

BNZ Wellbeing Report

February 2020 – The role of money and finance

In this note we outline results from estimating BNZ's Wellbeing Indicator for the third time. The focus is on differences in subjective wellbeing across different groups of New Zealanders and across different regions of the country. We also delve further into the impact of financial stress and hardship on wellbeing. Results are based on a survey conducted in late-November to early-December 2019 of just over 1500 people.

HIGHLIGHTS

Wellbeing did not change much over the second half of 2019. Measures of financial stress and economic insecurity increased in the second half of 2019. However, despite these increases, the wellbeing of New Zealanders – as measured by BNZ's Wellbeing Indicators – barely moved at all. This suggests that wellbeing tends not to bounce around much in response to changes in economic sentiment.

Wellbeing displays familiar patterns across different groups of New Zealanders. As in previous estimates of BNZ's Wellbeing Indicator, self-reported wellbeing tends to be higher for men, older people, home owners and people living in high-income households. Young New Zealanders report experiencing relatively low wellbeing, which is concerning and will be explored in detail in the next update of BNZ's Wellbeing Indicators. Stability in wellbeing across different groups of New Zealanders gives us confidence that BNZ's Wellbeing Indicator is acting as intended and providing an accurate gauge of wellbeing. It also indicates that deeper long-run features of the economy, which impact differently on different groups of people, do tend to influence on wellbeing.

Wellbeing is higher for people living in rural areas compared to the cities. Consistent with international studies, New Zealanders living in rural areas tend to experience higher wellbeing than people living in cities. Lower self-reported anxiety is the predominant reason for this. This suggests that notwithstanding the excitement of city living, factors – such as long commutes, congestion and noise – can detract from wellbeing for city dwellers.

Financial factors have an important bearing on wellbeing. There is growing evidence that financial circumstances, and the factors that determine those circumstances, have an important influence on people's wellbeing. This looks to be true in New Zealand, with a negative association between financial stress and wellbeing – people with low financial stress tend to enjoy high levels of wellbeing.

Effectively responding to financial challenge is key. While high financial stress is generally associated with relatively low wellbeing, some New Zealanders manage to maintain high levels of wellbeing while undergoing financial challenges. This suggests that having access to the right financial products, expertise and support can improve our ability to deal with financial stress without any undue deterioration in wellbeing.

MAIN REPORT

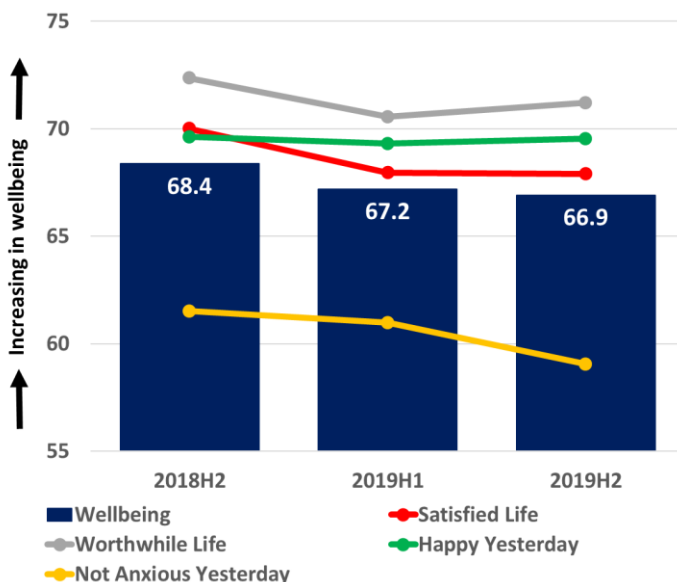
Wellbeing as a compass for policy

“Wellbeing” has become increasingly important in New Zealand policymaking, with Treasury’s living standards framework providing a wide lens for setting policy and assessing its impacts. This is a welcome development – policy should aim to improve the things that matter most to New Zealanders, including things outside the ambit of traditional economic indicators.

A key ingredient in any framework aimed at assessing what matters for New Zealanders is a reliable and credible gauge of wellbeing. Fortunately, with increasing interest, the science of measuring wellbeing has matured over recent years. Evidence has increasingly shown that self-reported measures of a person’s assessment of how their life is going and how they feel at a point in time can be used to create a valid and consistent measure of their wellbeing.

