretary Gabriel Makhlouf said in March, the Framework represents a continuation of the effort in New Zealand to take a more holistic approach towards measuring wellbeing. This approach recognises that traditional economic and financial measures miss some important aspects that contribute to our standard of living, not just for the current generation, but also for future generations.[2]

In 2016, Deloitte spoke to more than 20 leaders in politics, the public service, social service delivery, academia and business to get a sense of their thoughts, concerns and ideas on social investment. Through these conversations, we identified a number of challenges to the widespread uptake of this policy and service delivery discipline.

For this article, we spoke to a small group of public sector leaders and service providers to understand what has changed since 2016, what barriers still remain, and how they view the evolution of social investment to investing for social wellbeing.[3]

All were either interviewed in 2016, or work for organisations which contributed to the 2016 State of the State report.

Regardless of the language wrapped around social and economic policy development disciplines, those disciplines can galvanise the public sector into new ways of working and enrich the already strong practices in place

State of the State 2016 findings

We defined social investment as government activity undertaken on the basis of a return on investment justification. Using the investment approach, funding is made available based on:

a. data quantifying the issue or challenge

b. the likelihood of the proposed interventions addressing the issue or challenge

c. measurement and reporting to decision-makers on the outcomes achieved by the interventions to enable calculation of the benefits

Though the approach sounds straightforward, we identified several reasons why its uptake was being hindered back in 2016:

- There was a lack of clarity on the outcomes social sector agencies and service providers should be collectively achieving, and some resistance to having outcomes measured. Developing a single set of priority outcomes was also difficult.
- There were not enough people with the right data skills working in social policy and service design, along with concerns about the potential misuse of sensitive data.
- Our Westminster style of government prioritises accountability for spending over the achievement of outcomes. There was also a fear of failure, dampening the chase for the best outcomes.
- The right incentives were not in place for individuals in the public sector to test and trial interventions rigorously, and report openly on performance in a way that allowed for learning from success or failure.

So two years on, what has changed?

The Treasury's Deputy Secretary of Budget and Public Services, Struan Little says much has stayed the same. "There is still the need to tackle really complex social issues – though it's broader than social issues alone. These issues span different parts of government, they link into the work of non-government organisations (NGOs) and they've been around for an awfully long time."

And many interviewees agreed that, to support those complex issues, the evolution of the Social Investment Agency (SIA) into a 'club good' (shared benefits) for the public sector and service providers was generally welcomed, as were the tools and thinking the agency had created.

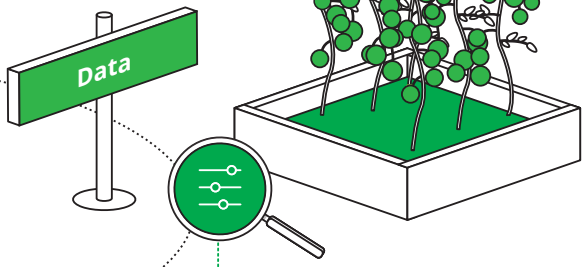
"The SIA has an important shared services component," says the Ministry of Social Development's Peter Alsop. "The Social Investment Framework – an overview of the capability required for an effective investment approach – is an example of something that can be built once and used by all agencies."

Coming to fruition

How is social investment sowing the seeds for wellbeing and what still needs to happen?

There's been an increase in social investment outcomes identified and pockets of excellent collaboration, **but...**

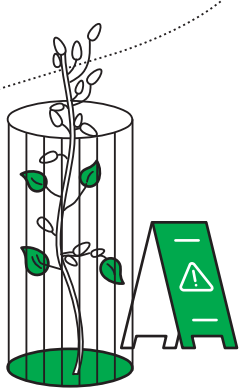
Cross-agency collaboration still isn't a natural inclination across the public sector



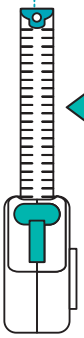
Good progress has been made addressing concerns about data use and there are more people with data skills, **but...**

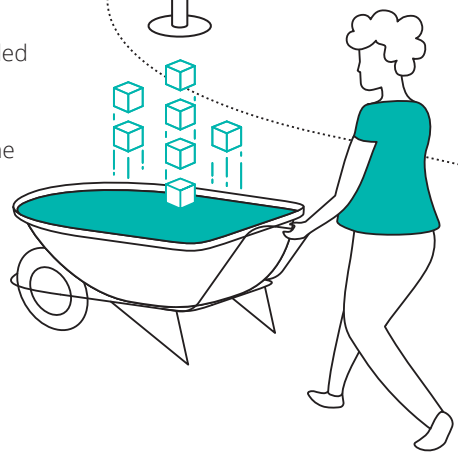
Data ethics is still a concern for some

Agencies are becoming smarter about continuous monitoring rather than point-in-time evaluation, **but...**



Work is still needed to improve the real-time flow of information to the frontline

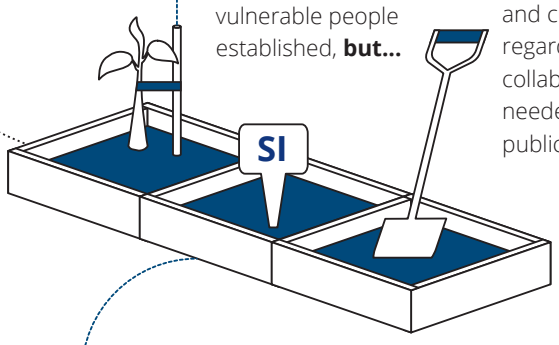




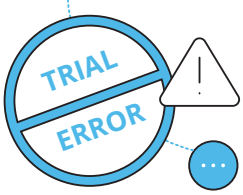
Accountability for spending remains prioritised over the achievement of outcomes, hampering flexibility and innovation

Targets for outcomes for vulnerable people established, **but...**

Structural reconfiguration and culture change regarding risk and collaboration are still needed across the public sector



Instances of risk taking for innovative projects exist **but...**



The overall public sector incentive structure remains risk averse and not supportive of greater knowledge through trial and error

The development of social investment over the past two years has had positive impacts for how the public sector and NGOs operate, **but...**

Further gains can be made through embedding a data- and evidence-focused approach to strengthen policy development and service delivery

The theme of organisational culture and its impact on collaborating for outcomes came up repeatedly during our interviews

Collaboration for outcomes

In 2016, we found the proliferation of social investment outcomes or targets made choosing the 'right' ones to focus on tricky, particularly when the links between outcomes frameworks at programme, agency or sector level were unclear or muddled. This frustrated collaboration between and across agencies, hampered by our Westminster style of government, with funds and accountability tagged against individual ministers and agencies.

In 2018, the Ministry of Justice's Deputy Chief Executive - Sector, Colin Lynch, said the issue was more subtle than that.

"It's always been hard to collaborate on outcomes. It works when people want it to work. If cross-sector work is seen as important, that's where people will spend their time."

The theme of organisational culture and its impact on collaborating for outcomes came up repeatedly during our interviews. If the will and political impetus existed, then effective collaboration could happen – but it wasn't a natural inclination.

The people we spoke to largely felt there were pockets of excellent collaboration. Some agencies were consistently cited as examples of good practice – the Department of Corrections was one.

Data

As well as an inadequate number of social policy staff with appropriate data analytics skills, the people we spoke to in 2016 also cited concerns about data insecurity, data quality and the use of data to 'pick winners'. While some of these concerns still remain, progress has been made.

"We're using data even more," said the Methodist Mission's Laura Black. "We're also thinking further and further ahead. Statistics New Zealand data shows Central Otago will have 60,000 more people living there in 10 years' time. We need to plan now – we know rapid housing development, combined with lower quality buildings, may lead to poorer housing standards, and other unintended social impacts like social isolation and increased domestic violence.

"It's the combination of data and robust intervention models and wisdom – the inculcated wisdom that comes from doing the work for a while – where it really has an impact."

Laura Black said a more mature use of data had increased the Methodist Mission's impact and efficacy over the past two years, with rigorous assessment to measure resiliency among adults and milestone reporting for children at Mission-run early childhood education centres.

Concerns remain for some about the use of personal data. The New Zealand Public Service Association (PSA) said data-driven social investment policy used blunt measures that looked at quantitative data not qualitative. Data collection was too focused on certain individuals and households and it was important the bigger picture was not lost in policy development.

"Complex problems can't always be captured by numbers and this is problematic in terms of developing meaningful policy," said Glenn Barclay, PSA National Secretary.

Several interviewees said investing for social wellbeing would mean striking the right balance between hard data and people's experiences.

There were differing opinions around data privacy and ethics. Ethics were still a concern for the PSA, which hoped the current European Union General Data Protection Regulation (GPDR) could provide guidance for New Zealand policymakers.

Colin Lynch said agencies were now better at understanding the value of data and using it appropriately, including the Integrated Data Infrastructure (IDI). At the same time, he saw the social licence to use data also maturing, and believed New Zealanders would require greater transparency from public organisations.

A consistent theme did emerge from our interviews - the scarcity of people with the right data skills is less of an issue than it was two years ago. Agencies are recruiting from a more diverse skill set than they used to for traditional 'policy' roles. In fact, the PSA felt the occupational composition of the public service had changed, with more information people and fewer administrators being employed.

"Social investment tends to undervalue the skills and contribution of frontline workers but in practice it hasn't really changed the working lives of people on the ground," says Glenn Barclay.

The Treasury's Deputy Secretary of Budget and Public Services, Struan Little, said there had been a "quantum jump" upwards in the quality and use of data. "There's still a long way to go, but things have improved."

A consistent theme did emerge from our interviews - the scarcity of people with the right data skills is less of an issue than it was two years ago

Monitoring and evaluation
Data collection and analysis goes hand-in-hand with monitoring and evaluating programmes. A number of people we spoke to advocated for milestone monitoring along a programme's lifetime, so it could be adjusted or changed in flight if necessary. Agencies were becoming smarter about continuous monitoring, rather than point-in-time evaluation.

"We have to be clear about the data that needs to be monitored along the way in order to provide insight. These can be used as proxies to see if you're going in the right direction," says Colin Lynch.

But one aspect of data and monitoring not discussed in 2016 was the need to get data to the frontline, and allow decision-making to be made there. Community and frontline service providers needed to be empowered to make decisions, rather than be assessed by central decision-makers.

Greater involvement from communities, iwi and businesses in determining wellbeing throughout the country also speaks to this point.

The Ministry of Social Development, through its 'Analytics to the Frontline' project, was looking to improve the real-time flow of information to case managers, to support them to make the best possible decisions for clients.

"Use of data and analytics in this way, provided it is used responsibly and ethically, has the potential to significantly improve social outcomes. Considerable work is also underway to further build public trust in data use, such as through the Ministry's Privacy, Human Rights and Ethics (PHRaE) framework, and SIA's work and wide public engagement on a Data Use and Protection Policy," says Peter Alsop.

Treasury Deputy Secretary of Budget and Public Services, Struan Little, said there had been a "quantum jump" upwards in the quality and use of data. "There's still a long way to go, but things have improved"

Accountability and flexibility
In 2016, we found that accountability for spending was prioritised over the achievement of outcomes. In 2018, that aversion to risk was still pervasive.

"If you want certainty of outcomes, it's hard to find the balance to give flexibility for innovation," says Struan Little. "What is the acceptable risk? Regardless of philosophy or approach, there needs to be partnerships and new ways of working, and this needs to marry back up with the culture and behaviour side of public sector organisations."

Incentives
Incentives to try untested approaches are still perceived as weak, as they were in 2016, with a focus on minimising risk even if it means impacting on success. While there were instances of risk-taking around innovative projects in the pursuit of positive outcomes, this is only happening in isolation.

"Senior individuals need to be seen to be taking risk – that's part of the spirit of service," says Struan Little.

The short-term funding cycle for NGOs also affects the appetite to take risks - where risk can be avoided - as well as the ability to plan strategically. Within government agencies, the need to get ministerial approval can have the same impact.

The State Sector Act has created a 'quasi-contractor arrangement' between ministries and CEOs which, in turn, leads to a risk-averse climate where frank advice or reporting is either not delivered in the first place or ignored.

One agency said it would help address this by using data analytics to help frame a robust, evidence-based approach to free and frank policy advice for Ministers. But overall it was agreed that the current public sector incentive structure does not support greater knowledge through trial and error.

The future
It is clear that in just two years, the development of social investment and its evolution to investing for social wellbeing has had positive impacts for how the public sector and NGOs operate.

It has strengthened advice and enabled pockets in organisations to better measure and evaluate their programmes, and in doing so, deliver on wellbeing.

The people we interviewed were enthusiastic about the further gains that could be made as they embedded a data- and evidence-focused approach to strengthen policy development and service delivery.

They see opportunities to continue to drive collaboration across the sector. A number of interviewees felt a wellbeing approach could be embedded in policy development if it became more than a Budget device, for example, baking it into public sector management tools like business cases and Cabinet papers.

With such a range of views, clear direction-setting from Ministers and senior officials is needed to empower a new way of working, and shift the risk-averse culture that permeates the public sector to enable it to trial and innovate where it's appropriate to do so

Big challenges remain

While overall interviewees were positive about collaboration, they also identified a range of barriers.

Some felt there is little legislative or regulatory changes can do to encourage effective cross-agency collaboration, while others thought amendments to the State Sector Act and the Public Finance Act, along with directives in chief executive contracts, would help.

Others felt there is simply false optimism around the benefits of collaboration, with risk aversion and the single focus on departmental objectives hampering collaboration.

With such a range of views, clear direction-setting from Ministers and senior officials is needed to empower a new way of working, and shift the risk-averse culture that permeates the public sector to enable it to trial and innovate where it's appropriate to do so.

The shift calls on social sector ministers and agencies to coalesce around the opportunity and reimagine how they:

- engage with providers and customers
- can be enabled to take some quantified risks for how they collaborate and deliver
- embed wellbeing in policy development in a way that is more than a Budget tool

Looking back on our recommendations from two years ago, some have borne fruit, such as establishing targets for vulnerable people. Some recommendations around structural reconfiguration of the system, such as establishing a new agency to commission specialist social services for people at risk of poor life outcomes, are probably too radical at this point in time. But the need for cultural change and shift in attitudes around risk and collaboration might also be equally confronting.

End notes

1. Budget speech, May 2018. https://www.beehive.govt.nz/speech/budget-speech-2018
2. NZ Treasury; Speech: Natural Capital and the Living Standards Framework, March 2018. https://treasury.govt.nz/publications/speech/natural-capital-and-living-standards-framework
3. Office of the Minister for Social Development; Towards Investing for Social Wellbeing, April 2018. https://sia.govt.nz/assets/Documents/Cabinet-Paper-Towards-investing-for-social-wellbeing-April-2018.pdf

Article 4

Building New Zealand's social capital

A family-by-family approach

For many, New Zealand is a great place to live. We have a good quality of life, relative safety and security and an innovative mind set.

Yet we also have some of the highest levels of child poverty and suicide in the developed world and we know that some people in our society are being persistently left behind. The gap between those who have and those who do not is concerning. While we may be proud of our social security net as a country, current modes of social service delivery are no longer fit for purpose to ensure all New Zealanders have the same opportunities – particularly those individuals and families with high and complex needs.

As we continue our State of the State series exploring wellbeing, this article examines the role of social services in building social capital for New Zealand families and explores how we could make systemic enhancements for those in need of additional support.

By Anne Molineux & Adithi Pandit

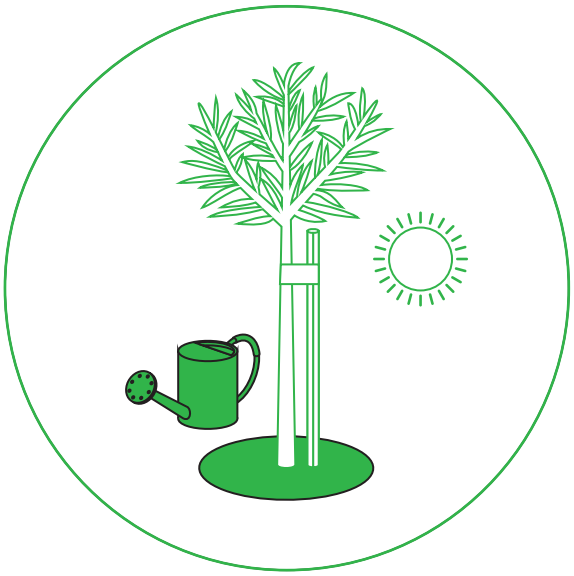
Anne Molineux is a Strategy and Operations Consultant with a focus on helping social and public sector organisations better meet the needs of the people they serve.

Adithi Pandit leads Deloitte New Zealand's Social Impact Practice. She is passionate about integrating the hard disciplines of systems thinking and human-centred design to give effect to large social change.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

A snapshot of New Zealand families[2]



Secure

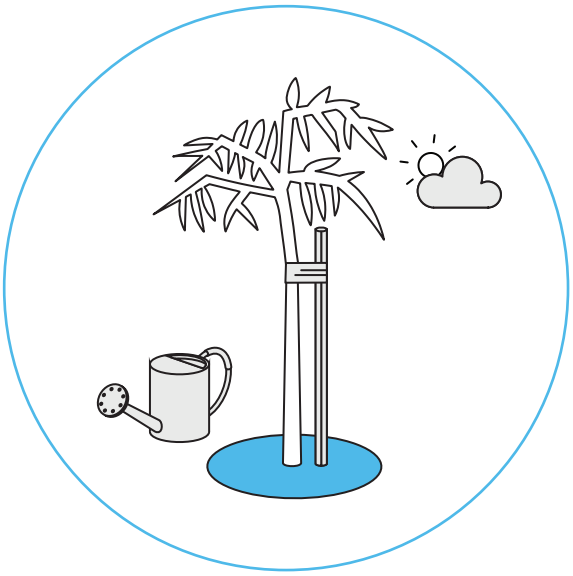
83%

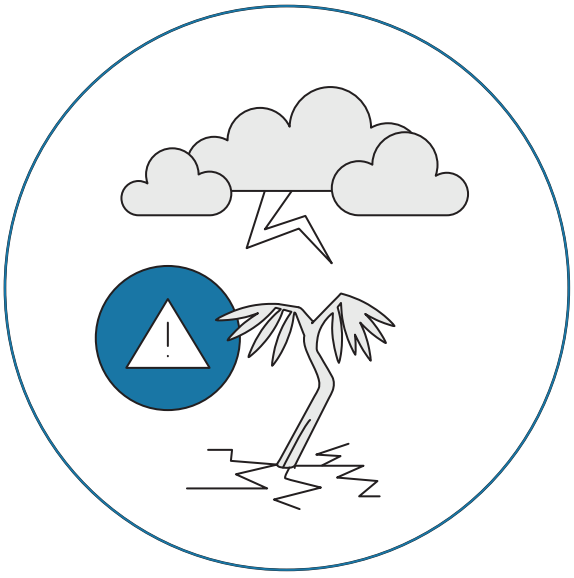
The vast majority (83%) of Kiwi families have stable and secure lives, a comparatively high quality of life and are able to achieve their aspirations. They are able to access the services and support they require within the current system.

