



Fit for the future
Boosting resilience
in the face of uncertainty

State of the State New Zealand 2017
Summary report

Foreword

In State of the State 2016 we looked at how a social investment approach can improve the outcome of the long term wellbeing of New Zealanders.

In the 2017 report we widen the lens to look at the theme of household resilience and wellbeing. Not only is this relevant to all New Zealanders, it is topical for our current Government given recent pre-Budget announcements. Household resilience is concerned with how Kiwis preserve their quality of life in the face of change.

The whakatauki that opens our report draws on the proverbial saying “me he tokatū moana” meaning “like a boulder weathering the elements”. This saying underscores the importance of strong households as a source of resilience for New Zealand as we face future disruptions and change.

We care about resilience not just because it enables us to withstand life's disruptions, but to measure the extent to which New Zealanders can adapt, grow and even thrive in the face of change. Never has it been more important to think about how households cope with change – and how government can best support them.

There is no crystal ball for what impact things like advances in technology, shifts in international politics or changing demographics will have on New Zealand households. But the one thing everyone agrees on is that more – and faster – change is a fact of life for future generations.

As with our 2016 report, some of New Zealand's brightest thinkers and most senior leaders generously gave their time to talk to us on this topic. We interviewed people from the public sector, business, non-government, media and academia. The experience and reach of the people we talked to is testament both to how complex this topic is, and how much consensus there is on its importance.

For New Zealand households to flourish, and for the next generation to have the quality of life that they desire, we all have a role to play.

We hope our State of the State report provides you with valuable insights into how we can further develop and improve the resilience and wellbeing of households in New Zealand.



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Executive summary

Resilience underpins the security of our wellbeing. Boosting household resilience in the face of uncertainty will help ensure we are fit for the future.

Ko tōku kāinga
tōku tumu herenga
waka, ko tōku waka
ko tōku oranga,
ko tōku oranga ko
tōku whānau, ko
taku whānau taku
tokatū moana

My home is the
mooring for my
vessel, my vessel
is indeed my
life force, my life
force is my family,
my family is my
immovable object,
my foundation

Life in New Zealand is pretty good. We have one of the best performing economies in the developed world and enjoy comparatively high levels of social cohesion and connectedness. We are buoyed by strong institutions built on solid governance. And we boast a vibrant business environment.

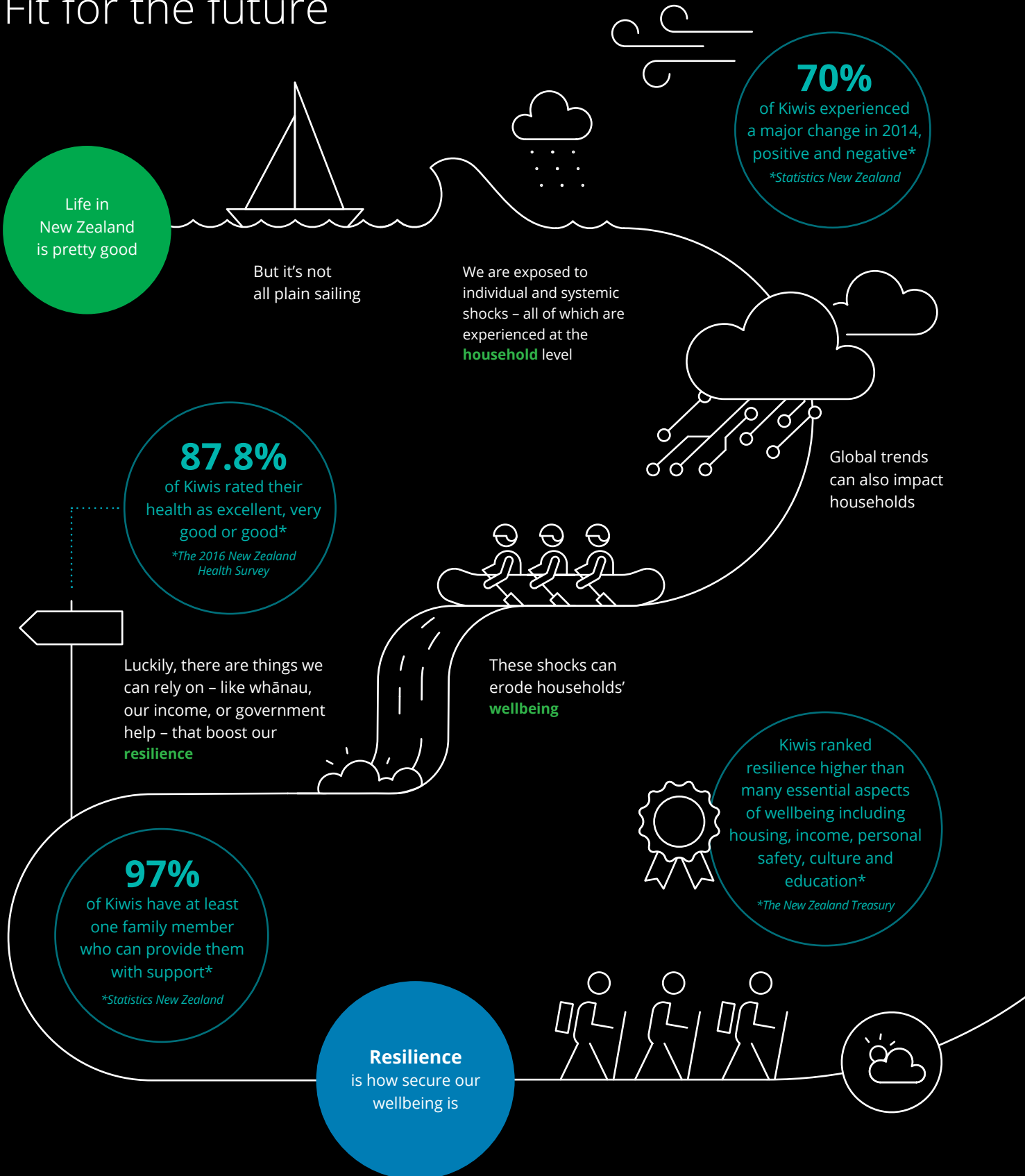
Together these factors underpin our wellbeing – our quality of life. We recognise that Kiwi values such as fairness, connection with our natural surroundings, whānau and community, lie at the heart of what makes New Zealand one of the best places in the world to live.