This is the methodology underpinning BNZ’s Wellbeing Indicator. This indicator follows a “tried and true” approach and tracks perceptions of life satisfaction, life worth, happiness and anxiety across a wide cross-section of New Zealanders.

Figure 1: BNZ’s Wellbeing Index



The results of estimating BNZ’s Wellbeing Indicator for the third time show that wellbeing decreased ever so slightly over the second half of 2019 (Figure 1). This slight decline is due to an increase in peoples’ self-reported levels of anxiety, which saw the anxiety indicator drop by almost two points. Higher anxiety more than offset small improvements in New Zealander’s sense of life worth and happiness.

On average, wellbeing continues to be higher in New Zealand than in Australia, where National Australia Bank use an identical methodology to measure wellbeing.

Wellbeing across different groups of Kiwis

With increasing importance as a compass for policy and improvements in the data, a great deal of work has gone into investigating the things that drive, or are at least associated, with differences in wellbeing, both within and across countries.

So just what is it that makes New Zealanders feel good about the lives we lead? We will explore this question with greater detail and rigor in future updates of BNZ’s Wellbeing Indicator. In the meantime, differences in the average level of wellbeing across different groups of New Zealanders goes some way towards identifying the factors associated with a satisfying life.

As in previous estimates of BNZ’s Wellbeing Indicator, New Zealanders living in high-income households typically report higher wellbeing than people living in lower-income households (Figure 2). This is consistent with a lot of international research showing that people earning high incomes tend to experience higher wellbeing than people earning low incomes. This link is also apparent across countries, with people living in wealthy countries generally reporting higher levels of wellbeing compared to people living in poorer countries.

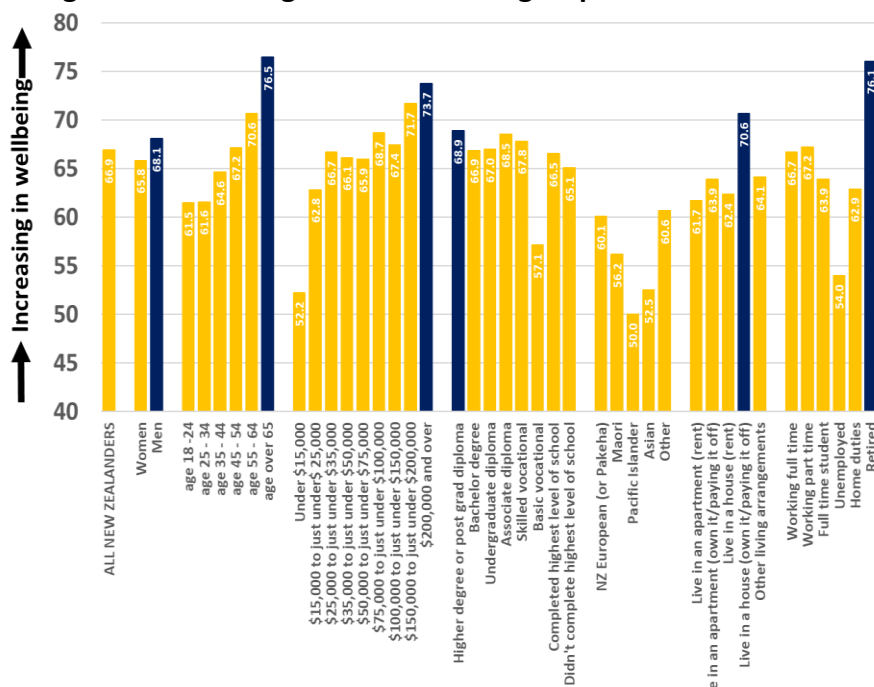
The results of estimating BNZ’s Wellbeing Indicator show that higher levels of education are also associated with greater wellbeing while people who are unemployed are more likely to report lower wellbeing (Figure 2). Importantly, correlation does not always imply causation. For example, highly-educated people tend to earn relatively high incomes while unemployed people typically don’t earn much at all. It follows that the positive effect of income on wellbeing may explain the correlations between wellbeing and education or employment status.

By gender, men score all four components of BNZ’s Wellbeing Index more highly than women. This has been the case in all three estimates of the indicator. The international evidence is that differences in wellbeing across gender depend on a range of factors, including social expectations and norms and the extent of gender inequality. In the New Zealand case, women still face a gender pay gap and, as outlined below, are more likely to experience financial hardship compared to men. Among other possibilities, these inequalities could explain relatively low self-reported wellbeing for New Zealand women.

