



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

New Zealand Treasury

on the

**Living Standards Dashboard:
Monitoring Intergenerational Wellbeing**

**P O Box 6645
Wellington
July 31**

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1. Summary of Recommendations

1. The CTU supports the NZ Treasury Living Standards Framework (LSF) ongoing work on which budget and policy decisions will be based and a Dashboard on which current and future living standards will be reported.
2. The CTU acknowledges and strongly supports the need for the LSF to incorporate and present a Te Ao Māori perspective of wellbeing.
3. That the need and value of the LSF being consistent with global reporting measures is supported.
4. That the LSF recognises and refers to the United Nations Sustainable Development Goals.
5. That education and resources are developed to explain and present the LSF and Dashboard to a wider audience.
6. That the reporting on the LSF and Dashboard involves and incorporates the views and analysis of unions and other civil society groups.
7. That there is attention to the goal of policy coherence in this work.
8. The CTU urges that Māori, including hapū and iwi are engaged in the development of the framework and indicators, including on the place of culture in the LSF.
9. That the CTU and CTU affiliates' views on some of the proposed indicators: inequality and wealth; jobs and earnings; median hourly earnings; trade union membership; cultural identity; leisure and recreation, civil engagement; knowledge and skills and health and educational outcomes are all considered.
10. That the CTU wish to continue discussion with Treasury on development of the LSF and Dashboard and associated reporting mechanisms.

2. Introduction

- 2.1. This submission is made on behalf of the 27 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 2.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 2.3. The CTU welcomes the opportunity to comment on this paper, which develops a Dashboard to build on Treasury's Living Standards Framework (LSF).
- 2.4. The current Government and the Finance Minister has said that there is an intention to base Budget 2019 on a Living Standards Framework. We welcome the political championing by the new Government of basing policy and Budgets on wellbeing and improving living standards. It requires an acceleration of work on the Living Standards Framework. This paper authored by Conal Smith establishes the basis of next steps and future work.
- 2.5. The vision of the New Zealand Treasury is for higher living standards for New Zealanders. It is a vision we share. The foreword of the CTU Alternative Economic Strategy (CTU, 2010) states:

We want a society that is fairer, that tolerates neither poverty nor the human and economic costs of high inequality of wealth and income, where people are no longer economically disadvantaged by being women, Māori or Pasifika and where diversity is valued. We deserve improving living standards through decent wages, quality public services, enjoyable leisure and an environment we can be proud of. Just as important is economic security without the constant threat of unemployment, booms and busts. We need to be able to look after our children and look forward to retirement while maintaining a dignified standard of living. We must protect the needs of future generations in ways that are economically, environmentally and socially sustainable.

2.6. The last three decades have seen New Zealand fail to be a just and fair economy in crucial ways. More than a quarter century of neoliberal policies have not only seen living standards get worse but also these policies fail in their own terms. The CTU Alternative Economic Strategy (AES) is a response to failed economic policies and sets out a vision for a fairer, more just economy. Establishing and embedding a framework to improve living standards and improve intergenerational wellbeing is an opportunity to realise the vision that is set out in the CTU AES.

2.7. The CTU AES defines improving living standards as:

“Improving living standards is about incomes, but it is also about reducing inequality, ensuring no-one has to live in poverty, and the many non-wage aspects of living which are essential to our quality of life. These include the social wage – the services, benefits and assurances provided by the state; leisure; and the quality of our environment”.

2.8. Given some of the appalling statistics and experiences of living standards for too many New Zealand people there is an urgency to implement measures that improve living standards for working people and better protect our environment.

2.9. We applaud the determination of the Government to move in the direction of budgets and policy decisions being based on measures that will improve living standards for current and future generations with reporting measures as part of that commitment.

2.10. Therefore this discussion and the issues raised in this paper are of immense importance to CTU affiliates who represent working people. This response has been formulated by CTU and CTU affiliates’ policy and research staff. We have consulted as much as we could to be sure we are representing the views, voice and concerns of working people living in New-Zealand.

3. Expectations of a Living Standards Framework

3.1. We commend Treasury for commencing work in 2011 on the LSF. We note that Treasury has started using the LSF to broaden policy decisions beyond traditional

measures and looking at factors such as equity and resilience. We also note that Treasury has amended the New Zealand LSF to be brought into line with international practice and recent developments in the economics of wellbeing. But the application of the LSF has so far been limited.

- 3.2. The conversation about the limitations of GDP as being the dominant economic measure has been around for a long time now. There is wide consensus agreement that the focus on GDP as the dominant measurement has to change. The reasons are well traversed including GDP not measuring the quality of activity and not including significant activity. GDP is particularly problematic in not measuring unpaid work which creates a distorting effect of the participation of women in the economy.
- 3.3. We note that the Treasury LSF builds on the work that is happening in other OECD countries and that the OECD is encouraging the assessment of policy and budget bids against more than just economic factors and consideration of how spending and decision-making can increase people's sense of security and also to consider other factors e.g. environmental factors.
- 3.4. We note with some concern that the consultation on the Dashboard has been released without inclusion of the Te Ao Māori worldview. The paper states that any comprehensive framework for intergenerational wellbeing in New Zealand needs to consider both the wellbeing of Māori and conceptions of Māori wellbeing and that this will need to be a fundamental part of any meaningful analysis of the distribution of well-being outcomes.
- 3.5. The LSF does not as yet specifically include Māori conceptions of wellbeing. This is a concern. In the words of one of our affiliates, the New Zealand Nurses Organisation, Tōpūtanga Tapuhi Kaitiaki o Aotearoa:

In the monitoring of "intergenerational wellbeing" to remove entrenched, intergenerational inequity...it is difficult to see how this can be achieved when from the outset of the design, Te Tiriti partnership is missing.

