

Wellbeing stable as inequality worsens

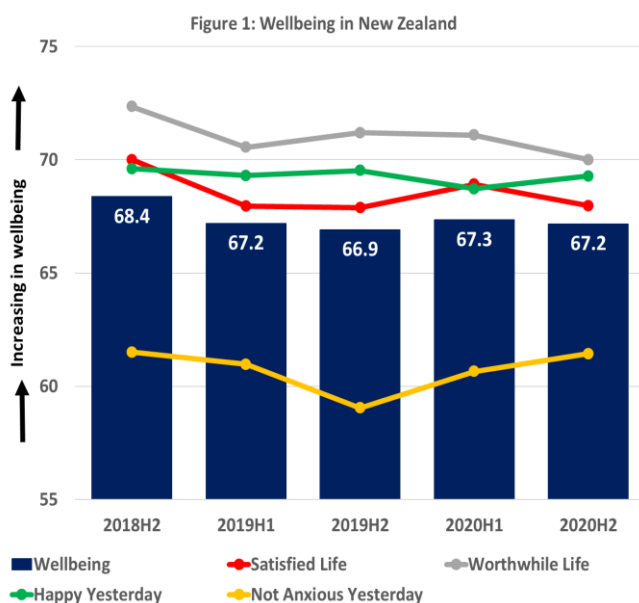
BNZ Wellbeing Report: November 2020

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Wellbeing dropped only slightly in the second half of 2020, in part reflecting a lower level of concern about COVID-19 than six months previously. However, the pandemic is having a big impact on household finances, with many Kiwis reporting greater financial hardship and lower incomes and savings over the past six months. Looking forward, New Zealanders are more optimistic about their finances, indicative of a light at the end of the tunnel. Unfortunately, the recession has hit low income earners hardest and worsened inequality. Working from home has increased markedly as a result of the pandemic, leading to productivity improvements for people able to have the option.

Kiwi wellbeing hanging in there

The BNZ's Wellbeing Indicator shows that the wellbeing of New Zealanders dropped only slightly in the second half of 2020 compared with six months earlier (Figure 1). In short, New Zealanders experienced less anxiety and a little more happiness, which offset a slightly lower sense of life worth and life satisfaction.



Against this trend of only a slight drop in wellbeing, young people and fulltime students reported significantly lower wellbeing in the second half of 2020 compared with six months earlier (Figure 2). Although difficult to attribute changes in wellbeing to specific events, this might reflect disruptions to learning, fewer entry-level jobs, and an inability to travel because of the pandemic. Young New Zealanders have certainly had a very difficult 2020.