If wellbeing is our quality of life, then resilience is how secure that quality of life is.

We experience a surprising amount of change. New Zealanders from all backgrounds suffer economic loss, health problems or adverse changes in the lives of those closest to them. For example, 70% of New Zealanders experienced a major life change in 2014. And in any given year, one in nine working age Kiwis will suffer from a significant fall in income. Given all of this change, it is not surprising that New Zealanders rank resilience higher than many other aspects of wellbeing.



Fit for the future



Household

[Definition]

People residing together, often – but not always – as a family unit, who have shared resources and an inter-dependent standard of living

Wellbeing

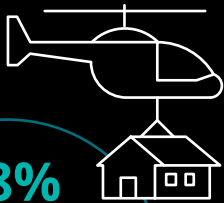
[Definition]

Wellbeing is our quality of life. Kiwi values lie at the heart of our perceptions of wellbeing

Resilience

[Definition]

The ability to absorb, bounce back from or adapt to disruption without compromising wellbeing



28%
of households spend more than 30% of disposable income on housing*
**Ministry of Social Development*

1/9
working age New Zealanders will suffer a significant fall in income in any given year



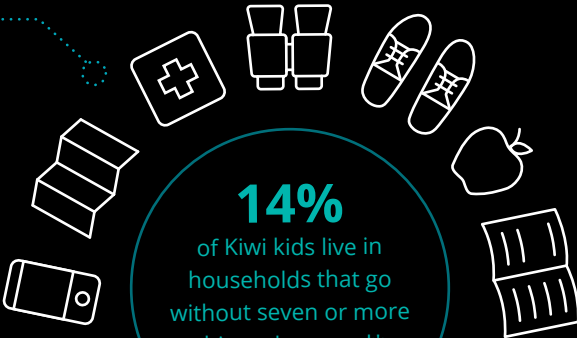
Māori & Pasifika
populations experience a gap in tertiary education attainment compared to the general population*
**Education Counts NZ*

Disposable income

Predictable income

Essentials

Education



14%
of Kiwi kids live in households that go without seven or more things they need*
**Child Poverty Monitor*

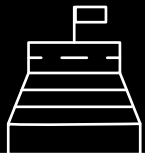
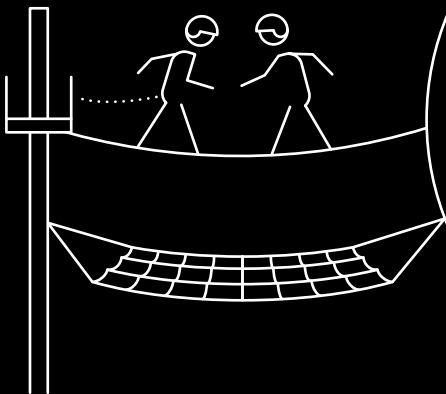
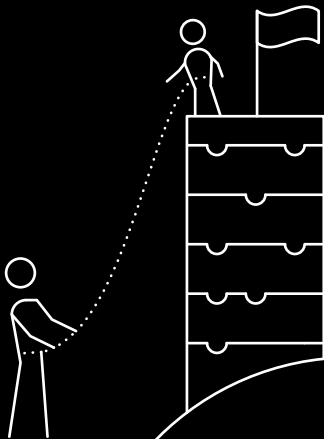
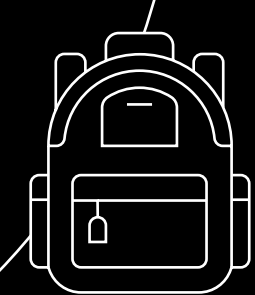
Not all households have enough, or the right, resources to draw upon when faced with shocks