By age, the international evidence is that there is a U-shaped relationship between age and wellbeing in high-income countries, with middle age being a time of increased stress and worry relative to younger and older years. BNZ’s Wellbeing Index indicates that older New Zealanders tend to experience relatively high levels of wellbeing compared to middle-aged people. However, young New Zealanders report wellbeing below that of middle-aged people. This is concerning and will be explored in detail in a future update of BNZ’s Wellbeing Indicators.

By ethnicity, Pacific Islanders and Asian people report relatively low wellbeing, while wellbeing for Māori is below that of Pakeha New Zealanders. Again, further analysis is needed to trace these differences back to their underlying causes, such as income differences across people of different ethnicities. It is also important to note that a robust assessment of Māori wellbeing would ideally be based on a conception of wellbeing that is firmly grounded in te ao Māori.

Figure 2: Wellbeing across different groups of New Zealanders



Finally, people living in their own home report a greater sense of wellbeing compared to people who rent.

In large part, these differences in wellbeing across different groups of New Zealanders have remained broadly stable in all three estimates of BNZ’s Wellbeing Indicator. This is to be expected – empirical measures of wellbeing tend to be slow-moving and relatively stable through time.

This stability gives us confidence that BNZ’s Wellbeing Indicator is acting as intended and providing an accurate gauge of the wellbeing of New Zealanders. It is also

why BNZ only surveys wellbeing every six months, rather than quarterly.

Wellbeing across people living in different parts of the country

As well as looking at wellbeing across different groups of people, we can also use the geographic location of survey respondents to assess wellbeing across different parts of the country. Again, a rigorous assessment of wellbeing by region would separate out the effect of people’s characteristics and situation on their wellbeing from those of the place in which they live. This approach to testing the impact of ‘place’ on wellbeing will be explored in future updates of BNZ’s Wellbeing Indicator. The current update merely highlights differences in wellbeing across people living in different parts of the country.

On average, people living in main and large urban areas in New Zealand report lower wellbeing than people living in small towns and rural areas (Figure 3). This is consistent with international research showing that, in developed countries, wellbeing tends to be higher for people living in rural areas compared to people living in urban areas. This “urban-rural happiness gradient” has been attributed to the fact that the quality of the environment is typically better in rural areas and that wellbeing-enhancing behaviours – such as exercise – are a more common part of every-day life in rural areas.

Higher anxiety is the main reason why New Zealanders living in urban areas have lower wellbeing than people living in small towns and rural areas. This is also consistent with previous work showing that “big-city” factors – such as long commutes, congestion and noise – can detract from wellbeing for people living in urban areas. Interestingly, people with relatively high anxiety living in New Zealand’s cities report that they cope well with their anxiety compared to people with anxiety living in rural areas (Figure 4). On the face of it, this suggests that the services conducive to effectively managing and mitigating anxiety may be more readily available in the cities but harder to find in rural areas.

Digging deeper into the results shows that there is some variation in wellbeing across the regions of New Zealand (Figure 5). Northland leads the way, with a high assessment for life worth that is partly offset by a relatively high level of self-reported anxiety. The wellbeing of Aucklanders is some way down the ranking, also predominantly as a result of high self-reported anxiety.

It is important not to overstate the extent of regional variation in BNZ’s Wellbeing indicator. First, a small number of respondents in some regions mean that sampling errors are relatively large. It is also the case that variation in wellbeing within regions is much greater than it is across regions.