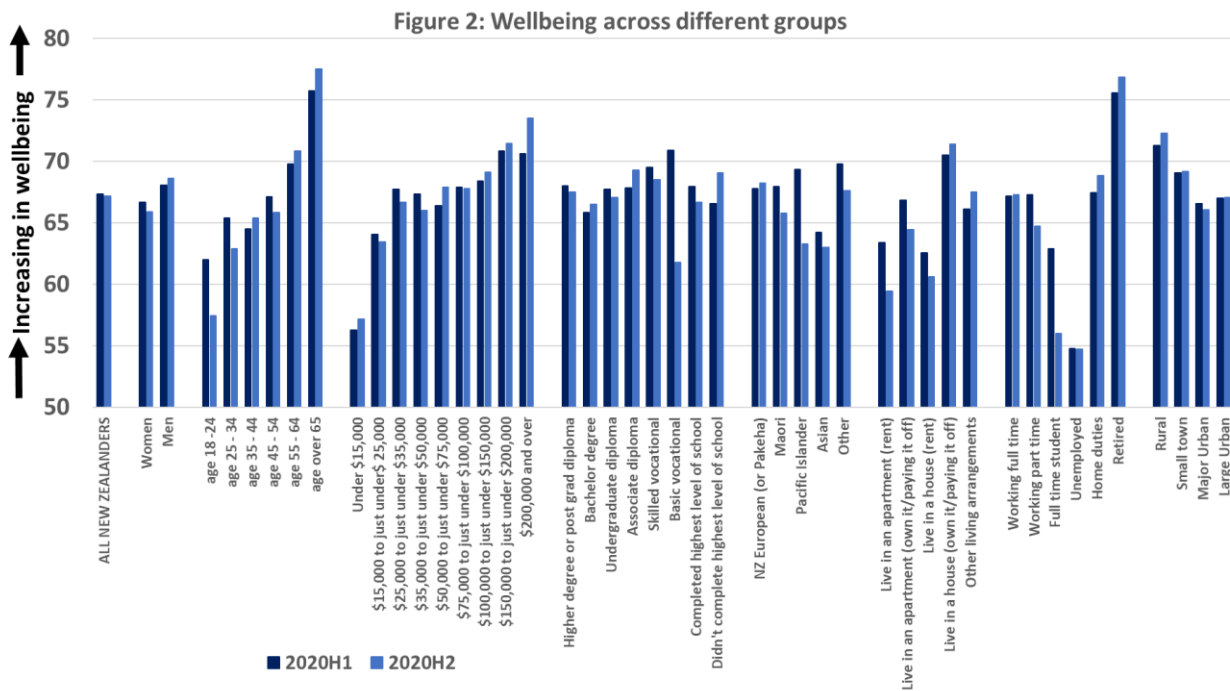
People with vocational education plus Maori and Pacific Islanders also report significant falls in wellbeing compared to the first half of 2020.

There is some evidence in the data of people on low incomes reporting lower wellbeing compared to six months previously while people on higher incomes report a slight improvement in their wellbeing.

In terms of levels, people living on very low incomes and the unemployed have the lowest wellbeing across all groups included in the study. This hints at the potential for significant falls in wellbeing as the economic impacts of the COVID-19 pandemic work themselves through.

By age, people over 65 years old and retired people enjoy relatively high self-reported wellbeing compared to other New Zealanders.

Consistent with international studies, New Zealanders living in rural environments report much higher wellbeing compared to people living in urban areas. This is mainly due to lower self-reported anxiety, suggesting that factors such as long commutes, congestion and noise can offset the excitement of city living and detract from the wellbeing of city dwellers. Given the pandemic, lower population density, which presumably lowers the risk of COVID-19 transmission, may also explain high and increasing wellbeing for New Zealanders living in rural environments.



COVID-19 concerns and impacts

The concern New Zealanders feel about the pandemic lessened considerably in October 2020 compared with six months previously (Figure 3). Consistent with improved wellbeing, people aged over 65 years of age and retired people are now much less worried about the pandemic than they were six months ago. People living in low-income households are also now much less concerned about COVID-19.