We are only as resilient as our people, our businesses, and our social infrastructure

How well we respond to future uncertainty relies on ensuring resilience at all of these levels, individually and together

Government already does a lot that impacts the resilience of New Zealanders

We believe there is more government can do to ensure we stay fit for the future



We know that many households are in a poor position to deal with disruptions and are forced to manage their shortfall in ways that increase future risk

In this report, we consider resilience within households, and in particular, how well households are able to maintain or recover their levels of wellbeing in the event of disruption or shock – whether large scale or on a personal level. We apply a framework to understand the many interacting dimensions of household resilience such as financial resources, health, education, social networks and connections.

Households are at risk

When considering how well New Zealand is doing in terms of resilience, we know that many households struggle to meet their everyday needs, which leaves them in a poor position to deal with disruptions.

Exacerbating the situation, we also know that some of the ways households are forced to manage their shortfall almost certainly increases future risk. For example, in this situation people will sacrifice things like visits to the doctor or dentist. While such measures enable households to get by, they can erode personal resilience by making a serious health issue more likely.

The uncertain future

The possibility of events overseas having a large and immediate impact here looms larger given our connected and changing world. Even if we were able to predict the probability of some shocks with accuracy, it is another thing to predict their impact. One shock may set off others and it may be these subsequent disruptions that prove to have the greater impact for New Zealand households.

Government has a role to play

New Zealand's resilience is a composite of the resilience of our households, businesses, social and public sectors. To be a more resilient nation we need to build resilience at all these levels. In an environment where household wellbeing is tested by disruptions there are strong arguments for government to take an active role in increasing the resilience of New Zealand households.

Government policy and public institutions already influence household resilience in many ways. Public policy should be about many things, but resilience is not currently the primary objective of the actions that influence households. We think there is more that government can do to address current inequalities in household resilience and invest in all New Zealanders.



We make four recommendations to boost resilience and ensure New Zealand is fit for the future

1. A resilience outcome from universal social services

We recommend government explicitly applies and evaluates resilience objectives in health, education and housing policy.

Taken together, these three areas represent government's primary means of influencing the personal and household resilience of all New Zealanders. Explicitly targeting resilience in policy development will result in a wider – or different – set of options being considered.

2. Explore policy interventions that address income factors for household resilience

We recommend government progress interventions to address income factors for household resilience, advancing trials to build household resilience through a social investment approach and income support.

There is a group of households for which income levels and volatility are the primary barriers to their resilience. For these households, there are limitations to existing assistance, including that while they would benefit from support to build their resilience (and ensure their long-term wellbeing), they may not be eligible for targeted social assistance based on current needs.

We propose running evaluated trials applying both social investment and income approaches.

3. Strengthen our public institutions' focus on resilience

We recommend government establishes a Resilience Unit within one of the central agencies with end-to-end accountability for ensuring that public institutions and policy are actively boosting resilience, from strategy and policy through to operations and coordination.

A centralised unit will be accountable for, and measured on, whole-of-system resilience. It will ensure a drive to increase resilience in one aspect of the system would not have a disproportionate impact on others. And it will provide a counterpoint to efficiency objectives that may reduce government's ability to respond and adapt to disruption.

The Resilience Unit should have a role in identifying current and future trends, analysing the likely impact on New Zealand, and instigating change and adaptations that will put us in the best position to anticipate and respond to disruptions.

4. Engage with New Zealanders to build a wellbeing and resilience index

We recommend government engages with New Zealanders to describe the aspects of wellbeing and resilience that are important, identifies appropriate indicators to measure them, and uses these indicators to guide and evaluate policy-making and government services.

Having the right measures in place will tell us how households are doing, where we should target interventions, and enables us to evaluate the evidence for resilience and the impact of investments. We recommend that measures reflect the values of our communities and consider qualitative and quantitative measures across economic, social and cultural dimensions.

In an environment where household wellbeing is tested by disruptions, there are strong arguments for government to take an active role in increasing household resilience



**Find out more
– access the full report**

This is a summary report of State of the State 2017. To access the full report, entitled State of the State New Zealand 2017: Fit for the future, go to:

www.deloitte.com/nz/stateofthestate

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