At-risk

14%

A small percentage of families (14%) live in precarious circumstances where their family's fortunes could change at any moment. These families are mostly able to access the services and support they require within the current system, but need support to access or maintain access to services.





In crisis

3%

A very small number of families (3%) live in a state characterised by chronic crises – with a low quality of life, and in circumstances that prevent them from achieving their aspirations. These families typically have a range of high and complex needs, and are clients of multiple social service agencies. They are unable to access the services and support they require within the current system.

Social and human wellbeing in New Zealand

According to the OECD, New Zealand is in the top third of the least deprived OECD countries in 13 out of 18 indicators of deprivation.[1]

The majority of New Zealand families are able to provide safe and stable homes and achieve financial progress here. These families are able to successfully navigate public and social services to ensure they receive healthcare, education and superannuation, and their needs are largely able to be met by the existing system.

However, for a cohort of families who experience ongoing disadvantage, the current system is not meeting their needs. In many cases these families have been experiencing poor life outcomes for generations, with colonialism, displacement and systemic bias having a compounding role. The current system is typified by agencies operating largely independently to provide services to individuals who meet their eligibility criteria. It is unable to respond effectively to families with complex and cross-cutting needs.

Deloitte's Social Impact Practice has looked at a range of social service delivery models, including New Zealand's own Whānau Ora and Strengthening Families approaches, that have the potential to improve the lives of families, with a particular focus on families in crisis.

Many reviews of social services systems start by looking at how the system should be restructured to meet the needs of families in crisis. Instead, we have looked at the characteristics of families whose needs are being met by the current system and focus on how families in crisis can be better supported to attain those characteristics.

However, for a cohort of families who experience ongoing disadvantage, the current system is not meeting their needs. In many cases these families have been experiencing poor life outcomes for generations, with colonialism, displacement and systemic bias having a compounding role.

A snapshot of New Zealand families[2]

The vast majority (83%) of Kiwi families have stable and secure lives, a comparatively high quality of life and are able to achieve their aspirations. They are able to access any services and support they require within the current system.

A small percentage of families (14%) live in precarious circumstances where their family's fortunes could change at any moment. These families are mostly able to access the services and support they require within the current system, but need support to access or maintain access to these services.

A very small number of families (3%) live in a state characterised by chronic crises – with a low quality of life, and in circumstances that prevent them from achieving their aspirations. These families typically have a range of high and complex needs, and are clients of multiple social service agencies. They are unable to access the services and support they require within the current system.

Current models of social service delivery

In our current social services system numerous government and non-governmental agencies offer services that are more like "products" – relatively standardised in their accessibility and specification, with little emphasis on tailoring to the individual or delivering a client experience. The client's needs are understood mainly in relation to the scope of the product rather than what they need more holistically as a person.

Each agency focuses on delivering their products without much reference to the interplay between them. The products themselves are largely 'one size fits all' with some tailoring around the margins for larger customer segments.

It is left to individuals and families to navigate between the different agencies to access products to meet their needs and to resolve any service gaps or issues.

Families that are secure have the capacity and capability to analyse and organise their needs to align with the system. However, for families that are in crisis or at risk, the inability of the system to meet their needs in one domain can spill over into their ability to make use of the products and services from other parts of the system. For example, a lack of clean, dry, safe housing impacts children's ability to learn, the parents' ability to maintain employment and the family's need for healthcare.

A strategy to build resilience and wellbeing

In crisis: families and communities need different services and supports

1 **Moving to position of security**

At-risk: families and communities need support to access or maintain access to services

2 **Building resilience**

Secure: families and communities can navigate, access and use services independently

We have identified three shifts in social service delivery – representing increasingly systemic levels of reform – that would achieve these objectives

Working differently with families who are in crisis and at-risk to move to a position of security

Building resilience in families and communities to remain secure despite shocks

1 → 2

1
Family-by-family

Supports families to navigate the system effectively to meet their needs

2.
Guaranteed Minimum Income

Provides families with discretionary purchasing power to backfill for products they cannot obtain

3.
Family-centric policy

The system is aligned to recognise and meet the needs of families, not just individuals

The further from a position of security that a family finds itself, the greater support is required to stabilise and move to a position of security

The lack of a financial buffer that would act as a lubricant between these systems – such as the money for an oil heater, for petrol money to go to the doctor or for a nutritious breakfast for the kids - keeps these families in constant need of multiple agencies.

Other buffers such as community connections can create a network of shared supports and resources but in communities with the highest prevalence of intergenerational poverty network resources are already stretched.

To effectively meet their needs within the existing social services construct, a family needs to be able to:

- **Navigate the system effectively to meet their needs** – they are able to organise their needs to align with the system
- **Resolve any service gaps** – they have some discretionary purchasing power to backfill for the products and services they cannot obtain
- **Articulate their needs in the way that agencies look for** – they use their interpersonal skills to advocate for access to products and services when required

The majority of families that are in crisis, or at risk, are unable to do at least one if not all of these things:

- Their needs are complex and overlapping, for example poor health and educational participation that results from inadequate housing and prevents the parents from maintaining employment
- A lack of discretionary purchasing power means they cannot purchase additional services that would address gaps – for example, money for a heater and electricity to reduce mould in their home
- These families often have low levels of literacy or English as a second language and they may not understand entitlements or what they can expect from agencies

A strategy to build resilience and wellbeing

While there is little doubt that the New Zealand social service system needs to change – as signalled by the wide-ranging welfare system review announcement – there is an immediate and pressing need to improve current social service delivery to better meet the needs of families in crisis.

This requires a focus on two key objectives:

1. To create a system of greater resilience that enables more families to remain secure despite shocks

2. To create the supports that move families who are currently struggling into a position of security

The further from a position of security that a family finds itself, the greater support is required to stabilise and move to a position of security. Less support is required to keep a family that is already secure in that space.

We have identified three shifts in social service delivery – representing increasingly systemic levels of reform – that would achieve these objectives.

The remainder of this article focuses on the first shift – a family-by-family model that supports families to navigate the existing system to meet their needs, and creates the supports that move families who are currently in crisis to a position of security.

Navigator models in New Zealand and elsewhere are often limited by a lack of budget and clarity on objectives, and because navigators lack decision rights within the service delivery organisations

Current models for integrated family supports

New Zealand and other countries have tried a range of approaches to better integrate services to better meet the needs of families in crisis. These approaches typically fall into three categories:

Integrated social services create a structural one stop shop for service delivery. Approaches to integrating social services typically start with a premise of fundamentally integrating service design and delivery, but tend to result in tinkering around the edges or the introduction of new programmes on top of existing ones. For example, SmartStart[3] (formerly Birth of a Child) is a portal for expecting and/or new parents to access the information and services they require from a number of different agencies. While feedback from customers has been positive, the services provided through SmartStart are transactional in nature, and do not have the complexity of social services.

Navigator models create storefront integration for services while allowing service delivery to remain disaggregated. Navigator models do not seek to change the fundamental service delivery system, but rather create a new interface for families that enable them to access the right services and supports in a manner more aligned to their needs.

Navigator models in New Zealand and elsewhere are often limited by a lack of budget and clarity on objectives, and because navigators lack decision rights within the service delivery organisations. Whānau Ora is a good example of this, where navigators work closely with families and whānau to assess their specific needs and aspirations, and then connect them with the right services – but still have to work within the constraints created by mainstream government agencies.

Commissioning models create a budget pool or purchasing capability at a community, geography or cohort level. Commissioning models use budgets to remove barriers to service access for families in crisis. These models have shown some success in other jurisdictions. In New Zealand, Social Investment Boards have had some impact at the margins of social service delivery. However, such models do not address the full range of characteristics necessary to navigate social services effectively.

Although these models have produced some success in particular areas of social services, all have limitations, and none have been able to achieve the step change required to lift social outcomes. While these models may help families to identify and access existing products and services – they are not effective at addressing complex and overlapping needs that do not align easily to existing service catalogues.

A strengthened family-by-family approach

In New Zealand, an enhanced family-by-family approach could build on existing models such as Strengthening Families and Whānau Ora, by strengthening the purchasing power and agency influence of the navigator, extending the domains the navigator covers to all family related social supports, and creating more structured interfaces between the agencies and the navigator programmes.

Our comparative analysis found the greatest opportunities for enhancements in a model that has been trialled extensively in Denmark. There, it has operated as a pilot programme for 3 years, involving a rolling-cohort of 400 families from 10 local municipalities, and has now transitioned to business-as-usual.

The Danish model centres on individual cross-disciplinary plans for Denmark's most vulnerable families, supported by funding to achieve the interventions described in each plan. Each plan describes the family's objectives, and coordinates the interventions across the departments required to deliver on them. Ongoing measurement of objectives, outcomes and measures ensures the plan is flexible and can adapt to changing circumstances.

The family-by-family navigator could be someone who is already known to the family, and who could work with the family to develop a single plan for the family that is based on the family's own aspirations for their wellbeing and their own definition of their family group.

Family-by-family model

Social service agencies

Continue to provide services as normal to majority of families and whānau

Custom interfaces

Agencies assign specific teams to interface with the navigators and provide direct and preferential access

MoH/DHB
Hospital, addiction & disability services

Oranga Tamariki
Parenting support

MSD
Social housing & benefits

ACC
Injury support

HNZC
Housing

MoE/ School
Education & truancy

GP
General health

IRD

Single, powerful navigator

Navigator from the community who can act on behalf of the family and work with them to purchase and secure services

Family owned

The family will be able to express their aspiration through the plan and see the roadmap as helping them achieve this

Other providers

Navigator has ability to select non-government service providers including private market provision

Holistic view

A single assessment and planning tool that is co-developed with the family and whānau. The tool must therefore cover all domains of wellbeing, and include not only needs but also aspiration.

Single plan with budget

A single plan co-designed with the family with budget associated with it that reflects the total desired investment in the family returning to high functioning

Networks of influential advocates

Navigators have access to a network of influential advocates - not establishing formal advocacy organisations (that often work hard but outside of informal power networks), but to have direct access to leaders in commerce, politics and government

Navigators would have direct and preferential access into agencies, and have the power to stop, start or re-prioritise programmes or interventions for the family – placing the burden of appeal on the agency

The plan would be supported by a holistic assessment of the family's needs across all domains of wellbeing, and have a budget associated with it that reflects the total desired investment for the family to be able to move to a position of security. In Denmark, families went from having multi-page plans with multiple agencies to a single page plan that could be stuck to the fridge.

Any budget associated with the plan would be vested in the navigator to purchase the products and services required to achieve the family's goals – including from the private market. This would include products and services that are not commonly provided for by the social service system. In Denmark, for example, this has included things like dental and hairdresser appointments, school sports equipment and even a new stove.

Navigators would have direct and preferential access into agencies, and have the power to stop, start or re-prioritise programmes or interventions for the family – placing the burden of appeal on the agency. This is key to ensuring interventions align to the identified goals for the family and do not operate at cross-purposes to each other or place unrealistic expectations on family members.

Navigators would be supported by a network of influential advocates – leaders in commerce, politics and government – who are able to exercise their influence and privilege on behalf of the family, to advocate for service access, quality and equity.

The Danish model, which has many of these same features, has shown considerable success.

Every municipality that has implemented this model has seen significant improvements in educational and workforce participation –two key measures of success – among participating families. It has achieved these outcomes while simultaneously reducing costs, finding that many of the interventions previously in place for families were operating at cross-purposes to one another.

One of the key characteristics of this model is that it focuses on the families in greatest crisis. In Denmark, these families were identified as being the families on whom the greatest amount of social services funding was spent. Participation in the programme was dependent on the family providing permission for their information to be shared among relevant agencies, which proved to have minimal effect on families' willingness to participate.

This model supports families in crisis to attain the characteristics that enable more secure and resilient families to navigate the current system effectively. These include:

- A single powerful navigator for the family
- The budget authority to spend outside the traditional service catalogue
- Support from influential advocates who can exercise their "privilege" on behalf of the family

It addresses the gaps seen in current models of social delivery, notably:

- Assessing a family's circumstances against all domains of wellbeing, with a focus on moving the family to a position of security
- Agreeing on a shared set of goals and aspirations between the family and all relevant agencies, and on how progress will be measured
- Stopping, starting or re-sequencing programmes or interventions for the family based on a shared set of goals and aspirations
- Providing purchasing power on behalf of the family to fill service gaps

The evidence of success in the Danish family-by-family approach is compelling and suggests that enhancing our Whānau Ora models is a feasible and desirable path forward. It can be delivered within the existing envelope of social services budgets by spending money in a more client-led way. It delivers the benefits of social service integration for families in crisis, without requiring significant structural changes to the existing social service system. It leverages the strengths that lie in communities and families, and thus builds resilience, which reduces the likelihood of a return to dysfunction and builds social and human capital.

Taking a family-by-family approach to social service provision enables services, that are otherwise siloed and selectively available, to be wrapped into more holistic wellbeing-focused outcomes. This would allow more families to access the public and state sector services they need to achieve their aspirations, and help ensure more Kiwi families are able to experience the quality lifestyle that many in New Zealand have come to enjoy.

Taking a family-by-family approach to social service provision enables services, that are otherwise siloed and selectively available, to be wrapped into more holistic wellbeing-focused outcomes

Looking to the future

In New Zealand we have relied for a long time on the willingness of those who work in the social sector to go "above and beyond" to find ways to meet the needs of their clients in spite of the current system.

Strengthening a family-by-family approach is not a panacea, and does not tackle a number of systemic issues such as hospital waiting lists, housing affordability and transport infrastructure. However, the benefits case for this model is strong, both from an evidence base and from existing business cases for social investment and integrated social services. We see the family-by-family approach as a credible and practical first step to address some of the complex, long-standing problems that create intergenerational poverty and dysfunction.

If we are to have a more significant and lasting impact on families at risk or in crisis, we need to look to systemic shifts in the social services system, and reduce our reliance on the goodwill of individuals.

In New Zealand, as we embrace a more holistic concept of wellbeing and understand the importance of community resilience, we have the opportunity to complement this targeted approach with broader supports, as suggested in two additional models we are exploring: Guaranteed Minimum Income, and Family-Centric Policy.

We will be exploring these other two models in greater depth in a report to be released later this year and we will notify subscribers to the State of the State series when it is available.

End notes

1. OECD. (2017, November). Retrieved from: https://www.oecd.org/newzealand/Better-Life-Initiative-country-note-New-Zealand.pdf
2. Perry, B. (2017). The material wellbeing of NZ households: trends and relativities using non-income measures, with international comparisons. Wellington: Ministry of Social Development.
3. New Zealand Government. (2017, March). Birth of a Child Life Event. Retrieved from https://www.ict.govt.nz/programmes-and- initiatives/government-service-innovation/easier-access-to-government-services/birth-of-a-child-life-event/
4. OAG. (2015). Whānau Ora: The first four years. Retrieved from: www.oag.govt.nz/2015/whanau-ora

Article 5

Inclusive and resilient communities

Co-creating our human and social capital

Expanding from a GDP economy to a wellbeing economy will require a fundamental re-think of how we define success as a nation and the transformation of the public, private and community sectors.

Despite this potentially daunting shift, the time for such change is now. Influential New York Times columnist Thomas Friedman describes the current era as an "Age of Accelerations", specifically of technology, globalisation and climate change.[1] Achieving societal wellbeing in today's world, where disruption has become normal, requires a collaborative and systemic response to the issues of our time.

To strengthen the stocks of social, human, natural and financial/physical capital upon which wellbeing and resilience depend, our models of democracy, governance and power need to evolve and embrace complexity. As we continue our State of the State series exploring wellbeing, we examine what needs to be different in order to strengthen our social and human capital in the pursuit of wellbeing, and the role of communities and policy-makers in this endeavour.

By Deborah Lucas & Jo Kelly

Deborah Lucas supports and builds capability across education, youth development and social services, as part of Deloitte's corporate responsibility portfolio.

Jo Kelly supports Deloitte's journey toward positive impact for sustainable development. Her focus is on empowering purpose-led businesses and programs. Her background is in working with business leaders toward break-through change and innovation.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

What is meant by social and human capital?

Treasury's ambition with the Living Standards Framework is to help us integrate a broader understanding of economics and value into the everyday work of public policy.[2] The four capitals at the heart of the framework generate tangible and intangible benefits to enhance wellbeing now and in the future.

There are many definitions of the four capitals but for our purposes, we will use those outlined by Treasury.[3] Along with financial/physical and natural capital, the two we are concerned with in this article are:

- **Human capital** - an individual's skills, knowledge, mental and physical health. It enables people to participate fully in work, study, recreation and in society more broadly.
- **Social capital** - the networks, attitudes and norms promoting coordination and collaboration between people; and the social connections that provide people with emotional, instrumental and informational support.

The Māori concept of social capital emphasises the primary importance of extended whānau relationships, knowledge of a specific 'place' in society, informal associations, the holistic nature of relationships and networks, and the defence, preservation and expansion of existing hāpu/iwi communities.[4] We will be exploring the wellbeing economy from a Māori perspective in a future article in the State of the State series.

Put simply, social capital is an important basis for, and product of, cooperation. This cooperation starts at the family and neighbourhood level, and then within the wider community.[5] Trust, optimism, satisfaction with life, perceptions of government institutions and political involvement all stem from the fundamental dimensions of social capital. The desired end point of building social capital is improved wellbeing of community members.

Social capital can have drawbacks as well. Bonds between members of a community can become so entrenched that bridges cannot be built between different communities. Social capital can divide as well as unite and can increase social isolation while inhibiting social mobility. The kinds of groupings and associations that generate social capital also carry the potential to exclude others.[6]

How communities can contribute to and benefit from social and human capital

Communities with strong social capital have resources for new ways of thinking and working to address complex problems.[7] We may default to thinking that only money is needed in communities; however, grassroots community-based action is very effective at solving issues. According to David Hanna, a specialist with Inspiring Communities (see Good Cents sidebar at the end of the article) and the Director of Wesley Community Action, a stable community with strong social capital can handle significant disruption: the definition of a resilient community.[8]

Communities that are rich in social capital are known to confront poverty, resolve disputes, and take advantage of new opportunities.[9]

When it comes to human capital, many studies have shown the direct benefits of lifting educational attainment to the economic health of communities. Investing in human capital is the single most effective way of not just promoting growth, but also of distributing its benefits more fairly.[10]

Leading American social scientist, Michael Woolcock, has explored urban studies showing that rates of crime and suicide are less and health outcomes and employment prospects are better in deprived areas where measures of social and human density are greater, even after allowing for other factors.[11]

How do we define community in the context of the four capitals?

We have a good understanding of the different types of families in New Zealand (see Article 4 in our State of the State series) but when we use the term 'community', things get more complicated. Everyone has an idea of what it is, but community can mean different things to different people.