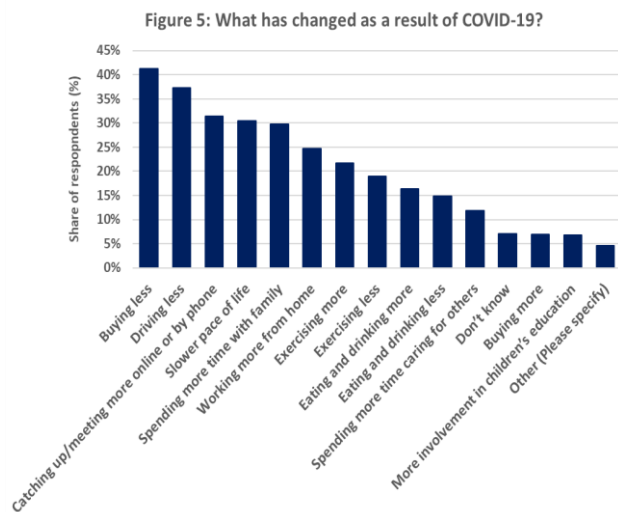
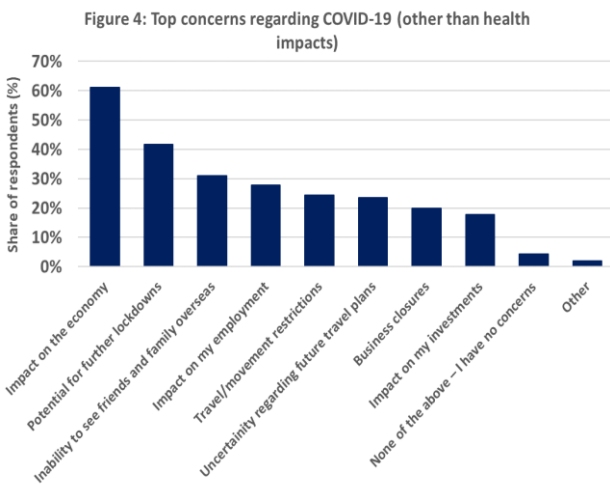
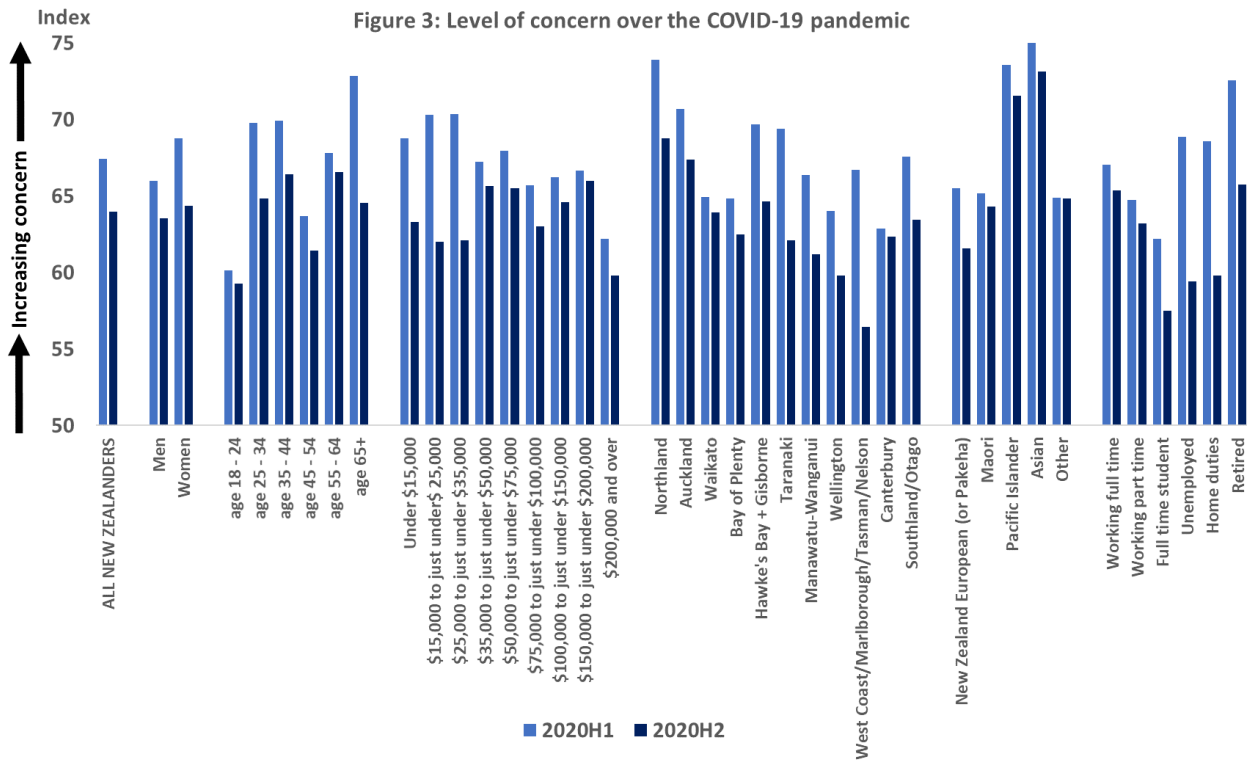
Interestingly, the level of concern about COVID-19 is generally lower for people living further away from Auckland. This could reflect greater community transmission of the virus in Auckland and the second Auckland lockdown.

