Dimensions of resilience

A framework for assessing household resilience

When faced with an unexpected challenge, whether economic, social or environmental, all households have a variety of potential resources to call upon in order to manage it.

To assess the resilience of households to shocks we need to consider all of these dimensions together, and understand how they interact with one another.

A framework for assessing household resilience

Personal resilience

Personal resilience of individuals in the household is the starting point for household resilience. Beyond personal characteristics that mean people will deal with the same situation differently (for example, whether someone is risk averse and how they plan),[12] we look at two specific aspects of personal resilience: health (mental and physical), and human capital.

Health, in particular mental health, influences how well individuals deal with the stress, change and uncertainty that accompanies disruption. Human capital, or our skills and competencies, contributes to resilience through higher incomes. Education also has some less obvious effects on resilience, such as greater social mobility, better outcomes for children and greater social cohesion.[13]

Financial resources

Immediate financial resources in the form of income, savings, assets and credit lines, provide individuals with a buffer against disruption. Even shocks of a non-financial origin will also entail economic loss – for instance where an illness leads to an inability to work.

Whānau and support networks

Whānau and support networks provide social and practical support for individuals and households. Whanaungatanga, or strong reciprocal relations and a sense of connection, is a source of resilience and a safety net in times of need. Relatively small forms of assistance – a grandparent helping with childcare, a neighbour to share a ride with when a car breaks down – can all help with household disruptions.

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Employment

Business plays many roles in New Zealand's resilience. The risks businesses are exposed to – and how well they manage them – as well as how they innovate and contribute to GDP growth and development all affect the economic conditions in which households operate. For households, businesses predominantly contribute to resilience as employers.

Social and cultural capital

Social and cultural capital provides support for individuals and communities in good times and in bad. Cultural connection, including connection to history, language and stories, was identified by several interviewees as a core aspect of personal, whānau and community resilience. Examples of social networks as a source of resilience in the face of disruption include iwi or marae-led housing, the Student Volunteer Army and social enterprises like Eat My Lunch.

Government

Government traditionally provides a social safety net and investment in public goods. Social welfare is usually conditional on particular categories of need (disability, low income, health) and therefore rigid in a way that other aspects of resilience are not. This is balanced by universal investments in areas such as health and education. This system balances various policy objectives and considerations – not the least of which is the resilience of government finances. Government also plays a key role in mitigating system-level shocks through macroeconomic policy including financial regulation, trade policy, investment in infrastructure and the exercise of monetary and fiscal policy.

Another important aspect is the resilience of government organisations themselves. Systemic shocks can affect the state just as much as they can the private sector and the continued ability for government agencies to meet the needs of citizens is hugely important.

Public institutions

Finally, our public institutions, the rules and norms underpinning the structure of society, are also a source of resilience. It has been argued that societies with greater political participation have been found to be better at adjusting to shocks.[14]

Institutions are subject to systemic shocks just as households are. Their ability to continue to deliver their core functions and provide certainty to households during disruption – for example through the rule of law and property rights – underpins the whole system of resilience. How well they can promote forward-looking decision-making and adapt to change, including anticipating what problems society may face in the future, will influence how well and how quickly households themselves adapt.

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Managing resilience as a whole

Understanding resilience this way – as a set of inter-related dimensions – brings into focus several considerations for government action

The system is only as resilient as its constituent parts. New Zealand's resilience is a composite of the resilience of its households (and the individuals in them), its businesses and its public sector. A more resilient New Zealand requires that we are resilient in each of these dimensions.

Some households have more than others. Households are not experiencing equal starting points in health (both physical and mental), education, social networks and connections. And certainly not in financial resources.

Some of these factors can be exhausted, such as income. For others, there are limitations and trade-offs. For example, there are only so many hours we can work in a week, and devoting more time to work may lead to higher stress levels or less time to invest in social sources of resilience such as family relations.

During the course of this research, we heard evidence of the social costs associated with financial stress in particular – including increased rates of relationship break-ups, domestic violence and other social ills.

This is a good reminder that assessing how well a household copes with a shock is difficult to quantify. For example, a household may not lose their home, but the cost of that episode on other dimensions of life can be immeasurable.

The upshot is that improving systemic resilience may have the effect of shifting risk from one part of the system to another, which may be less well placed to bear that risk. For example, a focus on income might come at the expense of health and social factors, or a focus on public debt might be at the expense of households that rely on particular public services.

Different sources of resilience may be more or less effective in the face of different shocks. And they can be exhausted. Systemic shocks may overwhelm resources, for example a disruption affecting a regional community will call on the same social and community networks.