Globally, we spend 51 percent of our time in a realm where we are all connected, yet no one is in charge.[12] Cyberspace is largely ungoverned by traditional institutions like nation states or religious groups. Our idea of community, and how we organise ourselves to challenge power, has changed.

The Department of Internal Affairs provides one definition of different types of communities, which are not mutually exclusive:[13]

- Communities of place: these are people who share a common location where they live, work or spend time. This may be all of the people in a neighbourhood or small town.
- Communities of interest: these are people in a defined location who share a common passion. An example may be people in South Dunedin interested in including older people in their community.
- Communities of attribute: these are people within a place who share a common personal feature or identity. An example may be the deaf community of a city such as Hamilton.

Communities that are rich in social capital are known to confront poverty, resolve disputes, and take advantage of new opportunities.[9]

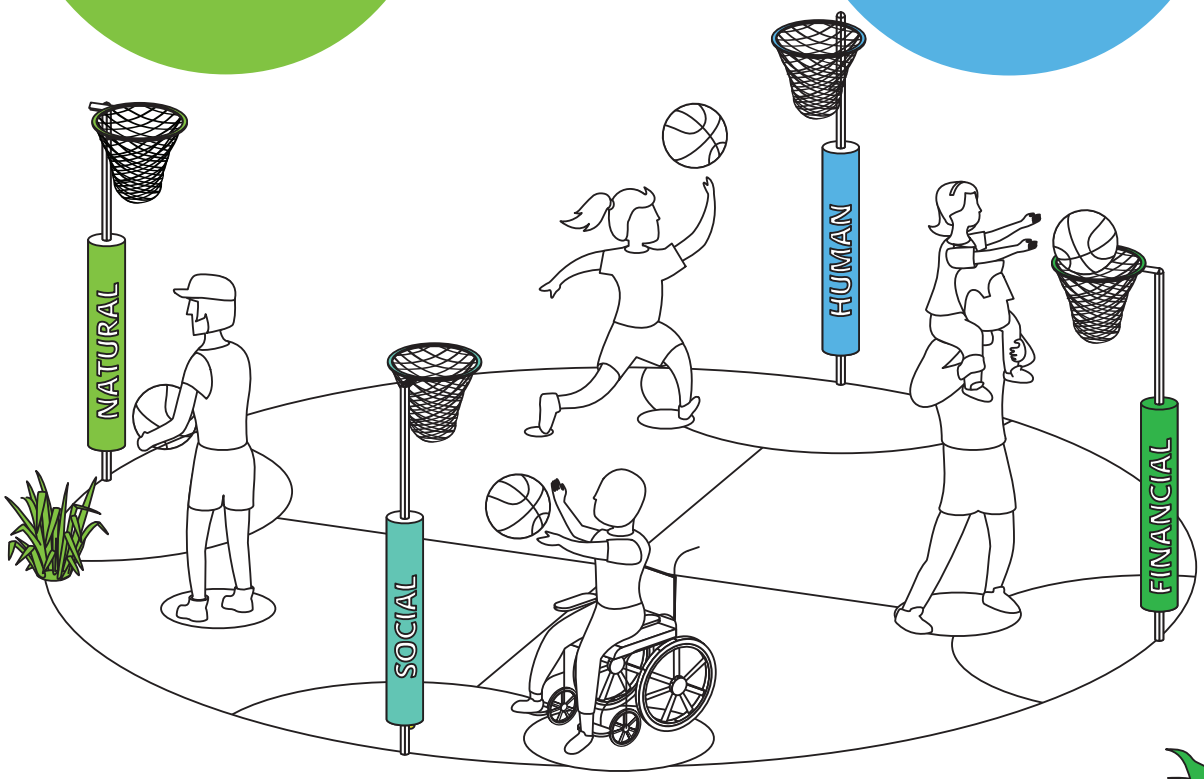
Woolcock & Narayan

The Four Capitals

The Treasury's living standards framework is underpinned by the four capitals - financial/physical, natural, human and social - all of which are interlinked and constantly changing. Together, they all directly impact New Zealand's wellbeing.

Natural Capital
This refers to all aspects of the natural environment needed to support life and human activity. It includes land, soil, water, plants and animals, as well as minerals and energy resources.

Human Capital
This encompasses people's skills, knowledge and physical and mental health. These are the things which enable people to participate fully in work, study, recreation and in society more broadly.



Social Capital
This describes the norms and values that underpin society. It includes things like trust, the rule of law, the Crown-Māori relationship, cultural identity, and the connections between people and communities.

Financial/ Physical Capital
This includes things like houses, roads, buildings, hospitals, factories, equipment and vehicles. These are all the things which make up the country's physical and financial assets which have a direct role in supporting incomes and material living conditions.

In the Māori concept of community, whānau moves seamlessly from the immediate family to hapū and iwi, so the whānau becomes the community and the community is made up of whānau. Social capital is created through networks and relationships that are within all of these expressions of whānau (or community).[14]

What needs to be different to achieve the four capitals version of wellbeing?

1. Working back from a vision of the future

New Zealand is a signatory to the UN's Sustainable Development Goals (Global Goals),[15] and has recently launched consultation for a Zero Carbon Act[16] and a Climate Commission, and has publically declared a commitment to a Wellbeing Budget[17] based on Treasury's Living Standards Framework.[18] However, without an ambitious, encompassing vision connecting them, the wellbeing framework feels incremental and like a 'bolt on' to existing social services.

For example, achieving the Sustainable Development Goals will require a cross-Government effort and input from the private sector and civil society. New Zealand government agencies are currently reviewing the goals and their alignment with government priorities. This analysis will inform a discussion on how New Zealand focuses its efforts.[19] However, there needs to be an overarching vision to guide all parties through this process.

In addition, the Community Wellbeing Amendment Bill (currently in select committee) is based on the notion that councils and communities are best placed to determine and prioritise which services they need.[20] But it's not a given that local government with more power and more mandate is more likely to collaborate, co-design with or empower communities.

We can't avoid the question of whether decisions and ideas are flowing down from central government or up from the people, and whether those with the most expertise and experience are being empowered to make the changes we need.

Some level of policy and funding certainty is required to enable civil society, community organisations and business to collaborate and innovate in a way that transcends the current planning cycles and partisan politics. This will require a step change in how most of our institutions operate. We need to build governance structures that act independently and support a long-term transition – in a similar vein to the intended Climate Commission – and we need a long-term bipartisan vision to support these new structures.[21]

Most importantly, we must enable solutions to emerge from our shared effort toward the future we want, not the history we have.

2. Comfort with complexity and trust in the ecosystem

As we explored in Article 3 in this series, *The evolution of social investment*, the overall public sector incentive structure in New Zealand remains risk averse and not supportive of greater knowledge through trial and error.

To achieve strength within each of the four capitals, we need structures that embrace a complexity mind-set and recognise that innovation - with its inherent risk of failure - is required to achieve new solutions. Social problems are complex and multi-layered and there will be no single, clear solution. There are many committed organisations, such as Wesley Community Action, with strong records of delivery in a community setting. They are building precious social capital across one or many communities in innovative ways that address complex issues.

3. Build the conditions to allow co-created, adaptive policy

The developing adaptive policy work, related to climate change and natural disaster resilience is grounded in the understanding that we can't predict the future. Maintaining strong social capital will be critical to ensuring policy remains relevant to impacted communities and the transition to a low emissions economy is equitable and inclusive. Similarly in a wellbeing frame, co-creating policy facilitates trust, ownership, shared risk and pathways to innovation that are relevant for those facing the most difficult challenges.

A good example of this in the social sphere is the Enabling Good Lives (EGL) initiative, which is a partnership between the disability sector and government agencies to give disabled people greater control over their lives. [22] Central to EGL is the shifting of authority so disabled people and their families have the 'say so' in their care and support.

Another example is the Community-led Development (CLD) Programme. This uses a community-led approach to support communities and hapū to achieve their goals by working together, building on strengths, encouraging wide participation and developing local leaders. Inspiring Communities is a CLD and its specialists, such as David Hanna, mentor, broker, train and connect communities to become even better places to live, work and invest in.[23]

We expect public policy-makers in New Zealand will be exploring various mechanisms to better enable co-created, adaptive policy. In 2014, when the UK Government was grappling with this issue, it established the Policy Lab to bring people-centred, transparent design approaches to policy-making.[24] The Lab provides policy teams with practical support to better understand the people they are trying to reach, and work with them to co-design new solutions.

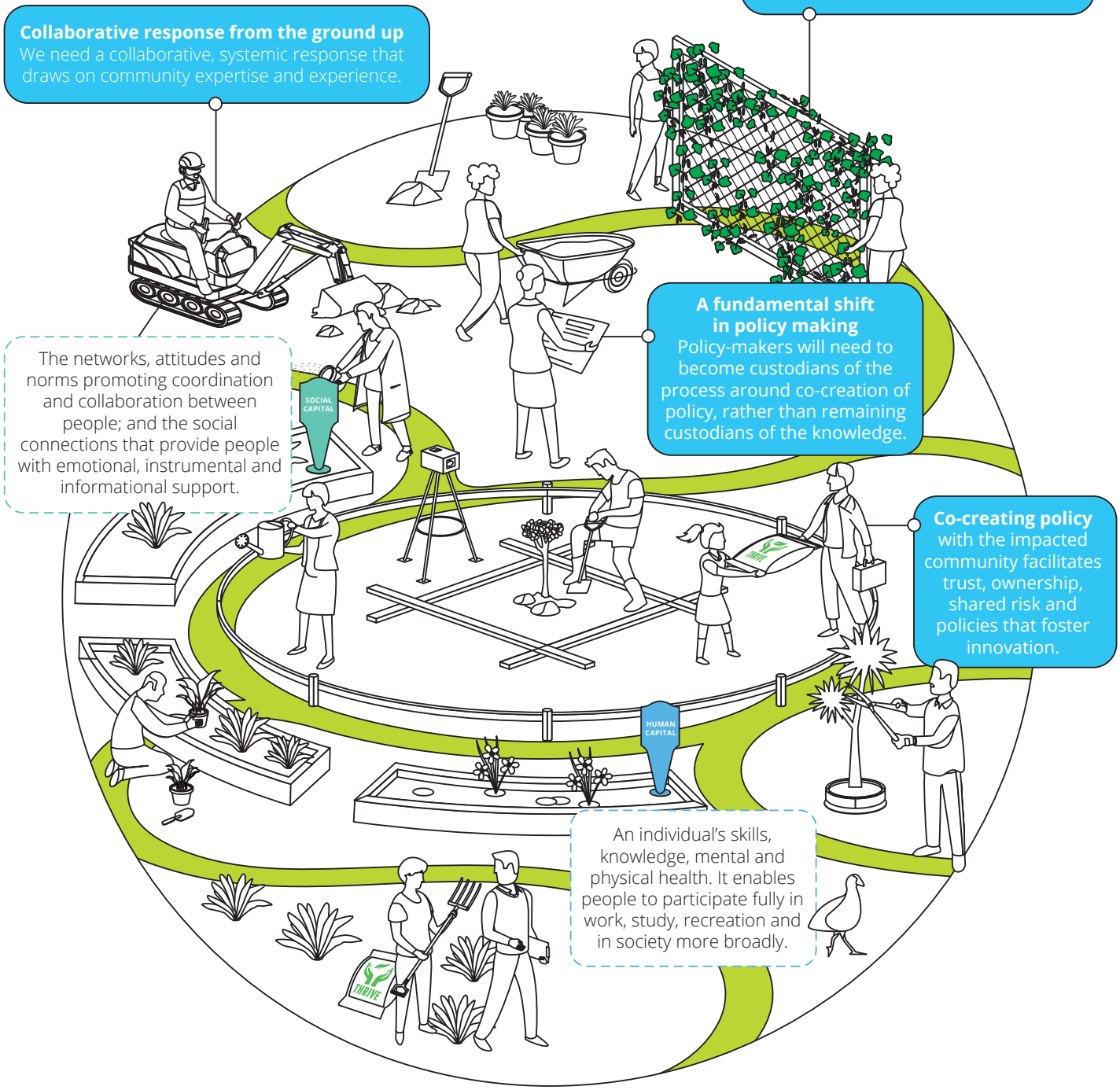
As our Treasury Secretary, Gabriel Makhlouf, said in his speech on the the Living Standards Framework back in March: "all public policy asks the same fundamental question - whatever mechanisms we choose to use to solve the 'economic problem', what can the state do to make the mechanism work better towards improving collective wellbeing?"[25]

Co-creating our human and social capital

Expanding from a GDP economy to a wellbeing economy will require a fundamental re-think of how we define success as a nation and the transformation of the public, private and community sectors. To remain relevant, our democratic systems and traditional models of governance and power need to evolve to embrace a complexity mind-set. We examine what needs to be different to achieve the four capitals version of wellbeing, with a focus on human and social capital, and the role of communities and policy-makers in this shared pursuit.

Providing frameworks to allow policy to be flexible
Grounding policy in the understanding that we can't predict the future requires us to constantly adapt and maintain our social capital in order to remain relevant.

Collaborative response from the ground up
We need a collaborative, systemic response that draws on community expertise and experience.



The networks, attitudes and norms promoting coordination and collaboration between people; and the social connections that provide people with emotional, instrumental and informational support.

A fundamental shift in policy making
Policy-makers will need to become custodians of the process around co-creation of policy, rather than remaining custodians of the knowledge.

Co-creating policy with the impacted community facilitates trust, ownership, shared risk and policies that foster innovation.

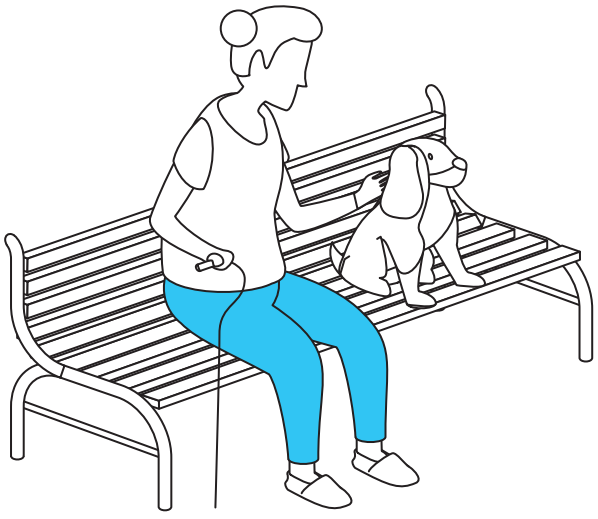
An individual's skills, knowledge, mental and physical health. It enables people to participate fully in work, study, recreation and in society more broadly.

4. Measuring what matters

As David Hanna points out, while we may struggle to measure a community, we can measure the unease that occurs when we don't have community.[26]

Whether social capital can (or can't) be measured at an individual or community level, there is a lot to be gained from harmonising approaches to measuring, understanding and valuing all the capitals, not least in terms of directing finite resources to the most effective outcomes.[27]

This is challenging work, already started by Treasury with Conal Smith's "Treasury Living Standards Dashboard: Monitoring Intergenerational Wellbeing", which is expected to be developed by the end of the year. [28] The dashboard of indicators will need to be robust to provide short-term and long-term advice. Further cross-sector collaboration to advance this work and scale best practice philosophies, practices and tools will help drive shared understanding across the "unusual partners" needed to actually achieve systemic shifts.



We need to listen. Government will have to move beyond public consultation and connect deeply with communities on issues they are struggling with

The Deloitte US Reimagining Measurement Initiative has explored the future of monitoring, evaluation, and learning in the social sphere and may be a useful resource.[29] It has looked at how the social sector can better use data and information to measure goals, achievements and impacts.

The initiative has explored the differences between the expected future - the default view of what most people anticipate if they simply project forward current trends and behaviours, without any specific interventions - and the better future they hope the field can realise. In addition, the UK's Happy City (see sidebar) offers tools and guidance to promote measurement of the wellbeing of people and the planet as an alternative to GDP growth.

Policy-makers here in New Zealand need to think carefully about how to measure what matters, both now and in the future. Measurement is only useful if it helps influence actions to achieve better outcomes.

What is the way forward?

What could developing and strengthening social and human capital look like for New Zealand's wellbeing economy?

The OECD has been researching social and human capital measures and policies for some years now.[30] It recommends various policies for strengthening such capital, some of which we already have in New Zealand, such as paid parental leave. Central to the OECD policy recommendations is a people-centred government decision-making process, and this is where New Zealand can make real progress.

We need to listen. Government will have to move beyond public consultation and connect deeply with communities on issues they are struggling with – a wide range of different types of community – to put people at the heart of the approach to improve wellbeing.

In many of our communities there is, of course, very strong social and human capital, but often this is linked to the respective community's financial capital. We need policies and structures that support social and human capital across low socio-economic areas. The current Government has embarked on an ambitious range of reviews of the education, welfare and criminal justice systems. This is commendable but not sufficient to really embed community input into decision-making around new policy.

We are talking about a fundamental shift in policy-making. Policy-makers will need to become custodians of the *process* that ensures co-creation of policy rather than remaining custodians of the knowledge.

In this Age of Acceleration, change is exponential, and no single group has all the solutions.[31] Agencies need to start feeling comfortable with not having all the answers, and be flexible about changing course when their efforts are not succeeding.

Our governments, institutions, academics, businesses and innovators will need to be organised in such a way as to embrace complexity and to foster and facilitate collaboration and creativity between unusual partners.

We will need all our collective wisdom, experience and skills to find solutions to address future problems that do not even exist yet. The Māori proverb 'Ka mura, Ka muri' (looking back in order to move forward) describes how we walk backwards into the future. Our thoughts are directed toward the coming generations but our eyes are on the past. We need novel and long-term solutions to ensure a sustainable future in order to, as Māori also say, protect the Earth that we are borrowing from our children.[32]

Case studies

It makes good cents

Wesley Community Action is a Wellington-based social services organisation. In 2007, the Board noticed that despite economic growth, demand for the local foodbank remained high. Discussions with foodbank users revealed many of them were trapped in a cycle of debt.

Good Cents emerged in 2011 as a locally developed response to the issue of debt and has grown into a community-owned initiative focused on transforming the systems and structures that create unsustainable debt. Wesley House in Cannons Creek has acted as an 'innovation hub'; not only delivering Good Cents to about 200 members of the community; but also offering additional initiatives such as a fruit and vegetable co-operative, cooking classes and school visits.

These initiatives are unashamedly community-led, with an overarching belief that those who work, play and live in the community are best placed to create change and lead transformation. Individuals are moving away from feeling helpless to building confidence and feeling more in control of their situation. Wesley Community Action director David Hanna said we default to thinking that money is needed in communities, but community-based action has been the most effective.

http://inspiringcommunities.org.nz/

Grow happiness, one city at a time

Founded in Bristol in 2010, Happy City is a charity and community interest company with the overall mission is to 'make what matters count'. It started off as a bold experiment to put the wellbeing of current and future generations of Bristol citizens at centre stage. Its aim now is to 'grow happiness, one city at a time'.