By ethnicity, Pacific Islanders and Asian people are significantly more concerned about the pandemic compared to people of other ethnic backgrounds. For the former, this may reflect the fact of a recent cluster of COVID-19 transmission in the Pacifica community in South Auckland.

The issue of most concern stemming from the pandemic is its economic impact – 60% of respondents to BNZ’s Wellbeing Survey identified this as an area of concern (Figure 4). The next most concerning issue is the risk of another lockdown (42% of respondents), followed by restrictions on international travel and employment uncertainty (around 30%).

Reflected these significant and widespread concerns, virtually every survey respondent has changed some aspect of their lives as a result of the COVID-19 pandemic (Figure 5). The most common behavioural change – which more than 40% of respondents have done – is to lower spending. Spending less and saving more is prudent in the face increased economic uncertainty. However, given that one person’s spending is another person’s income, this result also highlights the huge economic impact of the pandemic.

Other areas of behavioural change reflect the surge in the adoption and use of digital tools and technologies resulting from the pandemic and associated lockdowns. For instance, 31% and 25% of respondents now meet more online and work more from home, respectively. Relatedly – and highlighting the positive link between digital adoption and better environmental outcomes – almost 40% of respondents report driving less because of the pandemic.

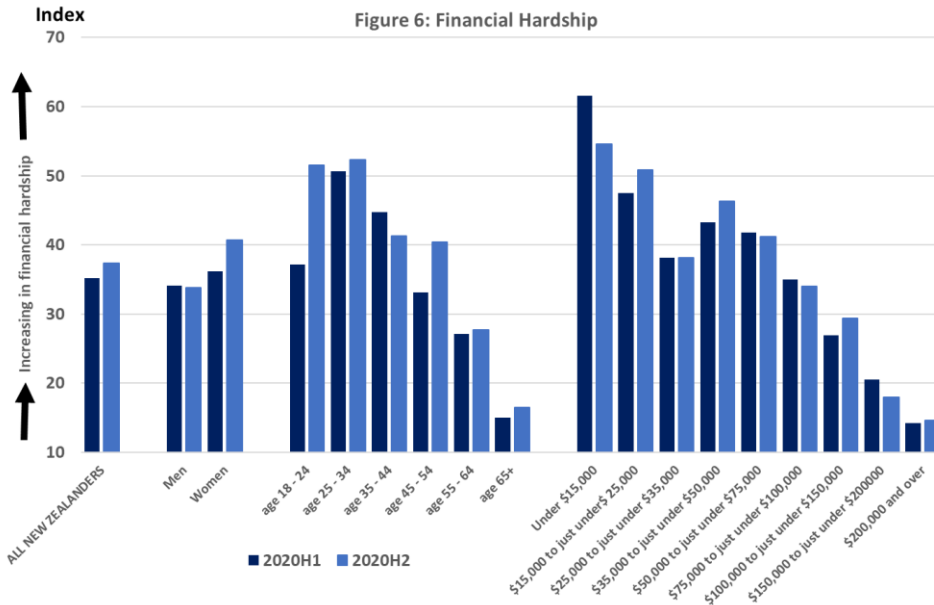


Increasing financial stress and inequality

Although concerns about COVID-19 have eased, this does not mean we are out of the woods. Far from it. In fact, many New Zealanders report an increase in financial hardship – which is defined as not having enough resources to meet basic needs – compared with six months ago (Figure 6).