Figure 3: Wellbeing: town versus country

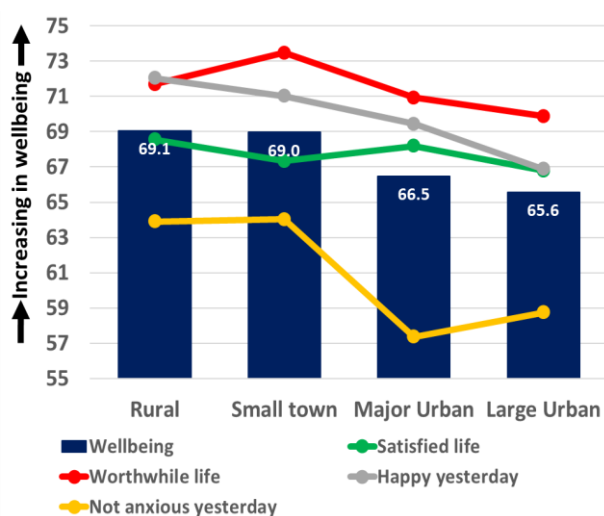
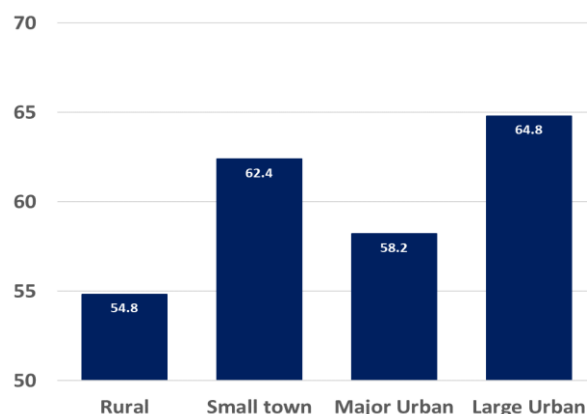
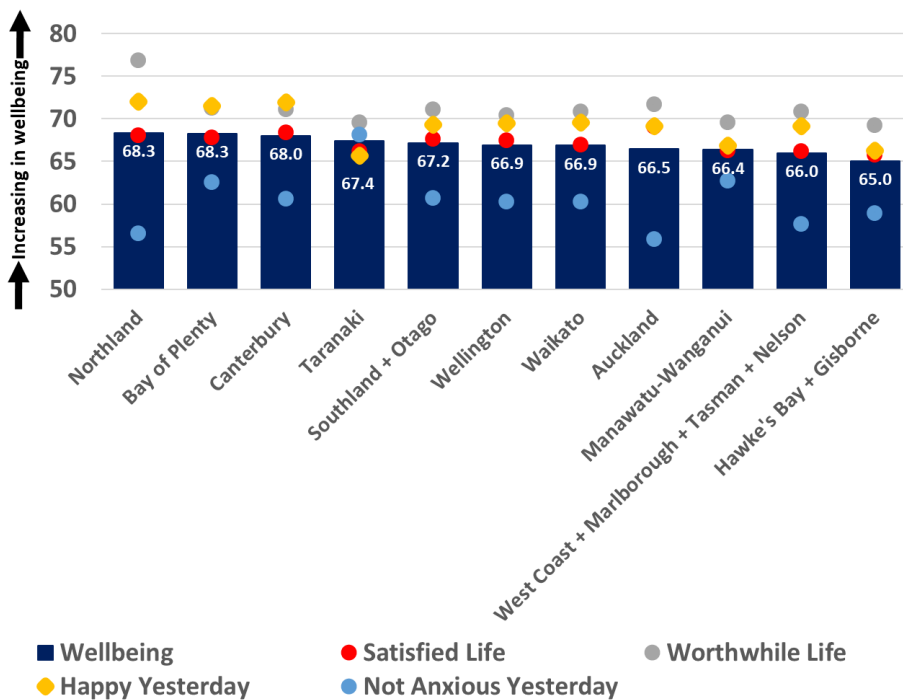


Figure 4: How well do you cope with anxiety?



Note: **Major urban areas** are: Auckland, Hamilton, Tauranga, Wellington, Christchurch and Dunedin.
Large urban areas are: Whangarei, Rotorua, Gisborne, Hastings, Napier, New Plymouth, Whanganui, Palmerston North, Nelson and Invercargill.

Figure 5: Wellbeing and its components by region



The impact of money and finance on wellbeing

Not surprisingly for a bank, BNZ is interested in the impact of money and finance on the wellbeing of our customers. Broadly speaking, our intention is to use BNZ's Wellbeing Indicator to better understand the impacts of different financial arrangements and degrees of financial capability on customer wellbeing. This understanding would help BNZ increase the likelihood that our products and services enhance and support customer wellbeing.

As a step in this direction, this section outlines the broad links between financial stress and wellbeing apparent in the third estimation of BNZ's Wellbeing Indicators.