Happy City works with organisations to help them develop and embed new progress measures and assists with training, projects and campaigns. All of Happy City's work is based on founding beliefs that:

- Many of our greatest global challenges have, at their roots, the (mistaken) idea that the marker of success is a growth in consumption and wealth.
- Real lasting happiness and wellbeing depends on many things including the quality of our relationships, supportive and active communities, opportunities to engage and be valued, the long-term quality of our environment.
- There are many things we can do to develop lasting happiness and community resilience that don't cost the earth (financially or environmentally).
- Money and the measurement of economic growth are only tools not the ends.

http://www.happycity.org.uk

End notes

1. Friedman, Thomas L. (2016). Thank you for being Late: Optimist's Guide to Thriving in the Age of Acceleration.
2. Speech by Gabriel Makhlouf, (December 2017). Retrieved from https://treasury.govt.nz/publications/speech/intergenerational-wellbeing-weaving-living-standards-framework-public-policy
3. NZ Treasury. Living Standards Framework. December 2017. Retrieved from https://treasury.govt.nz/sites/default/files/2017-12/lsf-pres-13dec17.pdf
4. Williams, T; Robinson, D. (2001). "Social Capital Based Partnerships, a Maori Perspective from a Comparative Approach in Building Social Capital", Institute of Policy Studies.
5. Bullen, P; Onyx, J. (1998). "Measuring Social Capital in Five Communities in NSW: A Practitioner's Guide."
6. Claridge, T. (2004). "Social Capital and Natural Resource Management: An important role for social capital?" Unpublished Thesis, University of Queensland, Brisbane, Australia. Retrieved from https://www.socialcapitalresearch.com/literature/theory/benefits/
7. ibid.
8. Pandit. A. To Embrace Community We Must Embrace Complexity. Retrieved from www2.deloitte.com/nz/en/pages/social-impact/articles/social-impact-embrace-community.html
9. Woolcock, M; Narayan, D. 2000. "Social capital: implications for development theory, research, and policy (English)". The World Bank Research Observer. -- Vol. 15, no. 2 (August 2000), pp. 25-249.
10. OECD, 2012. Retrieved from https://community.oecd.org/docs/DOC-41754
11. Helliwell, J.F. The Contribution of Human and Social Capital to Sustained Economic Growth and Well-Being Symposium Report, Department of Economics, University of British Columbia.
12. Friedman, Thomas L. (2016). Thank you for being Late: Optimist's Guide to Thriving in the Age of Acceleration.
13. Community Matters. Community-led Development Programme. Retrieved from https://www.communitymatters.govt.nz/community-led-development-programme/
14. Williams, T; Robinson, D. (2001). "Social Capital Based Partnerships, a Maori Perspective from a Comparative Approach in Building Social Capital", Institute of Policy Studies.
15. Sustainable Development Goals. Retrieved from https://www.mfat.govt.nz/en/peace-rights-and-security/work-with-the-un-and-other-partners/new-zealand-and-the-sustainable-development-goals-sdgs/
16. The Climate Commission. Retrieved from https://zerocarbonact.nz/getting-us-to-zero-carbon/the-climate-commission
17. Budget 2019: Focus on wellbeing. Retrieved from https://www.budget.govt.nz/budget/2018/economic-fiscal-outlook/budget-2019-focus-on-wellbeing.htm
18. NZ Treasury. Our living standards framework. Retrieved from https://treasury.govt.nz/information-and-services/nz-economy/living-standards/our-living-standards-framework
19. NZ Foreign Affairs & Trade. Sustainable Development Goals. Retrieved from https://www.mfat.govt.nz/en/peace-rights-and-security/work-with-the-un-and-other-partners/new-zealand-and-the-sustainable-development-goals-sdgs/
20. Local Government (Community Well-being) Amendment Bill. Retrieved from http://www.legislation.govt.nz/bill/government/2018/0048/latest/LMS30972.html.
21. The Climate Commission. Retrieved from https://zerocarbonact.nz/getting-us-to-zero-carbon/the-climate-commission
22. Enabling Good Lives Toolbox. Retrieved from http://www.enablinggoodlives.co.nz/about-egl/resources/provider-resources/enabling-good-lives-toolbox/
23. Inspiring Communities. http://inspiringcommunities.org.nz/
24. UK Cabinet Office. Policy Lab. Retrieved from https://openpolicy.blog.gov.uk/about/
25. Speech by Gabriel Makhlouf (March 2018). Retrieved from https://treasury.govt.nz/publications/speech/natural-capital-and-living-standards-framework
26. Pandit. A. To Embrace Community We Must Embrace Complexity. www2.deloitte.com/nz/en/pages/social-impact/articles/social-impact-embrace-community.html
27. Claridge, T. (2004). Social Capital and Natural Resource Management: An important role for social capital? Unpublished Thesis, University of Queensland, Brisbane, Australia.
28. Speech by Gabriel Makhlouf (March 2018). Retrieved from https://treasury.govt.nz/publications/speech/natural-capital-and-living-standards-framework
29. Deloitte. Deloitte Reimagining Measurement Toolkit; Report and Podcast. https://www2.deloitte.com/content/dam/Deloitte/us/Documents/monitor-institute/us-monitor-institute-reimagining-measurement-toolkit.pdf and https://www2.deloitte.com/insights/us/en/multimedia/podcasts/monitoring-evaluation-learning-social-impact-measurement.html
30. OECD (2001). Retrieved from http://www.oecd.org/site/worldforum/33703702.pdf
31. Friedman, Thomas L. (2016). Thank you for being Late: Optimist's Guide to Thriving in the Age of Acceleration.
32. Price, C. (2014). Māori Matters. Retrieved from http://salient.org.nz/2014/03/maori-matters-2/

Article 6

Shifting the landscape

What a wellbeing focus could mean for business

The Government's focus on wellbeing has the potential to shift the traditional economic landscape – what could this mean for New Zealand business?

In Budget 2018 the Government reiterated its commitment to put people's wellbeing and the environment at the heart of its policies, including reporting against a set of wellbeing indicators in future budgets.[1]

But more broadly, the Government has also indicated that the 'Wellbeing Budget' in 2019 will simply be a marker on a journey towards embedding wellbeing in New Zealand's public policy.[2]

What is clear is that the Government's focus on wellbeing will involve much more than simply putting a wellbeing spin on Budget 2019 through the publication of some non-economic measures. The desire to embed wellbeing in policy development runs deeper than that, which could have profound implications for the economy, and therefore for business. So, what could implementing wellbeing look like for the private sector?

By Alex Mitchell

Alex is a Deloitte tax partner, specialising in helping a variety of clients navigate the complexities of tax legislation and regulation.

He has a keen interest in public policy, including in the area of tax reform, and more generally around the impact of wider government policy-making on individuals, businesses and the economy.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

Other articles in this State of the State series have sought to explain what wellbeing is and how it can be measured. Broadly, however, in order to move toward a greater focus on wellbeing, there is likely to be a rebalancing of government policy around the Four Capitals in Treasury's Living Standards Framework – natural, social, human and financial/physical.[3]

Herein lies the potential for wellbeing to have an impact on business. The weight put on the relative importance of financial/physical capital has shifted, as the importance of other capitals to society more broadly has grown. An example of this is included in our first article in this series. World Economic Forum studies have shown a rising disconnect between countries' per capita GDP and citizens' wellbeing as economic growth – that is not necessarily equally shared – has impacts for health and the environment that are viewed with increasing importance.[4]

Anecdotally, this is true to some extent in New Zealand. Some commentators have theorised that the change in government at last year's election was due in part to an increasing national discomfort with economic inequality and environmental concerns.

That is not to say that the Government does not value financial capital. Clearly there is recognition that financial/physical capital can and does make important contributions to wellbeing. The question that may impact business, however, is how government might look to strike a balance between the four Capitals so that investment in financial/physical capital remains strong, and the related economic growth supports investment in the other three capitals.

This question arises in a context where there have already been some highly publicised policy changes that appear to put less emphasis on financial/physical capital. For example, the Government's decision to ban offshore oil and gas drilling[5] could be viewed in light of the four capitals, and a political decision made that put natural capital above others – even arguably above social capital, given the possible impact of the decision on some communities.

We should expect this to be the first in a range of material policy decisions that place less weight (at least overtly) on financial/physical capital. Where natural capital is valued above other measures, expect new regulation in recognition of this. And where there is a sense of inequality, expect a focus on human and social capital to come through – think Fair Pay Agreements.

For business, and the economy in general, the shift to a greater emphasis on holistic wellbeing is relatively uncharted territory. However the more broadly it is understood, and the particular policy directions taken by Government anticipated by the market, the smoother the transition will be. Business above all else values certainty within a stable economic environment. In this context, change at the right pace is important – a balancing act between the Government delivering on its promises around wellbeing, while keeping the financial/physical capital pillar stable. It is also important that the Government brings business on the journey, because substantive change is unlikely to be successful without government, business and communities working together to

Government's focus on wellbeing

The impact on business

some extent. There are already signs of business taking steps in this direction (see sidebar Climate Leaders Coalition – business steps up).

Policy change through regulation is perhaps the most obvious direct impact that the Government's focus on wellbeing could have on business. This could include change through the tax system, for example an increase in taxes to fund social wellbeing expenditure, including possibly the introduction of hypothecated taxes targeted to pay for certain wellbeing measures (e.g. an environmental tax to fund the clean-up of waterways). The Tax Working Group is looking into possible policy changes like these and will be considering whether it is appropriate to use the tax system to influence behaviours, as opposed to targeted regulation. We will see the first hint of what might be coming when their interim report is released in September.

Of course, change is not always necessarily driven by government policy and regulation. Over the past two decades we have seen more and more businesses measuring their success, and impact, beyond just financial measures. For the most part, this has not been driven by government requirements, but rather by consumer preferences for companies to behave ethically and responsibly, including taking responsibility for the entire supply chain. In fact, businesses that have been operating with a wellbeing lens for some time might view the interest from government as being slightly 'late to the party.'

For example, the growing market for products that support ethical and sustainable business practices are tied to the social and natural capitals, and therefore in step with – and in many ways leading – the wellbeing movement. Similarly, businesses that voluntarily adopt the living wage could be said to fall into this category.

On one hand, socially conscientious businesses might welcome the Government articulating a plan to enhance wellbeing, as it goes hand in hand with their products and services. There is potential upside to these businesses, to the extent that government – or members of it – are 'influencers', as this could also

The rise of social enterprise

A global trend identified by Deloitte is the increase in social enterprises (companies looking beyond revenue and profit) which explicitly acknowledge that they operate as part of an ecosystem. And we expect to see the growth of social enterprises in New Zealand continue to accelerate.

Deloitte's *2018 Global Human Capital Trends: The rise of the social enterprise* identified three macro forces driving the urgency of this change.[7]

First, the power of the individual is growing, with millennials at the forefront. 86 percent of millennials think that business success should be measured in terms of more than just financial performance. Millennials comprise a majority of the workforce in many countries, and their purchasing power will likely grow over time. This shift in power to the individual is being propelled by today's hyper-connected world, which enables people to track information about companies and their products, express their opinions to a wide audience and sign onto social movements globally and in real time.

Second, businesses are being expected to fill a widening leadership vacuum in society. Across the globe, people trust business more than government. The 2018 Edelman Trust Barometer reported that people worldwide place 52 percent trust in business to do what is right, versus just 43 percent in government.[8] Citizens are looking to business to fill the void on critical issues such as income inequality, health care, diversity, and cybersecurity to help make the world more equal and fair. Organisations that engage with people and demonstrate that they are worthy of trust are winning allies. Companies that appear aloof, tone-deaf, or disengaged face harsh headlines, negative social media and tough questions from stakeholders.

Third, technological change is having unforeseen impacts on society even as it creates massive opportunities to achieve sustainable, inclusive growth. Advances in artificial intelligence (AI) and new communications technologies are fundamentally changing how work gets done, who does it, and how it influences society. Many stakeholders are alarmed, and they expect businesses to channel this force for the broader good, balancing the use of technology with people to ensure a fair and productive society.

further shape consumer preferences. And consumer preferences are changing rapidly in the era of internet/social media based campaigning where it doesn't take much to shape a trend and achieve meaningful results quickly. The response from many businesses to the campaign against plastic bags is a recent example.

In particular, social enterprise businesses could really take off, encouraged by government policy and urged on by consumers, especially millennials, with an appetite for any mix of social enterprise and ethical and sustainable businesses that demonstrate purpose beyond profit (see sidebars: The rise of social enterprise and B Corp movement in New Zealand).

However, to the extent that greater regulation is used as part of the toolkit by government, inevitably there will be some industries or sectors that are adversely impacted. The potential effects of measures to protect the environment could, for example, put pressure on parts of the agriculture sector; for instance there is a trade-off between production and limiting nutrients to safeguard our waterways. There is also the inherent risk that regulation has unintended outcomes, for example a flow-on impact to the price of goods if supply is reduced.

Policy decisions should be made carefully to ensure that, where measures designed to encourage wellbeing could have an adverse impact on financial/physical capital, the extent and pace of change reflects views from business, communities and government.

Encouraging greater research and development (R&D) – both public and private – is also a crucial tool that could enhance wellbeing, with less potential for an adverse impact on financial/physical capital. R&D, particularly in the environmental space, has the potential to solve concerns that would otherwise be the target of regulation (smart businesses are innovating now to reduce plastics and waste, for example). Positively, there is recognition by the Government that New Zealand needs to up its game with respect to our level of R&D, and it is proposing a new tax credit regime to lift R&D from 1.3 percent of GDP to 2 percent by 2027.[6]

Rather than elevating the importance of other capitals in isolation, the Government should also consider to what extent financial/physical capital can be used to support and enhance the other capitals. For example, policies designed to drive the growth of financial/physical capital in New Zealand can have positive spill-over benefits (such as, encouraging savings and investment in capital markets). Such policies do not need to be at the expense of social, human or natural capital, but could in fact have benefits for all of those over the long term. While in the past spill-over benefits have not always come to pass (in particular for those most in need) an important part of the wellbeing framework is ensuring that resources are directly appropriately to the communities who would benefit most.

It is important that none of the four capitals is taken for granted. We know for example, not to take our natural capital for granted. The same should be true for financial/physical capital. The New Zealand economy is in an envious position compared to many developed nations, and underlying the narrative around wellbeing is a requirement for the economy to function in a way that supports all capitals. However, economies are subject to shocks and New Zealand is no different – whether that shock be driven globally or domestically. It is therefore important that change occurs at an acceptable pace, with an appropriate balance between all capitals, and one eye firmly on the economic implications of policy developments that have a wellbeing lens.

B Corp movement in New Zealand

B Corp certification is to sustainable business what Fair Trade certification is to coffee.[9]

B Corporations represent an emerging group of companies that are using the power of business to create a positive impact on the world and generate a shared and durable prosperity for all.

Certified B Corporations have undertaken the B Impact Assessment, scored over 80 and have signed a term sheet that declares that they will consider all stakeholders. It is a rigorous assessment that explores a company's governance, transparency, environmental and social impact. B Corps voluntarily hold themselves to a higher level of accountability in these areas.

Globally, there are more than 2000 Certified B Corporations representing more than 130 industries in 50+ countries. In New Zealand, there are currently 13 B Corps.[10]

Climate Leaders Coalition: Business steps up

Major companies in New Zealand have grouped together and recently launched the Climate Leaders Coalition.[11] CEOs of 60 businesses, including Deloitte, have signed the CEO Climate Change Statement, committing their company to measuring and reporting their greenhouse gas emissions to align with the Paris Agreement.

Together, the 60 company signatories are responsible for almost half of New Zealand's emissions. Like other signatories to the Statement, Deloitte believes an equitable transition to a low emissions economy will improve New Zealand's overall prosperity and wellbeing.

End notes

1. Budget Speech by Minister of Finance Grant Robertson May 2018, Retrieved from: https://treasury.govt.nz/publications/budget-speech/budget-speech-2018-html
2. Prime Minister's speech: The 100 day plan and beyond: setting the direction of the Government, 30 January 2018. Retrieved from: www.beehive.govt.nz/speech/100-day-plan-and-beyond-setting-direction-government
3. NZ Treasury; Living Standards Framework, December 2017. Retrieved from: https://treasury.govt.nz/publications/presentation/living-standards-framework
4. Duraiappah, A; The growing disconnect between GDP and wellbeing, World Economic Forum, 2014. Retrieved from: https://www.weforum.org/agenda/2014 /05/growing-disconnect-gdp-wellbeing/
5. Prime Ministerial Press Release: Planning for the future – no new offshore oil and gas exploration permits. Retrieved from: https://www.beehive.govt.nz/release/planning-future-no-new-offshore-oil-and-gas-exploration-permits
6. Fuelling Innovation to Transform our Economy; A discussion paper of a Research and Development Tax Incentive for New Zealand. Retrieved from: http://taxpolicy.ird.govt.nz/consultation/research-and-development-tax-incentive
7. "The Rise of Social Enterprise", Deloitte Insights. Retrieved from: https://www2.deloitte.com/content/dam/insights/us/articles/HCTrends2018/2018-HCtrends_Rise-of-the-social-enterprise.pdf
8. The 2018 Edelman Trust Barometer. Retrieved from: https://cms.edelman.com/sites/default/files/2018-01/2018%20Edelman%20Trust%20Barometer%20Global%20Report.pdf
9. What are B Corps? Retrieved from http://bcorporation.com.au/what-are-b-corps-0
10. B Corp movement in New Zealand. Retrieved from: http://bcorporation.com.au/bcorp_nz
11. Climate Leaders Coalition. Retrieved from: https://www.climateleaderscoalition.org.nz/

Article 7

Trust: A cornerstone of wellbeing

The building blocks for a flourishing society

That trust is a cornerstone of wellbeing is something most people will intuitively feel to be true. Trust is instrumental in creating social cohesion and can be viewed as the glue that holds many different types of relationships together, yet it appears to be under attack in many quarters.

The 2018 Edelman Trust Barometer titles its report "the battle for truth" and we are beset with ideas like 'fake news'. Arguably, some leaders are encouraging us not to trust in traditional sources. What is interesting is that many of the factors that underpin trust apply to both the personal and the broadly political, especially in the realm of wellbeing.

By Dr Michael Macaulay

Dr Michael Macaulay is Associate Dean at Victoria Business School, Victoria University of Wellington. He works with agencies across all sectors in New Zealand and internationally, including the United Nations and Council of Europe. Michael has published extensively in the fields of integrity, ethics and anti-corruption.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

Trust and individual wellbeing

Anybody reading this article who has ever felt betrayed by a friend, family member of a colleague already understands the relationship between trust and wellbeing. Breaches of trust can cause serious psychological and emotional pain, and this can spill over into physical symptoms of anxiety and stress.