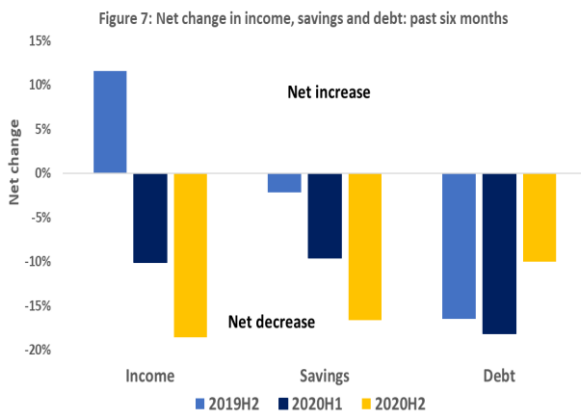
Young New Zealanders have been particularly hard hit by increased financial hardship. To some extent, this may reflect the drying up of casual and part time jobs as a result of the pandemic.

Financial hardship among women has also increased over the last six months, whereas it has essentially remained unchanged for men. This may be because jobs losses following lockdown have been concentrated in industries that tend to employ more women whereas Government efforts to stimulate employment have tended to focus on industries that employ more men (for example, so-called “shovel-ready” projects).



Looking back over the past six months

In part, greater financial hardship reflects falls in incomes and savings and increased debt over the past six months.



Note: Net change is calculated as share of respondents experiencing an increase less share experiencing a decrease.

At the end of 2019, well before COVID-19 became a global pandemic, a net 12% of New Zealanders reported that their incomes had increased over the previous six months (Figure 7). By May 2020, as we were emerging from the first lockdown, a net 10% of survey respondents reported that their incomes had fallen over the previous six months. In the current survey, conducted in October 2020, a net 19% of New Zealanders reported income losses in the previous six months. This trajectory indicates that income falls over 2020 have been widespread across New Zealanders.

In much the same way, in the second half of 2019, a net 2% of New Zealanders reported that their savings had fallen over the previous six months. By October 2020, 17% of New Zealanders reported lower savings in the previous six months. For debt, in the second half of 2019, a net 17% of New Zealanders reduced their debts in the previous six months. By October of 2020, only 10% of Kiwis managed to do this.

COVID-19 has played a huge role in driving this deterioration in finances, with 70%, 55% and 45% of Kiwis attributing lower incomes and savings and higher debts to the pandemic respectively.

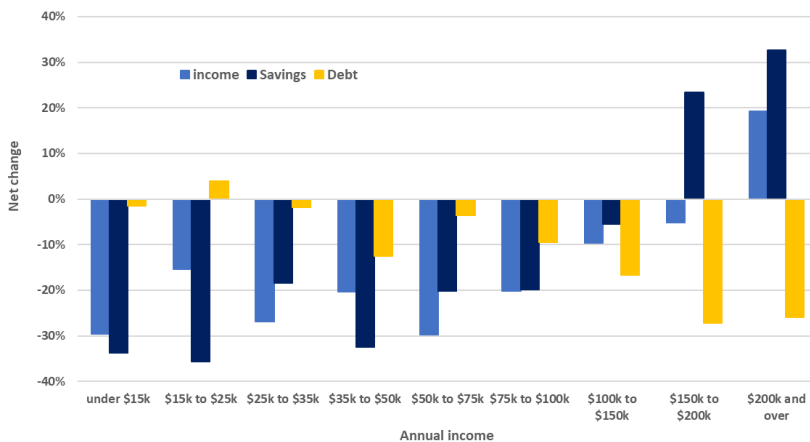
A disturbing feature of these results is that people living in low-income households are bearing the brunt of this deterioration in household finances. Unfortunately, recessions usually hit low-paid workers the hardest and the current one is an extreme case of that. These workers are unlikely to be able to work remotely and are therefore more likely to lose their jobs. In contrast, workers with digital skills are likely to earn higher incomes and to weather the pandemic with their livelihoods intact.

With a shift to working from home, the pandemic is also adding to inequality by concentrating job losses in low-wage industries that support office workers, such as retail, transport, cleaning, and food.

The net result is that New Zealanders living on low incomes are much more likely to have experienced falls in income and savings and increased debts compared to people on higher incomes. For example, a net 30% and 35% of survey respondents earning \$15k or less have suffered falls in their income and savings respectively

over the last six months (Figure 8). In contrast, 19% and 33% of people earning \$200k or over increased their incomes and savings over the previous six months. People earning high incomes are also much more likely to have lowered their debt over the past six months compared to low-income earners.