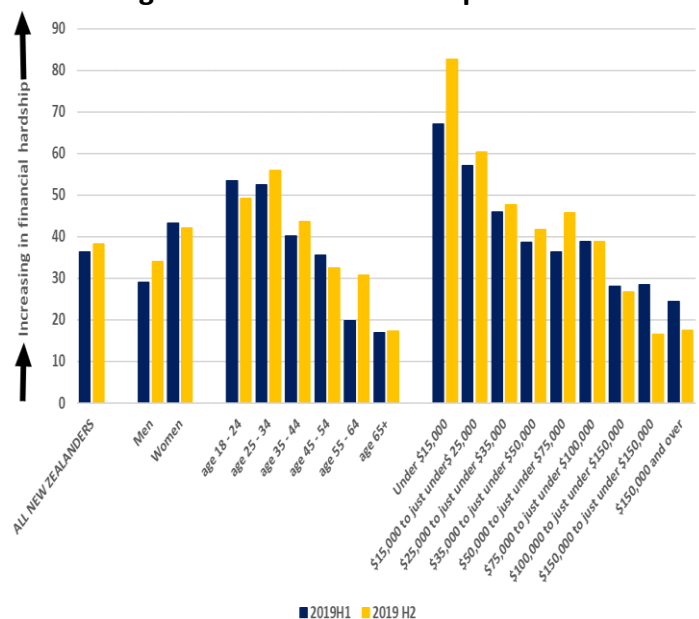
Financial hardship increased a little in the second half of 2019

Financial hardship is defined as having insufficient financial resources to meet basic needs. Based on this definition, our measure of "financial hardship" captures whether survey respondents were unable to meet a basic need in the six months prior to completing the survey.

According to this measure, financial hardship increased slightly in the second half of 2019 – the share of survey respondents that experienced a specific incidence of financial hardship increased from 36% to 38% (Figure 6). As in past surveys, women, younger people and people living in relatively low-income households are especially prone to financial hardship.

Not having enough money for an emergency is the most common form of financial hardship (Figure 7). To some extent, this hardship is anticipatory in that an emergency may or may

Figure 6: Financial hardship



not have occurred in the six months prior to filling in the survey. However, it does suggest that many New Zealanders feel uncomfortably exposed to possible future negative events. The second most common form of financial hardship was not having enough money to pay a bill followed by not having enough money for food and basic necessities.

This increase in financial hardship in the second half of 2019 is consistent with increases in a range of indicators measuring different types of economic insecurity. Survey results show that job insecurity, financial insecurity for retirement, concern over the New Zealand and global economies and financial stress all increased in the second half of 2019 compared to the first half (Figure 8).

There is some evidence that economic insecurity is negatively correlated with different aspects of wellbeing across the regions of New Zealand. For example, Figure 9 shows a strong association between job insecurity and self-reported levels of anxiety across regions.