Frequently these consequences are compounded by victims blaming themselves. A serious breach of personal trust usually makes a person question their own beliefs and behaviour. Why didn't I know what was happening? How could I not see the signs? And most commonly, why did I trust this person at all?

These problems apply equally to organisations and even society. A lack of trust corrodes social relationships and belief not only in politicians but the political system as a whole. We see the consequences of this all over the world at this very moment: the echo chambers of social media; the twenty-four seven attack on news and media; the rise of authoritarianism – even within democracies – as a response to distrust in politics.

Fortunately, New Zealand does not yet suffer from many of these issues; indeed recent evidence from the Institute for Governance and Policy Studies' (based at Victoria University of Wellington) latest public trust survey indicates that people have responded very positively to the new government. This article explores some of the issues around trust in New Zealand, and suggests that this recent rise in public trust is attributable to the basic psychological building blocks of why we all trust people and institutions.

What is trust?

It is frequently taken for granted that trust is something that we must always aspire to and that it is an inherent good. That is somewhat exaggerated. When trust degrades into blind faith it can cause no end of problems, and there are myriad sound reasons for people being distrustful depending on context.

This is because trust is a relational value and is good only in as much as it mediates relationships between different individuals and/or groups of people. As such, trust relationships are slightly paradoxical; they must be dynamic and open to reinterpretation and reassessment, even though they are the building blocks for us being able to make decisions between groups or individuals.

Just because X trusts Y one week, it does not mean that they will do so indefinitely. Nor should they, necessarily, without good reason. For example, a trusted brand can soon be adversely affected by a big enough scandal. Trust, therefore needs to be earned and re-earned almost constantly. It is not an end point.

There are many scholarly definitions of trust, and even more reasons why the concept is so important, most of which are no better nor worse than the ones that are already in your head (see Figure 1).

Figure 1: OECD and trust
(http://www.oecd.org/gov/trust-in-government.html)

- Trust is important for the success of a wide range of public policies that depend on behavioural responses from the public.
- Trust is necessary to increase the confidence of investors and consumers.
- Trust is essential for key economic activities, most notably finance.
- Trust in institutions is important for the success of many government policies, programmes and regulations that depend on cooperation and compliance of citizens

The degree of trust in any relationship is obviously, therefore, two-sided and one side can only affect the other up to a certain point. We can try and get another person to trust us, but it is always ultimately their choice as to how much trust they will reciprocate with.

Why do we trust?

There are three key building blocks in any trust relationship: credibility, reliability and intimacy.

- *Credibility* can take many forms, such as natural authority, mana, or technical expertise, but it is essential in assuring people that those responsible for an action are the most appropriate people to do so. It is credibility that appears to be causing numerous issues in the world today: as the Edelman Trust barometer shows both globally and within New Zealand, people's trust in the reliability and honesty of news sources is continuing to decline.

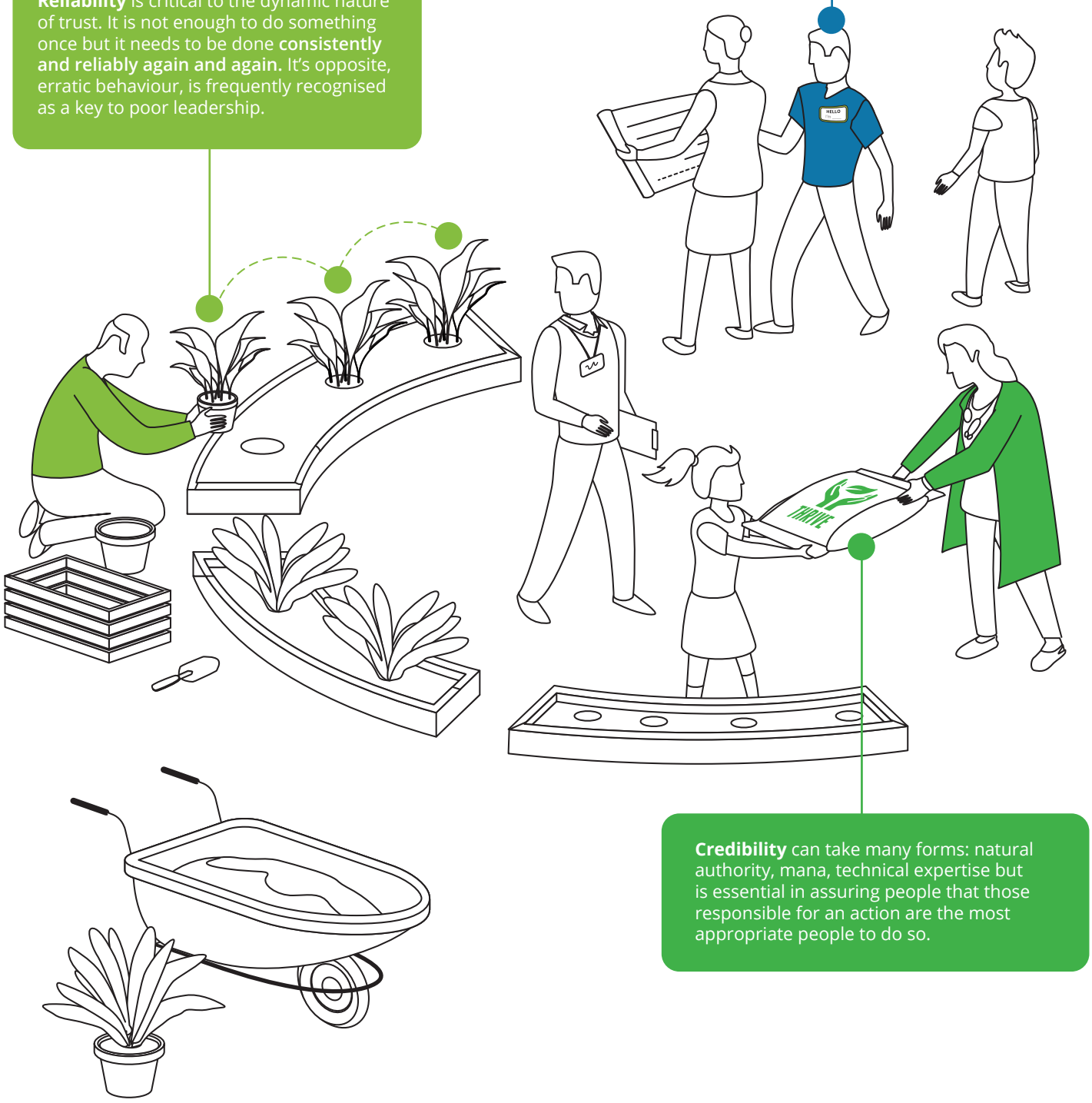
- *Reliability* is critical to the dynamic nature of trust. It is not enough to do something once but it needs to be done consistently and reliably again and again. It's opposite, erratic behaviour, is frequently recognised as a key to poor leadership. Reliability is a key aspect of political interpretation: does a government live up to its promises? Does it react in consistent ways?

- *Intimacy* in this context means awareness and knowledge of, and relates to the fact that usually, trust needs to be earned. It is very difficult to have trust in an organisation that we know nothing about, or of a manager that is new to us. Intimacy relates to the affective and emotional aspects of trust. Familiarity (or perceived familiarity) grants an emotional connection that engenders a trusting relationship.

Three building blocks to any trust relationship

Intimacy in this context means awareness and knowledge of, and relates to the fact that usually, trust needs to be earned. It is very difficult to have trust in an organisation that we know nothing about, or of a manager that is new to us. Intimacy relates to the affective and emotional aspects of trust. Familiarity (or perceived familiarity) grants an emotional connection that engenders a trusting relationship.

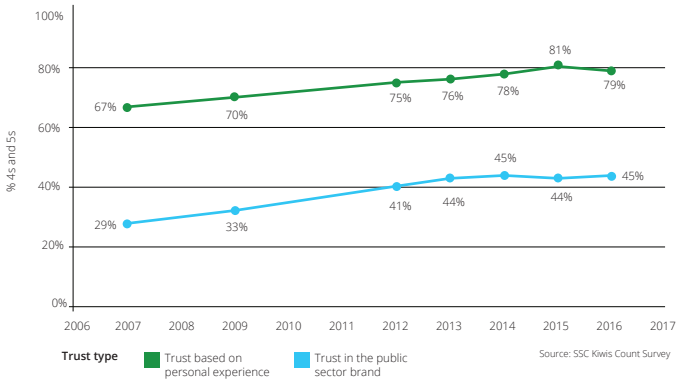
Reliability is critical to the dynamic nature of trust. It is not enough to do something once but it needs to be done **consistently and reliably again and again.** It's opposite, erratic behaviour, is frequently recognised as a key to poor leadership.



Credibility can take many forms: natural authority, mana, technical expertise but is essential in assuring people that those responsible for an action are the most appropriate people to do so.

These also correlate positively with our views on institutions, as well as individuals. To give just one example, the latest KiwisCount survey shows that trust in the public service has been steadily rising over the last decade and is currently about 45%. When the same question is asked to people who have had personal experience of the public sector, the levels of trust are shown to be much higher, currently at 79% (see below).[1]

Trust in Public Sector Services



In a nutshell, we trust who we know. We trust our own MP more than 'the government'. We trust our local council more than local government.

There is a wealth of evidence to show the consistency of these three elements in building and maintaining positive trust relationships. More importantly, there are relatively easy methods to developing them.

Sadly, this has a downside. First, some of the factors can outweigh others so that we continue to trust people who let us down simply because we like them so much. Again, think back to any example of your own personal heartbreak. Second, it also means that some people can, and do, distil trust-building down into a technique to advance their own interests. Many people reading this article will, alas, have been made victims using these techniques, which points to another essential building block that is spoken of quite as much: authenticity. Because trust can be used as technique, the authenticity behind the relationship is crucial: of intention as well as outcome.

The state of trust in New Zealand

Surveys like the Edelman Trust Barometer suggest the world is undergoing a "global implosion of trust" across four key institutional pillars: governments; the media; business; and NGOs.[2] Globally, trust in these four pillars are down both individually (for example, governments are now distrusted in 75% of countries) and collectively, with the barometer reporting that 85% of respondents no longer have full belief in the system. There is deep concern that this will lead to further erosion of social values, which will only serve to increase distrust further.

The Edelman results for New Zealand show some interesting parallels to global results, and also interesting differences. There is 50% higher levels of trust in the government, for example. 45% of New Zealanders think that the government is most likely to lead to a better future, as compared to 30% of respondents around the world.[3]

The first Institute for Governance and Policy Studies (IGPS) Public Trust Survey in 2016 showed very different results. New Zealand has always been known as a high-integrity and high-trust nation. The OECD work on trust showed not only that levels of trust are higher than across other countries, they actually increased during periods of economic and political unrest such as the great financial crash of 2008. The rest of the OECD had declined.[4]

The 2016 IGPS survey showed substantial levels of public trust in the medical profession, the police and the justice sector, the education sector, small business, charities and churches.

Yet the 2016 survey also showed that trust in politicians and government was very low.[5] Only 9% of respondents had either "complete trust" or "lots of trust" in Government Ministers, and that shrank to 8% for MPs. Only the media scored lower: 8% for TV/Print media and a measly 5% for online and digital media.

These figures brought New Zealand much more into line with the US, continental Europe and the UK and also raised many questions. Why was distrust so low, for example, in online media, when so many people access their information from such sources? Why actively use the channels we distrust the most? These questions reflect international concerns.

2018 NZ Public Trust Survey

The second IGPS Public Trust Survey was published in June 2018 and highlights some interesting trends.[6] Levels of public trust in the medical and criminal justice sectors had increased. Trust in universities, churches and charities had declined slightly. Perhaps most tellingly the most substantial increase was in trust in MPs and Government Ministers which both stand at a net total of 62% trust (both up from a net total of 46% in 2016). Those that had "complete trust" or "lots of trust" in Government Ministers and Members of Parliament increased from 9% to 14%, and from 8% to 12%, respectively from 2016 to 2018.

Governments are now distrusted in 75% of counties

Edelman Trust Barometer, 2018

85% of respondents no longer have full belief in the system

Edelman Trust Barometer, 2018

9% **of respondents had either "complete trust" or "lots of trust" in government Ministers**

IGPS Public Trust Survey, 2016

8% **of respondents had "complete trust" or "lots of trust" in TV/Print media and a measly 5% for online and digital media**

IGPS Public Trust Survey, 2016

Trust in MPs and Government Ministers has increased from a net total of 46% in 2016 to 62% in 2018

IGPS Public Trust Survey (2016, 2018)

How do we explain these changes? Partly it may be down to the classic honeymoon effect. A newly elected government frequently has a fillip in public trust, and this is usually more pronounced when a new party leads that government. This is a pattern that is seen in democratic countries around the world. The question for New Zealand, of course, is whether or not the 2018 results are part of this pattern or reflect something a little more unique? What is the effect in the change in government? Such a hypothesis may seem a little trite to some but I would suggest is grounded in what we know about trust.

The credibility of any new government is almost always high and is a substantial reason why people cast their votes in that direction to begin with. This is not necessarily the case in a coalition government, of course, which no single citizen votes for. Yet personal credibility counts too and there is little question at all that skilful politicians are broadly recognised to have that in abundance. But we also need to remember that trust relationships are dynamic and, arguably, our Government's leadership credibility has not yet been tested.

Similarly new governments score highly on the reliability scale simply because they are new. There has not been enough time to test reliability and consistency of performance either against the day-to-day cut and thrust of government life, or even against manifesto pledges. Again, time may be a crucial determinant in the way that this factor ebbs and flows and reliability becomes a much more important determinant as time passes. Occasionally being seen as a politically reliable 'safe pair of hands' can be both blessing and curse.

Intimacy is surely the most telling factor for now, however. Politicians who have a genuine gift for creating a sense of being open, accessible and known to voters (in a way that few others can) are often successful. But even here there is a potential pitfall. Commentators as far back as Machiavelli, writing in 1515, noted that the political leader who is loved sets expectations that will almost always ultimately be thwarted. As we have seen around the world, leaders have drastic falls in public trust, and this can partly be attributed to the fact that people felt they knew the person in question. When a let-down occurs, the sense of loss is more tangible and acute. And, of course, it means that a public leader must always be seen to be authentic.

Virtuous circles or vicious cycles?

From many reports the world seems to be in a dangerous place where distrust is all around, and is only getting stronger in cycles of despair. Although issues remain, public trust in New Zealand s not at the crisis point that it appears to be in other parts of the world. Can we trust that to remain the case in the medium to long term?

In conclusion it is worth re-emphasising a few points. First, the building blocks of trust apply to both individuals and organisations alike. Second, trust is dynamic and is therefore something that needs to be revisited, readjusted and recalibrated at various points. Third, a key mechanism to enable this is a reflection, both on an individual and institutional level. Leaders who reflect will be more open and ethical in their approach. Institutions that enable reflection have cultures that are accessible and supportive. Those that do not reflect are in danger of becoming hermetically sealed and toxic.

Crucially, the final message is that these elements must develop together. A better trust relationship allows for more openness and better quality reflection, and in doing so it is more likely to lead to higher levels of trust. Overall, this increases wellbeing. It can be a virtuous circle and is a path that New Zealand would do well to continue down.

End notes

1. 1. State Services Commission. (2016). Kiwis Count. Retrieved from: http://www.ssc.govt.nz/sites/all/files/2016-kiwis-count-ar.pdf
2. 2. Edelman. (2017). Edelman Trust Barometer. Retrieved from: https://www.edelman.com/trust2017
3. 3. Edelman. (2018). The Battle for Trust: 2018 Acumen Edelman Trust Barometer. Retrieved from: https://www.acumenrepublic.com/media/1406/trust-barometer-new-zealand-march-2018.pdf
4. 4. OECD. (2013). Government at a Glance 2013. Retrieved from: http://www.oecd.org/gov/GAAG2013_CFS_NZL.pdf
5. 5. Institute for Governance and Policy Studies. (2016). Who do we trust? Retrieved from: https://www.victoria.ac.nz/sog/pdf/IGPS-Who-Do-We-Trust-Survey-March2016.pdf
6. 6. Institute for Governance and Policy Studies. (2018). Public Trust Survey. Retrieved from: https://www.victoria.ac.nz/__data/assets/pdf_file/0007/1616380/IGPS-Trust-Presentation-June2018.pdf

Article 8

The importance of place
A cities and regions view of wellbeing

As we have been exploring in this State of the State article series, the Treasury's Living Standards Framework (LSF) provides an opportunity for a more holistic and genuinely New Zealand-centric picture of how we are tracking as a nation, but where does regional wellbeing fare in all this?

This article is a conversation starter for why regional wellbeing matters and how we can enhance it. We examine the basis for focusing on regional wellbeing, the disparities in wellbeing across and within the regions themselves and possible next steps to improving regional wellbeing.

In New Zealand we use multiple regional boundaries depending on the context, such as electoral, regional council and district health boards. In this article, we define a region as any subnational area that is appropriate for dealing with local issues - in other words a region could be a local community, a metropolitan area or an area defined by its economic importance.

By Linda Meade

Linda Meade leads Deloitte Access Economics in New Zealand, providing economic analysis and advice to organisations seeking to better understand social and economic value, and the drivers of economic outcomes. Linda works closely with public sector agencies to help them deliver more value for less, stoke innovation and to work more effectively in partnership with the private sector.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

How is a subnational lens relevant to wellbeing?

The overall aim of a wellbeing approach to policy-making is to improve the lives of current and future generations of all New Zealanders; that is, to promote improved policy-making that helps people, place and the planet.

There has been growing awareness that we must go beyond using GDP as a measure of wellbeing to get a fuller understanding of how society is doing, and this is reflected in the LSF and preparation for next year's first Wellbeing Budget.[1] To date, discussions about the four capitals (human, social, financial/physical and natural) that underpin the LSF have focused only on national wellbeing.

So why focus on regional wellbeing? Because regardless of how well our living standards as a nation improve, we need to understand what is going on behind the national figures. Comparable measures of regional wellbeing offer a way to gauge what policy works where, and can empower a local economy to act to achieve better results.

A growing body of local and international research recognises that where people live matters to their wellbeing. According to the OECD, making a local region a better place to live is a requirement in improving people's lives.[2] Revealing the divergences in, and sources of, wellbeing at a regional level can identify the determinants of better lives and more effective policies.

The direct influence of place on our wellbeing is obvious, with physical attributes like climate, geology, topography and accessibility clearly affecting the material living standards of people who live there.

Place affects wellbeing indirectly as well. The activities, attitudes and character of the people who live in a place make it attractive (or unattractive) for others to live there too. Research shows that we also tend to value the experience of living in a place independently of our material needs.