Figure 8: Change in financial situation by income - last 6 months



Note: Net change is calculated as share of respondents experiencing an increase less share experiencing a decrease

Looking ahead to the coming year

Looking ahead to the coming 12 months, expectations of changes in household finances are looking slightly more optimistic. The net share of respondents expecting increased incomes has increased from six percent in May 2020 to 14% in the current survey (Figure 9). The net share of respondents expecting their savings to improve over the coming year has remained about the same whereas less people now expect their debt to increase.

Although many respondents still see COVID-19 as the main cause of a worsening in their expected financial situation, its expected impact is diminished relative to six months ago, providing a glimmer of light at the end of the tunnel (Figure 10).

Again, inequality is apparent in these results, with low-income earners more likely to expect a deterioration in their financial situation over the coming year compared to people on high incomes (Figure 11).

Figure 9: Net change in income, savings and debt: year ahead

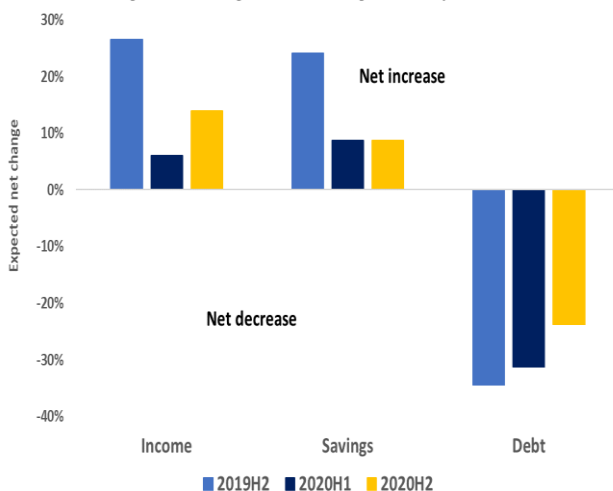
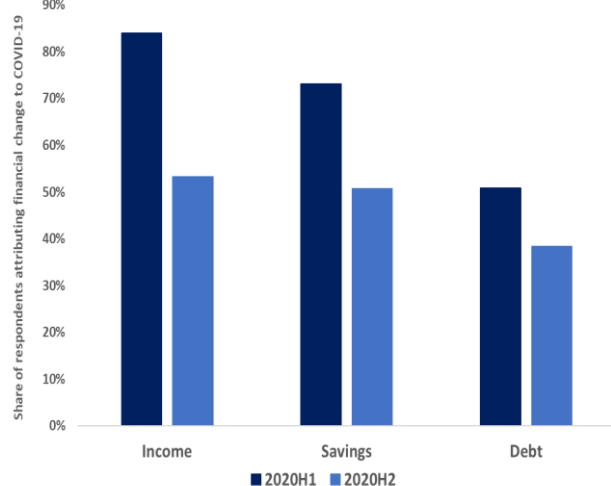
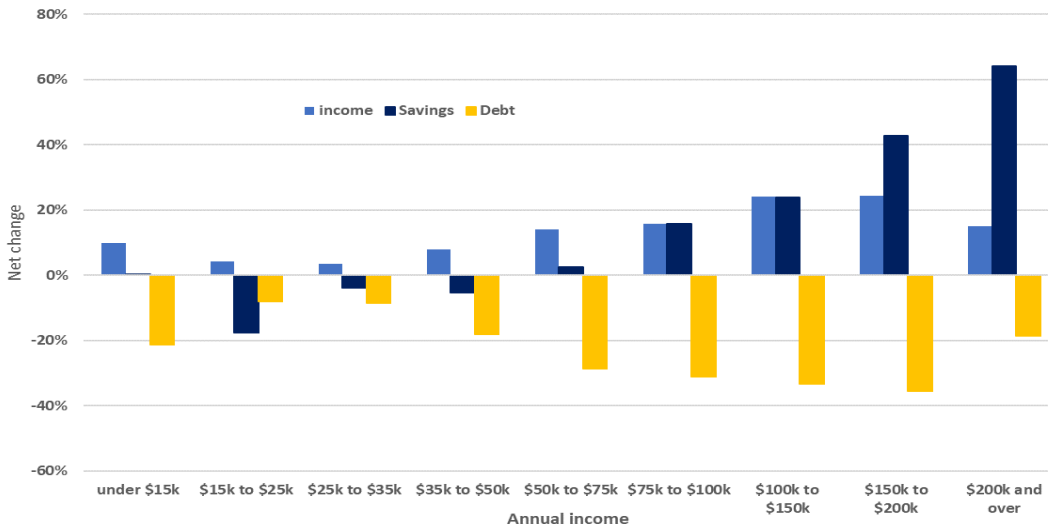