Figure 7: Types of financial hardship

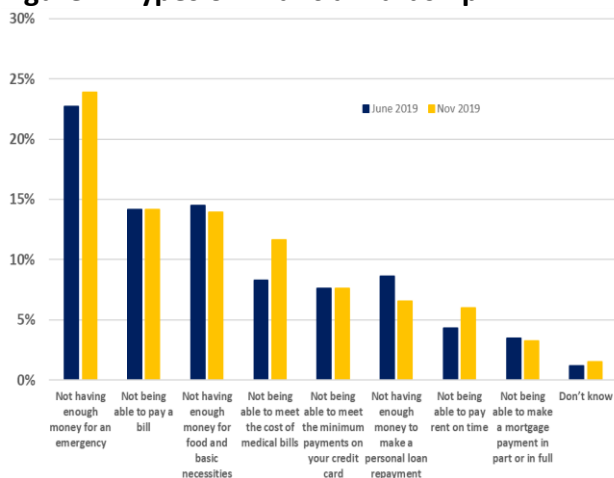


Figure 8: Measures of economic insecurity

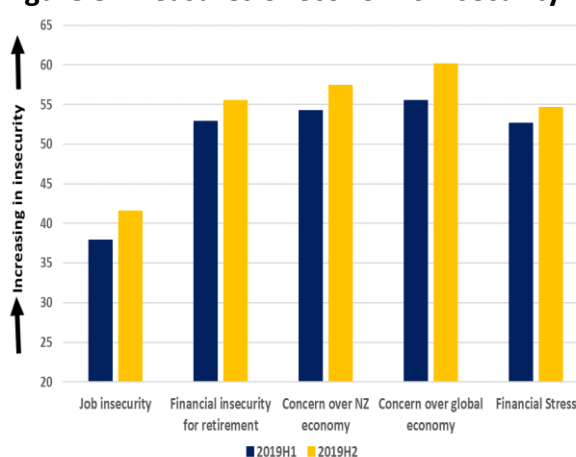
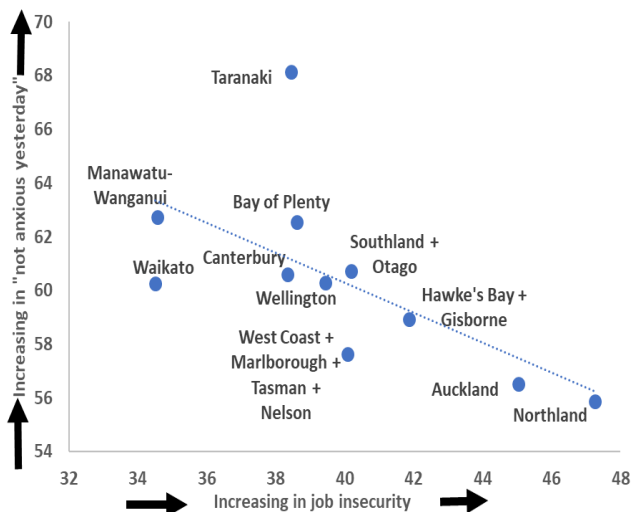


Figure 9: Job insecurity and anxiety by region

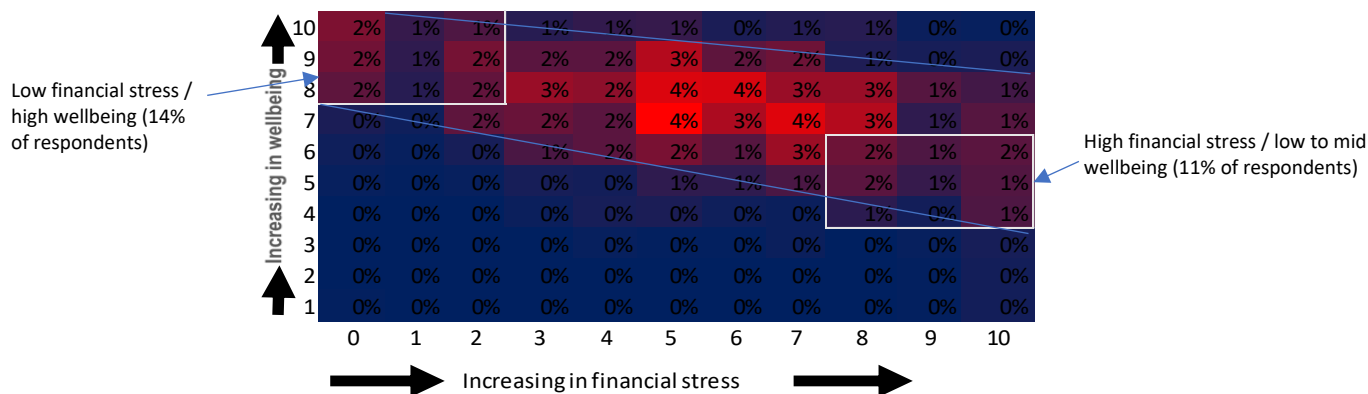


Financial stress detracts from wellbeing

Figure 10 highlights in increasing shades of red the most common combinations of wellbeing and financial stress recorded across respondents to the BNZ’s Wellbeing Questionnaire. Many respondents are clustered in the “middle of the pack” on both indicators – around one quarter of respondents report their level of financial stress to be between four and seven and their wellbeing to be between six and eight.

In addition to this middle-of-the-pack cluster, there is also a clear negative relationship between financial stress and wellbeing apparent in the figure. For instance, as indicated on the graph, 14% of respondents have low financial stress and high wellbeing while 11% have high financial stress and wellbeing in the low-to-mid range. A look at the demographics of people in these two groups reveals that people who enjoy low financial stress and high wellbeing tend to be male, older, retired, own their own home and/or live in high-income households.

Figure 10: The link between financial stress and wellbeing



This clear negative association between financial stress and wellbeing is not surprising. As outlined above, it is well understood that income is an important determinant of wellbeing. It follows that financial stress and hardship should detract from wellbeing.

Interestingly, while very few respondents report low financial stress and low wellbeing (bottom left-hand quadrant of the graph), a significant number report high financial stress in conjunction with high levels of wellbeing (upper right-hand quadrant of the graph). This indicates that financial challenges and stress need not always be accompanied by low wellbeing – with the right products, support and knowledge, financial challenges can be met without any undue deterioration in wellbeing.