Relationships we form with our neighbours and with the surrounding landscape nourish our sense of belonging. In the paper *Subjective Wellbeing and the City*, Professor Philip Morrison of Victoria University of Wellington says that although much of our subjective wellbeing (that is, how we feel about where we live) is determined by objective measures – health, age, employment status, income, family and household relationships – the town where we live may also contribute to our wellbeing.[3]

Changes in wellbeing through time reflects the evolution of regions. While the New Zealand population overall continues to grow, some of our more outlying provinces or rural areas are nearing stagnation or shrinking.[4] Between 2006 and 2013, young people flocked to the cities for education and work opportunities, while populations outside the cities grew old. At the same time, the decline in New Zealand-based manufacturing and lower export prices hit some provinces the hardest. Many of these issues remain today.[5] Rising income and wealth disparity, increasing polarisation of societies and an aging population are all known risks to living standards, and will affect each region across New Zealand differently.[6]

In *The Inequality Debate; the neglected role of residential sorting*, Morrison says: "The way we organise ourselves geographically may contribute to how unequal we are, as well as how more unequal we may become in the future."[7]

He points to the externalities (third-party consequences) that occur when people are located next to each other, but also how people with similar social characteristics co-locate. 90% of all affluent areas in New Zealand are located in Auckland, Wellington or Christchurch. But these areas are also home to people from very low socio-economic backgrounds, and so even in the big cities, the presence of larger numbers of wealthy households will often mask the presence of those who do not have high standards of living.

State of regional wellbeing

The OECD regional wellbeing report found that although that New Zealand regions perform relatively well in all dimensions, large disparities are observed in some. For example, our regional health disparities are the second highest among OECD countries, with the Auckland Region ranking in the top 20% of the OECD regions and the Gisborne Region in the bottom 20%.[8] Some of the indicators of wellbeing that could be used to measure outcomes under the LSF serve to highlight regional wellbeing disparities. The regional wellbeing infographic brings to life some of these disparities across the four capitals, overlaid on population density. The indicators used are illustrative only, to demonstrate the variation in wellbeing across New Zealand. For this purpose we have chosen to use the indicators described below.

Financial: Household incomes. In 2017, the median household income in New Zealand was $82,300. The Wellington region recorded the highest median household income at $98,600, followed by Auckland region at $92,700. While Northland recorded the lowest median household income at $60,300, followed by Manawatu-Wanganui at $64,700 and Southland at $67,500 and Gisborne at $71,300.[9]

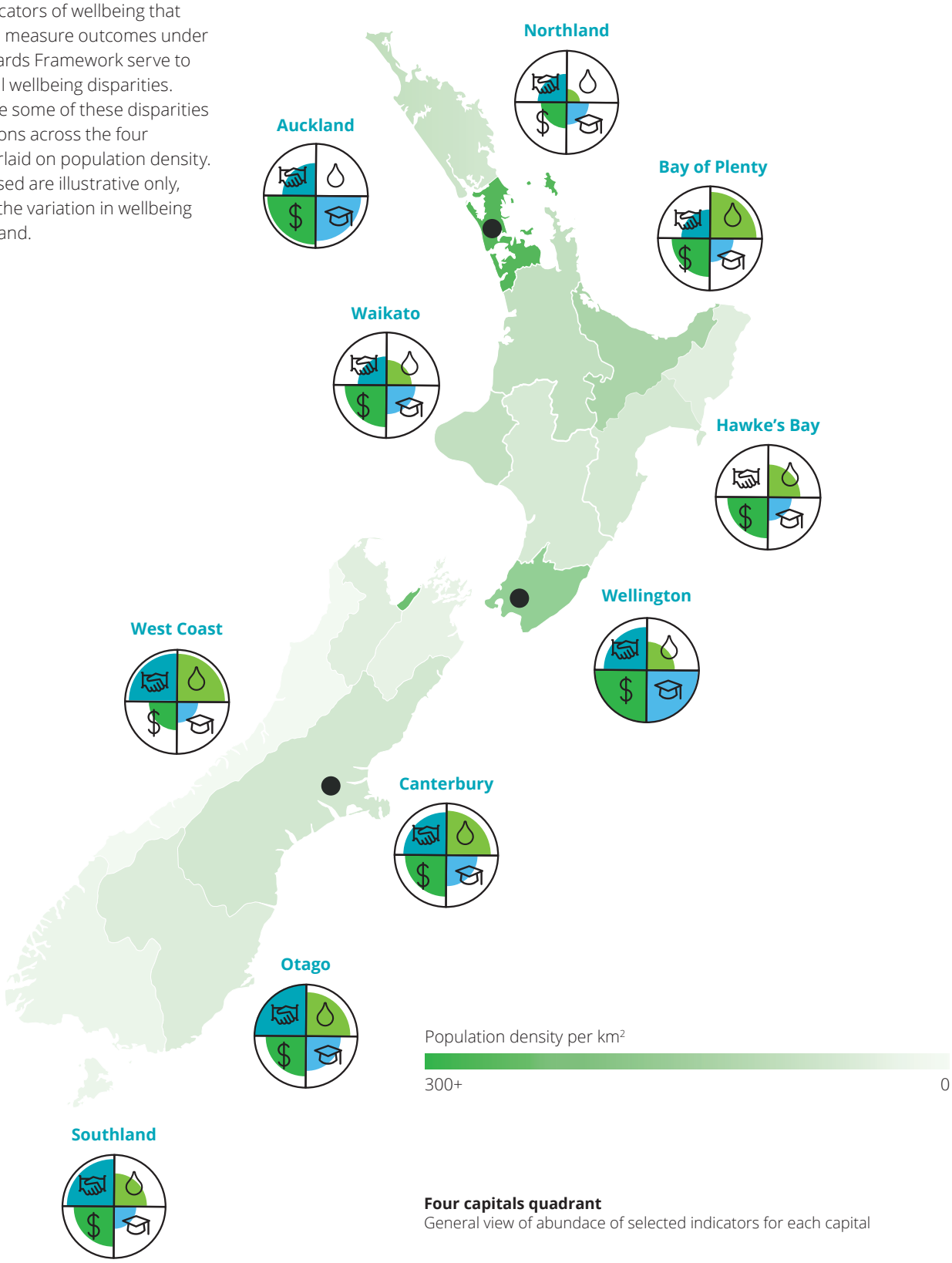
Human: Education. The Wellington region has the highest proportion of people with a level 7 qualification or above (28% of the working age population).[10] While the West Coast has the lowest proportion (10%) of people with at least a level 7 qualification.

Natural: River quality. Fresh water is a sought-after commodity and is also at the heart of our culture and identity as New Zealanders. River quality differs significantly across our regions. Generally, water quality tends to be higher where population size and density are lower but industry and primary sector activity also has an impact, as does hydroelectricity generation. The Auckland region has zero rivers rated "good to excellent" in terms of quality, while that figure is more than 90% in the Nelson, Tasman and Marlborough regions.[11]

Social: Crime rates. MBIE's regional economic wellbeing tool[12] highlights wide regional disparities in households becoming victims of crime. In 2017, rates of crime victimisation were almost 300% higher in the Hawkes Bay region (with 801 per 10,000 people) compared with the Otago region (280). The national average was 467. For the purposes of the infographic we have inverted the crime victimisation statistics as a proxy for "personal safety".

Regional wellbeing disparities

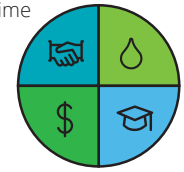
Some of the indicators of wellbeing that could be used to measure outcomes under the Living Standards Framework serve to highlight regional wellbeing disparities. Here we illustrate some of these disparities for selected regions across the four capitals and overlaid on population density. The indicators used are illustrative only, to demonstrate the variation in wellbeing across New Zealand.



Four capitals quadrant
General view of abundace of selected indicators for each capital

Social capital
Indicator: Personal safety (the inverse of annual crime victimisation occurence per 10,000 population)

Natural capital
Indicator: Good to excellent water quality (%)



Financial capital
Indicator: Median household income ($)

Human capital
Indicator: Proportion of working age population with at least a level 7 qualification or above (%)

Perceived quality of life

Interestingly measures of how people perceive their wellbeing, such as how people feel about where they live do not necessarily align with more quantitatively defined indicators of wellbeing such as those described above. Although cities tend to have higher average incomes and better access to job opportunities, literature finds that self-reported measures of wellbeing do not necessarily correspond with affluence.[13]

Quality of life measurement can also highlight disparities within regions themselves. Responses to the *Quality of Life Survey* reflect people's perception of their material wellbeing as well as their perception of other more difficult to measure aspects, such as sense of community or pride in their community.

On average, participants in the 2016 survey rated their overall quality of life as good or extremely good, ranging from 78% in Christchurch to 87% in Porirua.[14] The overall distribution of answers within each city differ according to region, but not significantly. Christchurch had the highest proportion of people rating their overall quality of life as poor or extremely poor.

Financial wellbeing was the highest cited reason for poor quality of life in Hamilton, Wellington and Auckland. In contrast, concerns about poor health wellbeing was the biggest problem in Christchurch. People in Wellington were concerned about poor housing conditions and costs, likely reflecting high rental costs in the city – a key driver of financial hardship. Dunedin residents reported local area issues such as the location of their home as key reasons for poor overall quality of life.

Other questions of wellbeing within the *Quality of Life Survey* are less well aligned with material wellbeing and yield more varying results *within* and *between* cities in a region. The graph below shows the distribution of responses to the question "I feel pride in the look and feel of my city". The disparity of results was much greater. For example, people in Porirua city more likely to disagree with this statement than people in Wellington city, despite the overall quality of life rating placing Porirua above Wellington.

Morrison argues in his paper *Pride in the City* that the level of pride people report reflects the emotional, financial and/or cultural stake they have in their city's success through investment, ownership or membership. In other words, it could be a good indicator of social cohesion, or the lack of it.

"Pride is not simply another measure of wellbeing - it is an emotion that results from having a stake in someone, something, or some place. The opposite of pride is shame, which also depends on stakeholding."[15]

These indicators highlight the disparities across and within regions and show that living standards can affect each region and community differently.

The graph below shows the distribution of responses to the question "I feel pride in the look and feel of my city"

What can we do to make regional wellbeing better?

A good starting point is to consider three driving forces in regional economic development; people, technology and governance. Deloitte Access Economics previously identified these key forces that interact to catalyse a place's prosperity in *The Purpose of Place Reconsidered*.[16]

People. People are the basic ingredient of wellbeing and need to be present in appropriate numbers and with appropriate skills and experience. People care about more than their material circumstances: a well-paid job is very important, but there's more to life. The quality of our relationships, social connections, health, personal safety and the environment all matter for our wellbeing. People move to and from and within regions. When they come, they bring their unique capabilities, attitudes and aspirations; when they go, their future contribution is lost to that place and to the people, communities and businesses that remain.

Technology. Technology can help people live more comfortably in close proximity, can aid a sense of connectedness in regions and can partially substitute for physical proximity. The implications of technology for regional wellbeing are profound – from the design of houses, offices and public buildings to the operation of city-wide infrastructure networks; from daily work routines to the delivery of goods and services.

Governance. Good governance strikes a balance between individual and collective decision making so that government occurs with the consent of the governed. Reconciling collective and individual choice is the essence of governance. Striking the right balance is essential to winning the consent of the governed when collective choices clash with individual preferences.

For these key driving forces to interact effectively to enhance wellbeing requires a collaborative effort. It needs people, businesses and governments to work together.

Looking ahead to next year's Wellbeing Budget, we hope to see the Government apply wellbeing indicator tools effectively to ensure appropriate allocation of resources across regions to optimise regional wellbeing. Central government has a role in addressing issues such as housing affordability, crime and imprisonment rates, access to health and other support services, employment conditions, protecting and enhancing the environment, and support for regional authorities, businesses and non-for-profits.

To enable policy to effectively consider people and regions who are at most risk of experiencing low levels of wellbeing, in our view the Government needs to apply a subnational lens to the use of wellbeing measures. Evidence-based localised policy is a key to reducing inequality and creating more 'haves' and fewer 'have-nots'.

We would also like to see government agencies collaborate more closely with parties located in the regions around policy development and implementation. This need for co-created, adaptive policy was explored in Article 5 in this series, where we discussed how such policy facilitates trust, ownership, shared risk and pathways to innovation.

Local government also affects the wellbeing of its residents through the provision of resources and services such as community activities, events and shared spaces, infrastructure and public transport that links people to jobs and communities, support for business start-ups, non-for-profit and community initiatives, provision of social housing, environmental beautification and a responsive building consent process to improve housing affordability. All these services impact on people's pride in their community, which impacts on social cohesion and wellbeing.

Our businesses can improve regional wellbeing by investing at a local level where commercially viable: locating key facilities, creating jobs, being suppliers of infrastructure and services, as well as working with local government and other parties to attract residents, workers, visitors and customers. Good employment conditions and higher wages, in particular, can start a chain of positive effects on an individual's wellbeing.

Individuals, too, have some control over their own and others' wellbeing. A person's contributions to their own relationships, jobs and local non-for-profit and community groups all have an impact on individual and community wellbeing. However, the extent of this contribution is greatly influenced by place and access to services and resources.

In the future, we will hopefully see all the actors above collaborating to define regional needs and work out ways of meeting them. This would help New Zealand reach a point where the quality of its natural capital is less variable, and the location of a person's residence does not negatively influence their educational, financial, social and health outcomes.

Evidence-based localised policy is a key to reducing inequality and creating more 'haves' and fewer 'have-nots'.

End notes

1. NZ Treasury. (2017). Living Standards Framework. 13 December 2017. Retrieved from https://treasury.govt.nz/sites/default/files/2017-12/lsf-pres-13dec17.pdf.
2. OECD. Regional Wellbeing in OECD Countries: New Zealand. Retrieved from: http://www.oecd.org/cfe/regional-policy/hows-life-country-facts-new-zealand.pdf.
3. Morrison, P.S. (2007). Subjective Wellbeing and the City. Retrieved from: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/journals-and-magazines/social-policy-journal/spj31/31-Pages74-103.pdf.
4. Cochrane, W and Maré, D. (2017). Urban influence and population change in New Zealand. Retrieved from: https://www.victoria.ac.nz/__data/assets/pdf_file/0010/1175194/Cochrane_Mareu.pdf.
5. Eaqub, S. (2014). Shamubeel Eaqub says we are failing to grasp the reasons and the outcomes of diverging regional economies. Interest.co.nz. Retrieved from: https://www.interest.co.nz/opinion/71007/shamubeel-eaqub-says-we-are-failing-grasp-reasons-and-outcomes-diverging-regional.
6. World Economic Forum. (2017). World Economic Forum Global risk report. Retrieved from: https://www.weforum.org/reports/the-global-risks-report-2017.
7. Morrison, P.S. (2018). The Inequality Debate; the neglected role of residential sorting. Victoria University of Wellington. Retrieved from: https://ojs.victoria.ac.nz/pq/issue/view/535/pq11-2.
8. OECD. Regional Wellbeing in OECD Countries: New Zealand. Retrieved from: http://www.oecd.org/cfe/regional-policy/hows-life-country-facts-new-zealand.pdf and https://www.oecdregionalwellbeing.org/.
9. MBIE. Regional economic comparisons. Retrieved from: http://webrear.mbie.govt.nz/summary/new-zealand.
10. Greater Wellington Regional Council. Wellington Region Community Profile. Retrieved from: https://profile.idnz.co.nz/wellington/qualifications.
11. Land Air Water Aotearoa. River quality data. Retrieved from: https://www.lawa.org.nz/explore-data/river-quality/#/tb-national.
12. MBIE. Regional Economic Activity Web Tool. Retrieved from: http://webrear.mbie.govt.nz/summary/new-zealand.
13. Easton, B. (2008). Does Material Affluence Boost Wellbeing? Retrieved from: https://www.eastonbh.ac.nz/2008/07/does-material-affluence-boost-wellbeing.
14. Quality of Life Project. Quality of Life Survey. Retrieved from: http://www.qualityoflifeproject.govt.nz/survey.htm.
15. Morrison, P.S. (2016). Pride in the city. Victoria University of Wellington. Retrieved from: https://www.victoria.ac.nz/sgees/about/staff/pdf/Prideinthecity_PhilipSMorrison.pdf
16. Deloitte Access Economics. (2015). The Purpose of Place Reconsidered. Retrieved from: https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Building%20Lucky%20Country/deloitte-au-btlc-purpose-of-place-131015.pdf

Article 9

He oranga mo Aotearoa: Māori wellbeing for all

Accelerating Māori wellbeing is not only good for Māori but also for New Zealand. While our rate of progress has been slow, we can achieve Māori wellbeing as a nation. But we need to make a different set of decisions around the direction we collectively take.

In order to achieve meaningful progress, New Zealand needs to consider three interrelated dimensions:

Firstly, what comprises Māori wellbeing? What are some common approaches or frames of reference to help plan for and enhance Māori wellbeing.

Secondly, how does an organisation implement and deliver on Māori wellbeing? If improving Māori outcomes is a goal what are some common signposts for success (or by their absence, failure).

Finally, what is the approach to measuring Māori outcomes? How does one build outcome measurement tools that measure the things that matter to Māori?

This article considers various Māori wellbeing frameworks and measurements, the barriers to Māori wellbeing and the drivers and changes that could improve it.

By Tamarapa Lloyd

Tamarapa Lloyd is partner in our Deloitte Māori business team. He works closely with the Māori sector to improve outcomes by applying citizen-centric design to business challenges.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

Measuring Māori wellbeing

At one level Māori seek the same outcomes as all other New Zealanders - access to adequate food, good housing, educational attainment and adequate health care, preservation of the natural environment, and connection to community and culture. However, on another more significant level, Māori wellbeing is not the same as that for non-Māori. Māori wellbeing is based on our status as tangata whenua – in order to succeed we must succeed as Māori.

Government approaches to improve Māori wellbeing over the last 30 years have, with some exceptions, largely been unsuccessful. There hasn't been much positive movement in the negative statistics for Māori in over 30 years; over 50% of all prisoner numbers, low levels of educational attainment, high levels of unemployment, inequitable access to healthcare, decreasing levels of home ownership, low incomes, and higher than average mortality rates.[1] In some cases, statistics have even worsened: for example, Māori suicide is at its highest level since records began.[2]

Infant mortality
(per 1000 live births)

1986 Māori 19.0 | non-Māori 11.0

2014 Māori 7.2 | non- Māori 4.6

Life expectancy
(years lower than non-Māori)

1986 Male: 6.98 years
Female: 8.46 years

2013 Male: 7.3 years
Female: 6.8 years

Home ownership

1986 Own 45% | Rent 50%

2013 Own 35% | Rent 88%

Unemployment
(% of population)

1986 Māori 14% | non-Māori 3.7%

2018 Māori 9.4% |non-Māori 3.6%

Prison admissions
(% of total admissions)

1986 50%

2018 88%

Despite some culturally appropriate programmes to improve Māori wellbeing, our education, healthcare, justice, welfare and corrections services are still mainly defined and governed by what works for Pākehā. This is hardly surprising when Māori are still under-represented in the top three tiers of the public service and also at the lower levels of management.[3] In fact, Māori presently comprise only 16% of all public sector positions, down from 16.4% in 2012. And despite the clear need for more Māori in the sector and calls for greater diversity and inclusion across government, there hasn't been any real movement over the last 5 years. Indeed, part of the answer to improving Māori wellbeing is having more Māori in positions of power within government, either to a proportion that matches the Māori population as a whole or alternatively the number of Māori service customers of a specific ministry or agency.

