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

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 report in 2016, we focused on social investment and last year, 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.
“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

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 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 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 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.

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.

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.  

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.

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.

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.

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.

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.

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 Maklouf 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.”

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

22. Ibid.
Stay tuned for more
Article 2 coming soon

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