Responding to financial hardship

Unfortunately, with low per capita incomes compared to most other OECD economies, financial hardship and stress are an everyday part of life for many Kiwis that often detracts from wellbeing. However, some people living with high financial stress can still enjoy high wellbeing. This highlights the importance of how people respond to financial hardship.

Across all three estimates of BNZ’s Wellbeing Indicator, New Zealanders have responded to financial hardship in pretty much the same ways (Figure 11). Following a stricter budget and cutting out unnecessary expenses is the most common response. Personal sacrifice, selling possessions and working harder are also relatively common. Talking over financial worries with friends or family is also relatively common, whereas less than 5% of financial hardship events lead to a conversation with a bank or financial advisor. This reflects the fact that New Zealanders generally have fewer “trusted advisors” to call on during a financial crisis than they do during an emotional crisis (2.5 people vs 3.6 people respectively).

In just over 10% of financial hardship events, the person involved responded by getting into more debt. Borrowing money from friends or family, selling possessions and using layby were the most common methods of increasing debt. In future work using BNZ’s Wellbeing Indicator, we will assess the wellbeing implications for these and other approaches to increasing debt in response to financial hardship.

Figure 11: The response to financial hardship

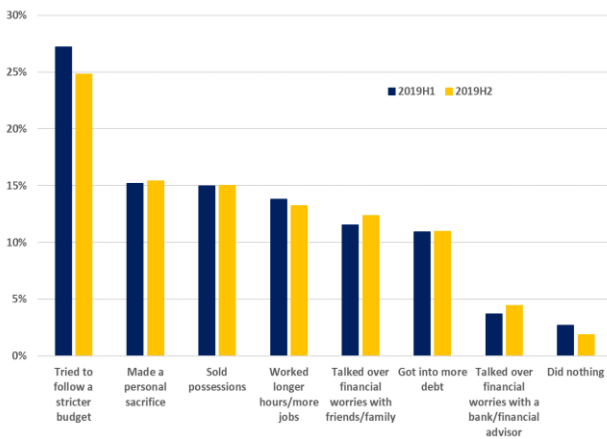
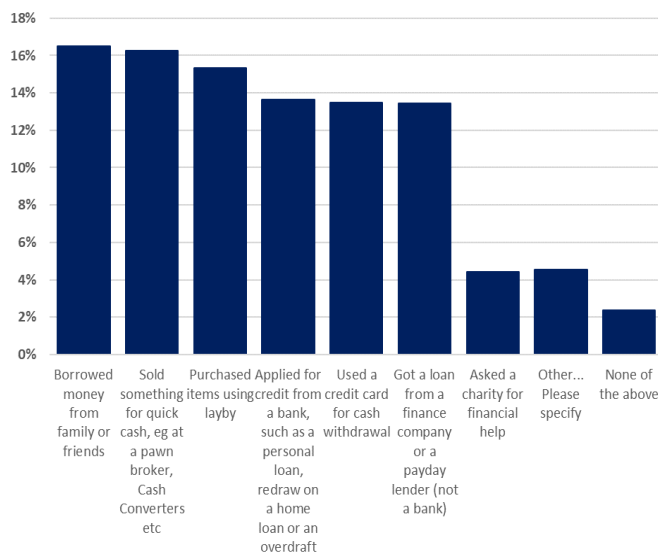


Figure 12: Options for increasing debt



Conclusion

This note outlines the results of estimating BNZ’s Wellbeing Indicator for the third time. Results show that wellbeing fell ever so slightly in the second half of 2019 as higher anxiety offset small improvements in life worth and life satisfaction. An increase in economic insecurity is a likely explanation for slightly higher anxiety and weaker wellbeing. However, broad stability in wellbeing through time and across different groups of New Zealanders gives us confidence that BNZ’s Wellbeing indicator is working as intended and delivering a robust measure of the wellbeing of New Zealanders.

Building our understanding of wellbeing is important in improving outcomes and tracking progress for people and communities across New Zealand. For the public sector, a focus on wellbeing should improve policy advice aimed at enhancing the things that matter most to New Zealanders and supporting their capability to lead reasonable lives. For BNZ, a focus on wellbeing is about providing the right products in ways that support customers to achieve their financial goals with minimum stress and frustration.

Of course, building frameworks for understanding wellbeing and the numerous things that influence it is no mean feat. But just because something is difficult does not mean it is not worth the effort.

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