Academic discourse on Māori frameworks to measure Māori wellbeing, including cultural capital and tribal histories, have existed since the 1980s.[4] Despite this body of academic writing, and centuries of Māori history that point to the Māori factors of wellbeing, there are few state entities that have experience with effectively implementing or measuring Māori outcomes successfully.

Māori academic leader, Sir Mason Durie who developed a wellbeing framework last decade, says the measurement of Māori wellbeing requires an approach that is able to reflect Māori worldviews, especially the close relationship between people and the environment.[5] The usefulness of comparing Māori wellbeing with that of other population groups is limited only to universal aspects of wellbeing (such as disease prevalence).[6] Durie's approach resulted in Te Kupenga, the 2013 survey of Māori wellbeing by New Zealand Statistics, and two Māori mental wellbeing assessment tools, Hua Oranga and the Meihana Model.[7,8,9] He also developed Māori health models Te Whare Tapa Whā (see sidebar), which is based on pre-existing notions of Māori wellbeing.

Information from Te Kupenga provides overview statistics on four areas of Māori cultural wellbeing: wairuatanga (spirituality), tikanga (Māori customs and practices), te reo Māori (the Māori language) and whanaungatanga (social connectedness). The purpose of Te Kupenga is to contribute to informed public debate on Māori wellbeing, however up until 2018 it was a single data point. The second Te Kupenga survey, undertaken in August 2018, should provide important comparative data for researchers and policymakers regarding the policies and programmes that contribute to different wellbeing outcomes for the Māori population.

In addition to Sir Mason's wellbeing work, cultural economist Atawhai Tibble has developed an economic model, *Ngā Rawa e Ono* (the *Six Tribal Capitals Model*).[10] The model is broadly based around five core capitals – tribal or people capital, relationship capital, cultural capital, kaitiaki capital and political capital – bound together by a sixth capital described as the requirement to make mokopuna-centric decisions that are focussed on intergenerational longevity. This is what storytelling expert Joe Harawira describes as "Mokonomics", i.e. "what world are we leaving our mokopuna?" This notion of intergenerational wellbeing is common across all Māori tribes. For example, Tunohopu of Te Arawa said *"He aha au i mate noa ake ai ka tupu aku pakarito" ("I will not perish for my descendants will live and prosper").*

While a significant body of literature may exist around Māori wellbeing, developing a Māori wellbeing framework specific to an organisation or activity must go well beyond simply stating a range of Māori values. It needs to show what each measure is, and how an outcome was or can be achieved, through the work of the ministry or agency to improve wellbeing. Below is a 2014 measurement and outcomes matrix adapted from Durie's 2006 frameworks.[11]

Table 1: Te Ngāhuru: A Māori-specific population outcome matrix

	Human capacity		Resource capacity	
Outcome classes	**Te Manawa** A secure culture identity	**Te Kāhui** Collective Māori synergies	**Te Kete Puāwai** Māori Cultural and intellectual resources	**Te Ao Tūroa** The Māori estate
Outcome goals	• Positive Māori participation in society as Māori • Positive Māori participation in Māori society	• Vibrant Māori communities • Enhanced Whānau capacities • Māori autonomy	• Te reo Māori in multiple domains • Practice of Māori culture, knowledge and values	• Regenerated Māori land base • Guaranteed Māori access to a clean and healthy environment • Resource sustainability and accessibility
Example indicators	• Enrolment on the Māori electoral role • Employment in Māori designated positions • Involvment in Māori networks • Knowledge of whakapapa	• Number of Māori institutions (e.g, marae, kapa haka teams) • Number of whanau businesses • Number of Māori provider organisations	• Number of adults able to converse in Māori • Number of domains where Māori use is encouraged • Marae attendance • Presence of Kaumātua	• Māori land valuations • Regeneration of native bush • Quantity and acccessibility of seafood stock

Source: Adapted from Durie (2006, Tables 3& 4)

Structural changes across the public sector to achieve greater accountability by reporting on Māori wellbeing are slowly progressing. In 2015, the expert panel who reviewed Child, Youth and Family (CYF) recommended the immediate commencement of yearly public reporting on how they were achieving improved outcomes for vulnerable Māori children and young people who used their services.[12] In 2017, this recommendation became a legal requirement under section 7AA of the Children, Young Persons, and their Families (Oranga Tamariki) Legislation Act 2017. Oranga Tamariki, the Ministry for Children, will provide its first report on improving outcomes for Māori this year. And the New Zealand Public Health and Disability Act 2000 states "District Health Boards must reduce health disparities by improving the health outcomes of Māori and other population groups."[13]

Universal services don't work for all

The universal approach is based on the theory that by addressing those most in need, Māori will benefit because they are disproportionately represented amongst New Zealand's most disadvantaged.[14] However, as we will discuss, a targeted customer-led approach to service delivery is more effective.

Do universal services work? Absolutely – for a proportion of the Māori population universal services are an appropriate approach to the provision of social services. But where universal services often fail is the extent to which they have (or have not) adopted Māori concepts, practices and approaches as part of the 'business as usual' suite of activities. Over the last 30 years there have been a numerous Waitangi Tribunal inquires (and independent Government Commissions) on the failure of the state to deliver effective services to Māori. These claims and inquires all address a failure by the Crown to sufficiently acknowledge Māori rights and deliver a level of service that is equal to the contract of care between the State and citizens and/or the promises contained in the Treaty of Waitangi. In essence they argue against a one-size-fits-all universal approach that fails to understand the lives that many Māori live.

There is a growing wave of social sector-specific Waitangi Tribunal inquires taking shape on the horizon. The Tribunal presently has 11 kaupapa claims before it, seven covering big societal questions including: education services and outcomes; citizenship rights and equality; identity and culture; the justice system; constitution self-government and the electoral system; and the recently started inquiry around health services and outcomes.

The first stage (of three) of the Health Services and Outcomes Kaupapa inquiry concerns claims brought by Māori Primary Health Organisations and Providers and the National Hauora Coalition into the legislative and policy framework of the primary healthcare system.[15] These include allegations of institutional racism, bias, inequitable provision of services to Māori resulting in higher mortality rates, and under-funding of Māori providers and initiatives.

"The evidence for inequities is unimpeachable right now," says Dr Rawiri Jansen, who is representing Māori practitioners at the inquiry. He believes equity is possible within a generation and cites recent statistics that 15.5% of graduating doctors are Māori, which is proportional to the Māori population. He says the tribunal's non-binding recommendations need to be strong, and that the Government must be willing to act on them. The Crown's tribunal evidence does not deny inequity, and agrees it's unacceptable, but doesn't go so far to accept any blame.[16]

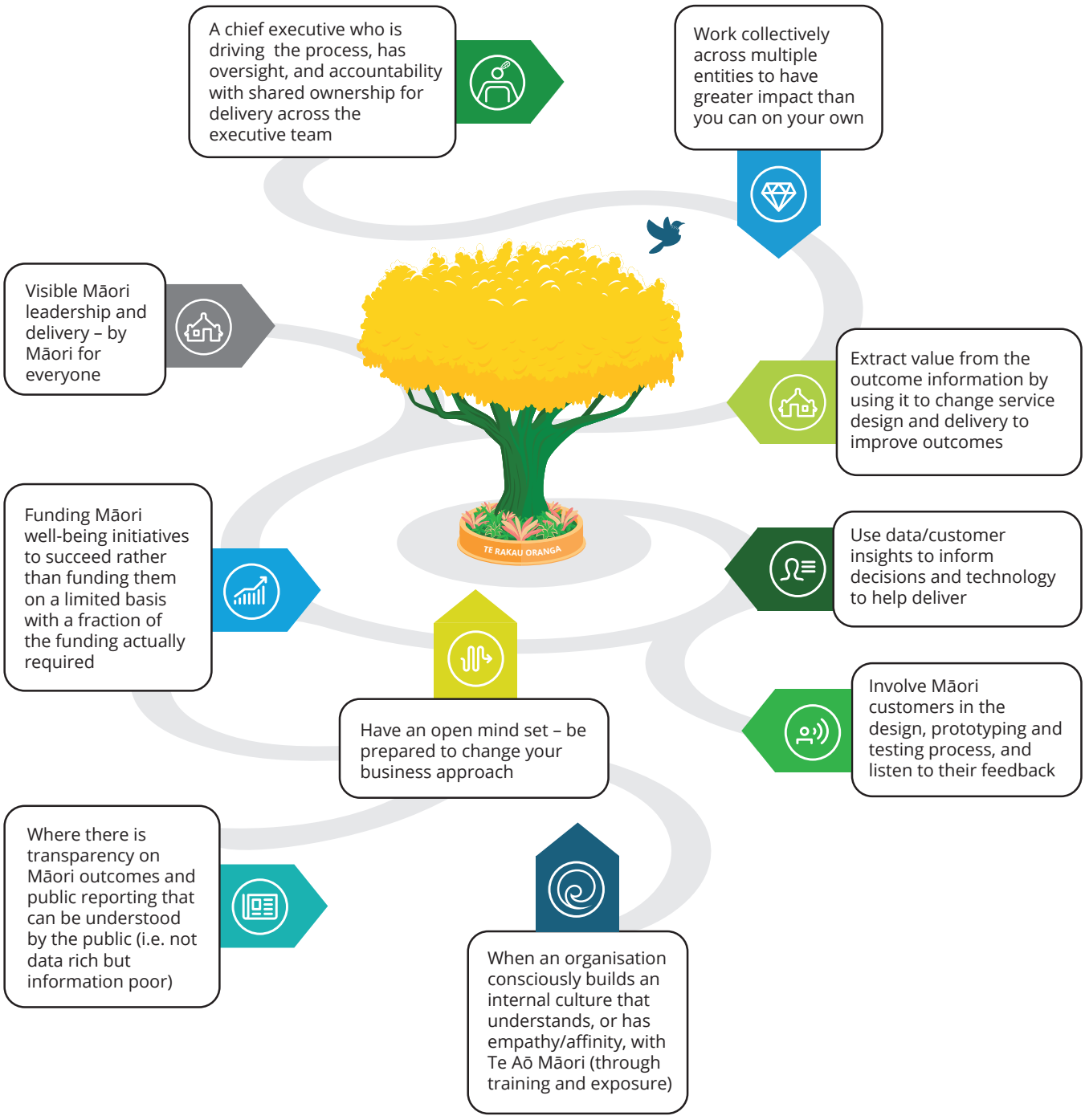
When seeking to deliver new approaches to improve Māori wellbeing, changing the organisational culture that has supported under-performance is both a necessity and an important step. Puao te Ata tu – the 1986 Report of the Ministerial Advisory Committee on a Māori Perspective for the Department of Social Welfare - was fundamental to the reform that led to the Children, Young Persons and their Families Act 1989 and the establishment of CYF.[17] The report was a thorough review of the Department of Social Welfare and made a series of forceful recommendations to improve the way the Department approached working with Māori. These included combating workforce racism, adopting cultural leadership training, incorporating Māori values and beliefs into policies and looking at power sharing and greater Māori-focussed resource allocation within the Ministry. However, despite a powerful report and legislative reform, many of the same Department staff were then tasked with implementing transformational change, which according to successive reviews, never eventuated. Despite its vintage, many of the recommendations in the Puao te Ata tu Report still ring true today.

The examples above show that the concept of universal services doesn't treat all people equally; particularly Māori. Human systems are prone to transference of bias into the design of services and ultimately implementation; value is not ascribed to Māori and therefore they are seen as expendable. A 2016 research project sought to investigate the practice of "whitestreaming" in universities, institutes of technology and polytechnics (ITPs). Whitestreaming is a process whereby specialist Māori positions, programmes or teams have been changed to generalist positions, programmes or teams. The resulting report said whitestreaming had become a widespread practice across the tertiary sector – occurring in all eight universities, at least 13 of the 18 ITPs, and in one wānanga.[18] This was despite a strong body of evidence showing that Māori students are "best supported by culturally-specific recruitment initiatives, learning support services, kaupapa-based teaching and learning approaches." Whitestreaming is continuing as a cost saving practice across tertiary institutions.

Transference of designer bias can also occur during computer coding and end up being present in bots, AI, self-learning algorithms and robotic process automation. Joy Buolamwini writes that AI systems are shaped by the priorities and prejudices — conscious and unconscious — of the people who design them.[19, 20]

Ngā tohu tautoko
Pathways to success

What are the signposts for successfully achieving change with regard to Māori wellbeing or outcomes? Success happens when you have a combination of the following factors:



Wellbeing initiatives for Māori

So what could help improve Māori wellbeing? If we look first at the high-needs cohort, customer-led interventions using a collective impact approach have proven to be a viable solution. The collective impact approach explicitly recognises that no single organisation, entity, ministry or agency has the resources, connections, networks, reach or understanding to create large-scale, lasting social change alone. It is only through working collectively that large-scale change will occur.

Perhaps the most successful application of Māori wellbeing in practice is Whānau Ora, an indigenous health initiative driven by cultural values. When introduced in 2010, Whānau Ora forced a change in the way services, providers and agencies operate by placing families as their focal point. This cross-government work programme executed by Ministry of Health, Ministry of Social Development and Te Puni Kokiri involved more than 150 service providers and thousands of families.
As with any programme of this scale, there have been teething problems as noted in the 2015 Auditor General Report critically noting Whānau Ora was confusing, bureaucratic and poorly administered, saying while it collected pieces of information, it had failed to provide a comprehensive overview on what was being achieved.[21]

While whānau wellbeing is a complex concept, at its simplest it is about having a happy and healthy whānau. Whānau wellbeing, or whānau ora, is based on the central role of Māori cultural values. As stated in Lawson-Te Aho, 2010: "Whānau ora is a state of collective wellbeing that is integrated, indivisible, interconnected and whole."[22] Whānau Ora has still some way to go, shown by the record numbers of Māori children in state care.[23] However, as we discussed in Article 4, an enhanced whānau by whānau approach could build on Whānau Ora.[24]

At a local level, we have seen successful collective impact models such as the Manaaki Tangata programme led by Te Puea Memorial Marae in Auckland.[25] In 2016, they attracted national attention and awareness of homelessness and government's failure to address it when they opened their doors to accommodate 181 people – at least 100 of them children. This programme attracted 1200 volunteers and by working alongside housing providers and agencies, they were able to place 130 families in homes. Although a short-term solution, this efficient way of operating collectively could be critical to tackling the cause of wellbeing issues such as housing and employment.

Another local project is the Rotorua Family Harm project, led by NZ Police in partnership with local Māori and community leaders. The group applied a collective impact methodology to the problem of family harm. They agreed on a common agenda: to reduce the impact of family harm on the lives of vulnerable young people and their whānau. Launched in 2015, the project has transitioned to being 'business as usual' for service delivery. Over this period the project achieved a 10.6% reduction in family harm incidences and it is now being rolled out to Western Bay of Plenty and Tāupo. The strategic features for the Rotorua Collective Impact project offer a template for future Māori-focused programmes (see sidebar).

While Māori contribute to the cost drivers of government social sector expenditure, we are surprisingly under-utilised as consumers of core services with views on how to improve services and outcomes. A standard approach to growing market share for any business is developing deeper and richer insights of the customer base. Typically this involves market research, interviews, testing and prototyping of new products and services directly with the customer. The same rationale holds true for designing more effective public services that ultimately seek to improve Māori outcomes and reduce the cost to the State. Despite what many would see as an obvious tactic, few have adopted this as a standardised approach to improving Māori wellbeing.

Where to from here?

As Māori Development Minister Nanaia Mahuta pointed out in a speech earlier this year, improving the wellbeing and security of whānau will benefit New Zealand as a whole. "The biggest current Māori contribution to the wider economy is from Māori earning salaries and wages, and with a young Māori population, this contribution will increase significantly over the next 20 years."[26]

She said Māori already have the inherent skill, knowledge and passion to do even better in the economy. "All of us here have a critical part to play, and a responsibility, to unleash that potential, connect it to practical support and make it a soaring reality for us all to enjoy."

"When we all work together – Government, Māori business and whānau, and our partners in the wider community – all of our aspirations stand a greater, more powerful chance of truly being achieved."

And the outlook is definitely looking up. A review of Whānau Ora due this month.[27]

So the roadmap – and the pathways - exist to improve Māori wellbeing, but getting there will require systemic change. Every system is perfectly designed to get the results it gets – this is true for the justice system, the health system, the education system and so on. If Māori wellbeing remains low it is because those systems, and those people in positions of power over them, have not made the changes required for positive results.

As demonstrated, improving outcomes for Pākehā does not necessarily improve outcomes for Māori, but the reverse is true. Improving Māori wellbeing will have a positive flow on effect throughout the New Zealand economy – from reduced public sector costs through to higher tax revenues from educated and employed Māori.

Māori-focussed approaches will not only help Māori but also New Zealand as a whole and these should be embraced and applauded.

Strategic features of the Rotorua Collective Impact Project

The number of Family Harm Investigations in Rotorua was forecast in 2015 to continue increasing based on the upward trend of previous years. However, the actual number of investigations decreased in 2016 and 2017 due to the project. Overall the project has achieved a reduction in reported incidences of family harm of 10.56%, contrary to projections of year on year increases. The project applied the following strategy:

1. A collective impact methodology

The collective impact approach reset the relationship amongst the participants, addressed silo thinking and focussed discussion on the common customer.

2. Strong and enduring relationships

Significant time was invested to build relationships of trust between regional decision makers at all levels. Participants had an opportunity to think about and design how they might deliver collective services.

3. Regional autonomy and leadership

Rotorua designed, established, implemented and delivered the project. There is significant ownership and a high level of senior Māori leadership.

4. More responsive cross-Government services

Identifying the families most impacted by family harm allowed agencies to recognise they were all working with the same clients. Services were then mapped to see what services were being delivered in a way that put whānau at the centre.

5. Data led decision-making

Information was shared amongst participant Agencies. Looking at the "Top 20" families created a call to action. Sharing this data was a key activity that evidenced the potential impact of working collectively.

6. Proof of concept and no Government funding

The project was funded out of baseline funding from participants and focussed on doing more with existing funding by reviewing strategies, services and systems.

Māori health models – Te Whare Tapa Whā (developed by Sir Mason Durie)

One model for understanding Māori health is the concept of 'te whare tapa whā' – the four cornerstones (or sides) of Māori health. With its strong foundations and four equal sides, the symbol of the wharenui illustrates the four dimensions of Māori wellbeing. Should one of the four dimensions be missing or in some way damaged, a person, or a collective may become 'unbalanced' and subsequently unwell.