Figure 10: The impact of COVID-19 on year-ahead expectations



Note: Net change is calculated as the share of respondents expecting an increase less share expecting a decrease.

Figure 11: Change in financial situation by income - year ahead



Note: Net change is calculated as the share of respondents expecting an increase less share expecting a decrease.

Working from home

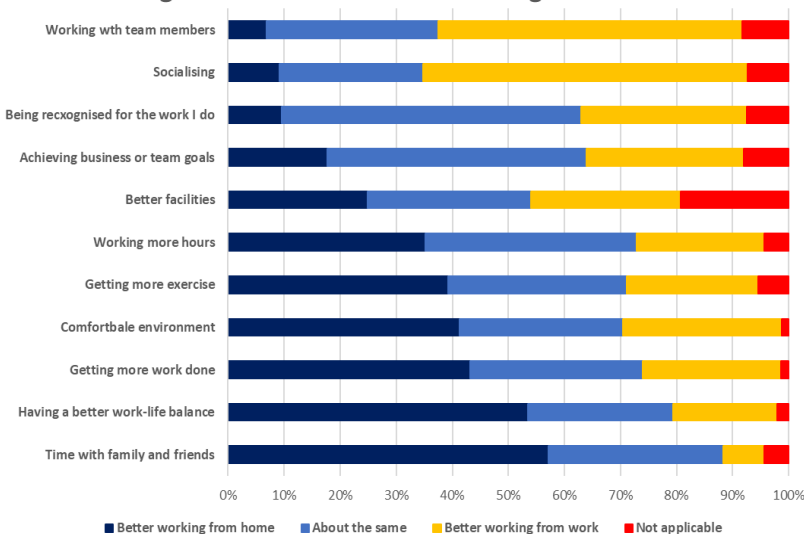
Working from home has become a reality for many New Zealanders. In fact, thanks to digital technologies, 25% of New Zealanders are now working more from home due to COVID-19. This is a welcome silver lining – digital technologies lift productivity and reduce the negative environmental impacts of economic activity.

On the one hand, this has shielded many workers from the negative impacts of the pandemic – the financial effects of the virus would have been much worse if not for the option of working from home. On the other hand, not all jobs can be done from home and workers in more highly paid occupations are more likely to work from home than those in lower-paid occupations. This is a key reason for the increased inequality outlined above.

Concerns that working from home allows workers to “shirk from home” are not supported by worker self-assessments. Only a quarter of respondents to BNZ’s Wellbeing Survey report that they work less hours and are less productive working at home compared to working at work. About 75% of people who work from home have a dedicated office space.

Respondents report that working from home gives them more time with family and friends and a better work-life balance (Figure 12). However, most people think that it also allows them to get more work done in a comfortable environment. Of course, getting more work done and having more time for leisure activities highlights the productivity benefits of working from home. On the face of it, working from home allows greater flexibility while saving time and money on commuting.

Figure 12: The benefits of working from home



This points to a near future of smaller offices to bring people together, train new recruits and support corporate culture, combined with extensive home working.

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