For many Māori, modern health services lack recognition of taha wairua (the spiritual dimension). In a traditional Māori approach, the inclusion of the wairua, the role of the whānau (family) and the balance of the hinengaro (mind) are as important as the physical manifestations of illness.

Taha tinana (physical health)

For Māori the physical dimension is just one aspect of health and wellbeing and cannot be separated from the aspect of mind, spirit and family.

Taha wairua (spiritual health)

The spiritual essence of a person is their life force. This determines us as individuals and as a collective, who and what we are, where we have come from and where we are going. A traditional Māori analysis of physical manifestations of illness will focus on the wairua or spirit, to determine whether damage here could be a contributing factor.

Taha whānau (family health)

Understanding the importance of whānau and how whānau (family) can contribute to illness and assist in curing illness is fundamental to understanding Māori health issues.

Taha hinengaro (mental health)

This is about how we see ourselves in this universe, our interaction with that which is uniquely Māori and the perception that others have of us.

End notes

1. Stats NZ. (2012). NZ Prison Population. Retrieved from: http://archive.stats.govt.nz/browse_for_stats/snapshots-of-nz/yearbook/society/crime/corrections.aspx
2. Ministry of Justice. Ministry of Justice statistics on suicide. Retrieved from: https://coronialservices.justice.govt.nz/suicide/annual-suicide-statistics-since-2011
3. State Services Commission. (2017). Public Service Workforce Data. Retrieved from: http://www.ssc.govt.nz/sites/all/files/public-service-workforce-data-2017-v2.pdf
4. Winiata, W. (1988). Hapu and Iwi Resources and their Quantification. The April Report Volume Three Part Two, pp. 791-803. Royal Commission of Social Policy.
5. Durie, M. (2006). Measuring Māori Wellbeing. New Zealand Treasury Guest Lecture Series. Retrieved from: https://treasury.govt.nz/sites/default/files/2007-09/tgls-durie.pdf.
6. Chalmers, T; Williams, M.W.M. (2018). Self-report versus informant-report in the measurement of Māori offenders' wellbeing. MAI Journal, Vol 7, Issue 2, 2018. Retrieved from: http://www.journal.mai.ac.nz/journal/mai-journal-2018-volume-7-issue-2
7. New Zealand Statistics. (2013). Te Kupenga, New Zealand Statistics survey of Māori wellbeing 2013. Retrieved from: http://archive.stats.govt.nz/browse_for_stats/people_and_communities/maori/te-kupenga.aspx
8. Durie, M; Kingi, T.K. (2000). Hua Oranga. A Māori Measure of Mental Health Outcome. Massey University, School of Māori Studies. Retrieved from: http://www.massey.ac.nz/massey.
9. Pitama, S; Huria, T; Lacey, C. (2014). Improving Māori health through clinical assessment: Waikare o te Waka o Meihana. NZMJ Vol 127 p107. Retrieved from: http://journal.nzma.org.nz/journal/127-1393/6108/
10. Tibble, A. (2018). Ngā Rawa e Ono: The 6 Tribal Capitals Model. Retrieved from: https://www.linkedin.com/pulse/ng%C4%81-rawa-e-ono-6-tribal-capitals-model-atawhai-tibble/
11. Cram, F. (2014). Measuring Māori Wellbeing: A commentary. MAI Journal, Vol 3, Issue 1. Retrieved from: http://www.journal.mai.ac.nz/journal/mai-journal-2014-volume-3-issue-1
12. Ministry of Social Development. (2016). Expert Panel Final Report - Investing in New Zealand's Children and their Families. Retrieved from: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/expert-panel-cyf/investing-in-children-report.pdf
13. New Zealand Public Health and Disability Act 2000. (2000). Retrieved from: http://www.legislation.govt.nz/act/public/2000/0091/latest/DLM80051.html
14. Edwards, B. (2018). Is the new Government already failing Māori? NZ Herald. Retrieved from: https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12058512
15. Waitangi Tribunal Kaupapa Inquiry Programme. (2015). Retrieved from: https://www.waitangitribunal.govt.nz/assets/Documents/Publications/WT-Kaupapa-Inquiry-Programme-Direction.pdf
16. Neilson, M. (2018). 'By Māori, for Māori': health leaders call for revamp of Māori health system. NZ Herald. Retrieved from: https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12144435
17. Ministry of Social Development. (1988). Puao te Atatu: The Report of the Ministerial Advisory Committee on a Māori Perspective for the Department of Social Welfare. Retrieved from: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/ archive/1988-puaoteatatu.pdf
18. Potter, H; Cooper, L. (2016). Project Whitestreaming: A report on the generalising of Māori specialist staff positions in the tertiary education sector. Prepared for the Tertiary Education Union Te Hautū Kahurangi o Aotearoa.
19. Buolamwini, J. (2018). When the Robot Doesn't See Dark Skin. Retrieved from: https://www.nytimes.com/2018/06/21/opinion/facial-analysis-technology-bias.html
20. O'Neil, C. (2017). Weapons of Math Destruction – How Big Data Increase Inequality and Threatens Democracy. Broadway Books.
21. Hutton, C. (2015). Auditor-General criticises Whanau Ora. Radio New Zealand. Retrieved from: https://www.radionz.co.nz/news/national/272880/auditor-general-criticises-whanau-ora
22. Lawson-Te Aho, K. (2012). A new approach to measuring whānau wellbeing. Retrieved from: http://archive.stats.govt.nz/browse_for_stats/people_and_communities/maori/kei-te-pewhea-to-whanau-2012/new-approach-measuring-whanau-wellbeing.aspx
23. McLachlan, L. (2018). Whānau with children in state care lack clarity on rights. Radio New Zealand. Retrieved from: https://www.radionz.co.nz/news/te-manu-korihi/360933/whanau-with-children-in-state-care-lack-clarity-onrights
24. Deloitte State of the State Article 4. (2018). Building New Zealand's social capital: A family-by-family approach. Deloitte New Zealand.
25. Māori Television. (2018). New research about homeless programme at Te Puea Marae. Manaaki Tangata programme profiled on: http://www.maoritelevision.com/news/regional/new-research-about-homeless-programme-te-puea-marae
26. Speech by Hon. Nanaia Mahuta. (2018). Retrieved from: https://www.beehive.govt.nz/release/unity-effort-key-lifting-m%C4%81ori-economic-performance
27. Davis, K. (2018). Māori Crown agency to be established. Beehive.govt.nz. Retrieved from: https://www.beehive.govt.nz/release/m%C4%81ori-crown-agency-be-established

Article 10

Sowing the seeds

Capabilities and recommendations for a wellbeing future

We have learned throughout this series that putting wellbeing at the centre of our government's policy and practice can make New Zealand a better place.

We can use wellbeing frameworks to align incentives in the system, and therefore the choices we make, with what New Zealanders actually value.

It seems too often that our public servants have to work around, or even against, the system to do what we feel is right. It too often requires acts of bold leadership or individual endeavour to make the trade-offs that the system should support, such as balancing natural capital with financial payback.

Māori-led initiatives such as Whānau Ora have a much more sophisticated approach to wellbeing, rooted in the actual needs of the people concerned, and have demonstrated real results. Notably, these have been developed largely outside our standard state service frameworks, in order to avoid in-built constraints.

By James Clarke

James Clarke is a partner in the Deloitte consulting team in Wellington. He helps organisations do great things with ICT, working across strategy, governance, operating model, business engagement, outsourcing and vendor management. James has a strong focus on the New Zealand public sector.

In partnership with

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON

So we know it can be done, here in New Zealand. And as we have learned in the previous articles the key measurement frameworks are well-developed and have even been adapted for New Zealand in Treasury's Living Standards Framework. The current Government is making wellbeing the focus of their next Budget and the State Services Commission is considering public service reforms which are well aligned with this focus.

Will it make a difference?

To make a difference in the real world, the new policy objectives and measurements must lead to different decisions and actions on the ground.

To be more specific, some funding and investment cases which previously would have been declined must be approved, and vice versa. Some business rules and acceptance criteria must change to allow and disallow different activities. In a world of limited resources we make trade-offs with every decision today – to improve our wellbeing we must make different trade-offs tomorrow.

The public sector can make a massive difference by reallocating its own resources to increase wellbeing directly. It spends just over 28.5% of GDP on public services. But this is less than half the job and it will be a disappointing missed opportunity if government attempts to lift wellbeing on its own. Most of the potential to improve New Zealanders' lives sits with individuals, communities and organisations outside the public sector.

Government can only indirectly influence the decisions and actions outside its borders but the potential gains are enormous. Indirect influence and the contributions of others will be critical components in the overall strategy.

What does this mean for the state of the State?

We are fortunate to have a dedicated, professional and independent public sector. To make wellbeing work, they need to build up several key capabilities.

1

Shifting resources

Wellbeing is complex and will require varying mixes of expertise and perspective. The current public sector siloes are too rigid – ideas, people and money must be able to flow more easily to priority areas. This is a theme of the current State Sector Reform proposals presented by the State Services Commission. The ability to shift resources must go hand-in-hand with the ability to identify and change priorities with stakeholders including Ministers, and therefore move resources away from lower priority areas.

2

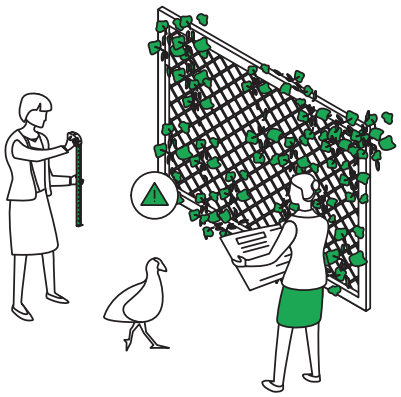
Working with others

Wellbeing will require much stronger collaboration between the state sector and others. Iwi, business and not-for-profit organisations play critical roles that could generate a greater impact on our wellbeing. Existing communications, consultation, procurement and partnering practices are too rigid and too focussed on supplying the public sector rather than achieving outcomes.

3

Understanding local context

Wellbeing depends on the context and values of individuals and communities. The public sector needs a more consistent and comprehensive approach to understanding varying needs, and a more sophisticated framework for devolved analysis and action. Local government bodies have an important contribution to make here given their closer relationships with communities and their more direct impact on local conditions.



4

Handling uncertainty
Wellbeing will require new services and initiatives, and these will change over time. The results will be uncertain, which in the current environment discourages attempts to innovate. The public sector needs to develop more robust ways to test, evaluate and adopt new ideas. This will require more sophisticated use of data, evidence and risk, and a more open relationship with politicians and the public about uncertainty.

5

Managing through influence
The state has a wide range of tools available to influence behaviour indirectly, such as regulatory parameters and business rules. We think the sector could be much smarter about influencing others including through behavioural research, service design, community engagement, open data and enabling the use of non-state channels to deliver services (such as the ability to submit GST returns through third-party accounting software).

These capabilities, and the overall wellbeing approach, will take time to embed and will evolve as our wellbeing priorities change. To be sustained over time the concept must become core to the operation of the government, and not a party-political issue subject to our short electoral cycle.

What should we do?

To make a start, we recommend the following actions. These alone won't achieve the capability shifts described above, but they can be done quickly and will begin the process of learning that is necessary.

1. Explicitly address the capabilities required to support wellbeing in the current reviews of the State Sector Act and Public Finance Act. This should include changes to investment, service delivery and accountability frameworks to encourage collaboration, evaluation and re-prioritisation. As an example, Statements of Intent and Annual Reports must be able to accommodate joint activity across agencies.

2. Require all new business cases and operational budget requests to provide a balanced economic case covering the expected impact on wellbeing, monitoring their approach and how the resources involved would be released in future if impact is lower than expected.

3. Require all new government agencies and programmes to have a specified life (such as five or ten years), when a formal review against wellbeing criteria will inform whether they should continue, change, or be discontinued. Ensure all current government agencies and programmes are reviewed against wellbeing criteria within the next five years. Set a percentage or absolute dollar target to end spending with low wellbeing impact each year, allowing funds to be reallocated to more impactful areas over time.

4. Create a dedicated fund to strengthen wellbeing research, analysis and evaluation capability and capacity across government, business and not-for-profits.

5. In partnership with communities, business and not-for-profits, develop frameworks for co-designing policy and programmes with New Zealanders. These frameworks must address key subjects such as the balance between individual and collective objectives, the role of evidence and expertise, the overlapping nature of our communities and trade-offs between short- and long-term objectives. Require agencies to use these frameworks for all material investments, policies and programmes.

We believe that a wellbeing focus could become an enduring shift in the operation of our state, even if it takes time to get it right. As we have discussed in our previous State of the State reports, greater investment in resilience and long term social impact are essential for New Zealanders to thrive. We see wellbeing as a much fairer and more sustainable way for the state to guide that investment, helping New Zealanders to lead the lives we set out to lead.

A summary of key takeaways from the earlier articles in the series:

Article 1 – Wellbeing in abundance: looking after our own backyard

"Wellbeing is an evolution of social investment: it is the why of social investment. Wellbeing will mean transformation of portfolios, business cases, policy, measurements of outputs/outcomes and resource allocation. Instead of asking how can we maximise outputs within our existing budget?, agencies might need to ask how can we maximise outcomes across all four capitals?"

Article 2 – Beyond GDP: measuring New Zealand's wellbeing progress

"Dissatisfaction with income as a measure of wellbeing has a long history. If the purpose of public policy is to improve wellbeing, as we believe it should be, then measuring the progress of wellbeing is of public interest. The current Government has clearly signalled that it wants to frame, design, and implement public policy with an objective of increasing overall wellbeing, not just income, on a sustained basis. If academics, businesses and public servants do not lift their games and provide all the support we can to help the Government achieve this vision, we will have missed a unique opportunity and failed."

Article 3 – Paving the way to wellbeing: the evolution of social investment

"It is clear that in just two years, the development of social investment and its evolution to investing for social wellbeing has had positive impacts for how the public sector and NGOs operate. It has strengthened advice and enabled pockets in organisations to better measure and evaluate their programmes, and in doing so, deliver on wellbeing. The people we interviewed were enthusiastic about the further gains that could be made as they embedded a data- and evidence-focused approach to strengthen policy development and service delivery. They see opportunities to continue to drive collaboration across the sector. A number of interviewees felt a wellbeing approach could be embedded in policy development if it became more than a Budget device, for example, baking it into public sector management tools like business cases and Cabinet papers."

Article 4 – Building New Zealand's social capital: a family-by-family approach

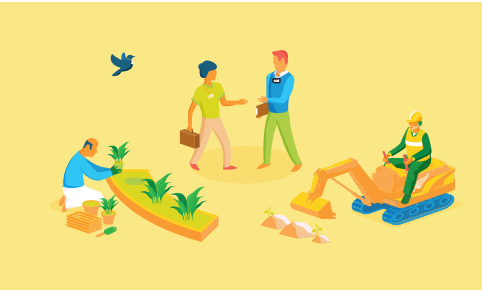
"In New Zealand we have relied for a long time on the willingness of those who work in the social sector to go "above and beyond" to find ways to meet the needs of their clients in spite of the current system. Strengthening a family-by-family approach is not a panacea, and does not tackle a number of systemic issues such as hospital waiting lists, housing affordability and transport infrastructure. However, the benefits case for this model is strong, both from an evidence base and from existing business cases for social investment and integrated social services. We see the family-by-family approach as a credible and practical first step to address some of the complex, long-standing problems that create intergenerational poverty and dysfunction."

Article 5 – Inclusive and resilient communities: co-creating our human and social capital

"We need to listen. Government will have to move beyond public consultation and connect deeply with communities on issues they are struggling with. We are talking about a fundamental shift in policy-making. Policy-makers will need to become custodians of the process that ensures co-creation of policy rather than remaining custodians of the knowledge. We need novel and long-term solutions to ensure a sustainable future in order to, as Māori also say, protect the Earth that we are borrowing from our children."

Article 6 – Shifting the landscape: what a wellbeing focus could mean for business

"It is important that none of the four capitals is taken for granted. We know for example, not to take our natural capital for granted. The same should be true for financial/ physical capital. The New Zealand economy is in an envious position compared to many developed nations, and underlying the narrative around wellbeing is a requirement for the economy to function in a way that supports all capitals. However, economies are subject to shocks and New Zealand is no different – whether that shock be driven globally or domestically. It is therefore important that change occurs at an acceptable pace, with an appropriate balance between all capitals, and one eye firmly on the economic implications of policy developments that have a wellbeing lens."



Article 7 – Trust: a cornerstone of wellbeing: the building blocks for a flourishing society

"The building blocks of trust apply to both individuals and organisations alike. Second, trust is dynamic and is therefore something that needs to be revisited, readjusted and recalibrated at various points. Third, a key mechanism to enable this is a reflection, both on an individual and institutional level. Leaders who reflect will be more open and ethical in their approach. Institutions that enable reflection have cultures that are accessible and supportive. Those that do not reflect are in danger of becoming hermetically sealed and toxic. Crucially, the final message is that these elements must develop together. A better trust relationship allows for more openness and better quality reflection, and in doing so it is more likely to lead to higher levels of trust. Overall, this increases wellbeing. It can be a virtuous circle and is a path that New Zealand would do well to continue down."

Article 8 – The importance of place: a cities and regions view of wellbeing

"Looking ahead to next year's Wellbeing Budget, we hope to see the Government apply wellbeing indicator tools effectively to ensure appropriate allocation of resources across regions to optimise regional wellbeing. Central government has a role in addressing issues such as housing affordability, crime and imprisonment rates, access to health and other support services, employment conditions, protecting and enhancing the environment, and support for regional authorities, businesses and non-for-profits. To enable policy to effectively consider people and regions who are at most risk of experiencing low levels of wellbeing, in our view the Government needs to apply a subnational lens to the use of wellbeing measures. Evidence-based localised policy is a key to reducing inequality and creating more 'haves' and fewer 'have-nots'."

Article 9 – Oranga mo Aotearoa: a Māori perspective on wellbeing

"As demonstrated, improving outcomes for Pākehā does not necessarily improve outcomes for Māori, but the reverse is true. Improving Māori wellbeing will have a positive flow on effect throughout the New Zealand economy – from reduced public sector costs through to higher tax revenue from educated and employed Māori. Māori-focussed approaches will not only help Māori but also New Zealand as a whole and these should be embraced and applauded."

Contacts

David Lovatt
Partner
Deloitte

Tel: +64 (4) 470 3690
Email: dlovatt@deloitte.co.nz

Adithi Pandit
Partner
Deloitte

Tel: +64 (4) 470 3871
Email: apandit@deloitte.co.nz

James Clarke
Partner
Deloitte

Tel: +64 (4) 470 3712
Email: jamesclarke@deloitte.co.nz

Deloitte.