- 3.6. We understand the disappointment and the view of our affiliate that this work is developing without that perspective and thinking on Māori well-being. We appreciate also that Treasury does not see this as ideal. This is a significant unresolved part of this work that needs to and must be addressed.
- 3.7. Improving living standards fits with what New Zealanders want and expect. Numerous surveys have showed that people are concerned about inequality and the widening gap between the rich and poor (Colmar Brunton, 2017), (Ispos, 2018) (The Herald, 2017).
- 3.8. The LSF has to be responsive to the needs and expectations of people and government, but also be consistent with international developments and frameworks. Our issues are well known: ending child poverty, poverty, improving mental health, improving the state of our housing and ending homelessness.
- 3.9. But increasingly now there are more concerns and awareness about working conditions, security of employment, health and safety in work, wages - including living wages, and work being of decent quality. The LSF and the Dashboard must address the issue of the quality of employment/ the quality of jobs. For our affiliates there are specific issues that are based in their work and experience.

4. The Treasury Living Standards Framework

- 4.1. The conceptual model in the paper on the LSF uses the four capitals: natural capital, social capital, human capital and produced capital with the four capitals combining to generate stocks of wellbeing.
- 4.2. The development of the LSF came about, in part, to criticisms of Treasury not being sufficiently visionary. The LSF model needs to be understood to feel relevant and be aspirational to the general public and wider community. This is important because without public (and media) understanding and buy-in, the real advances that this framework offers will be lost. It is essential that the framework is understandable and explainable. The establishment and embedding of the LSF requires public

education, training and also accessible and transparent publication of framework indicators.

- 4.3. As noted there have been changes to the original 2011 Treasury LSF model. But there are concerns that that some of the understanding is lost in the "capitals" framing and that some of the underlying values in the original policy objectives were more understandable and accessible – more so than when reduced to the four capitals. There are some difficulties communicating the "capital stocks concept'.
- 4.4. Conceptually the depiction using an interwoven mat with this focus on "raranga" / weaving is appealing in our cultural context and demonstrates well the relationships and interdependence between the capitals. Further insights on framing should be drawn from work to develop the perspective and report from Te Ao Māori.
- 4.5. We support a coherent multidimensional framework for measuring wellbeing. We cannot over emphasise the importance of social capital. The reports highlights that the focus is on 'public social capital' as a productive resource meaning that it produces human well-being. Public social capital refers to pro-social behaviours, norms, feelings of unity and institutional trust.
- 4.6. The 2030 Agenda for Sustainable Development and the associated Sustainable Development Goals (SDGs) should be part of the Framework and indicators could be linked to its objectives, targets and indicators. Of particular relevance is SDG 8 which aims at sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. In line with the concept of policy coherence it should not be considered in isolation.
- 4.7. The framework, to be useful, needs to be consistent with global standards. We agree that the wellbeing measurements are best placed within the existing economic reporting systems. It makes sense to align ourselves with other OECD countries and to use the OECD resources to be able to analyse and compare ourselves. But the tool must be meaningful to our identity, history and culture – and our aspirations as expressed by people living here now and their hopes for the people, and the future.

- 4.8. We support the idea of including the place of culture, but strongly urge that iwi and hapū are involved in formulating this. The use of Māori concepts such as manaakitanga and hauora might help shift the communication with the public in terms of a broader understanding of the purpose of the framework, and may in time lead to different or more indicators.
- 4.9. There are some concerns that teaching and learning are seen as elements of building (investing in) human capital but human capital is defined effectively as an individual good (*"Productive forms of knowledge that exist between people are more properly classified as social capital"* p 32). Increasingly, knowledge (content), skills and learning are contextual. Knowledge as a form of human capital is highly dependent on social factors as Sen's capabilities approach demonstrates. Knowing something is not the same as being able to act upon it.
- 4.10. Critical and fundamental to developing a meaningful picture of wellbeing is a good process demonstrating the distribution of the outcomes. This is critical and we are reasonably satisfied that the indicators will be analysed and reported on in distributional terms. It is essential that data be sufficient on each indicator to allow a distribution picture across sub populations of interest.
- 4.11. The paper identified that there could be some potential objections to the model and lists some e.g. people having different tastes, wellbeing being different across different cultures (page 16/17). One omission seems to be looking at wellbeing from a collective / community perspective and recognising what is collective wellbeing and how is it created. We think this needs to be considered in the LSF and as an indicator in the Dashboard.
- 4.12. It is unclear where services that improve living standards collectively fit in the LSF or in the Dashboard. We refer to these services as "the social wage", including social development, health, education and housing services. And beyond that there are such common goods such as clean water and fresh air.
- 4.13. The intention of the work is to develop a Dashboard which will assist Treasury and other decision makers to make medium to long term decisions. But it is more than

just Treasury who this framework must be developed for. We and our affiliates are interested parties who want and need this information. We want to see how we are doing compared to other like counties and apply this information to our own analysis.

- 4.14. We support the recommendation in the paper to report on capital stocks in their natural units rather than attempting to monetarise them.

5. Policy Coherence

- 5.1. The goal of the LSF is to improve wellbeing. The framework should acknowledge that indicators of wellbeing might be analytically separate but not practically or statistically independent – in fact are interdependent. Policy makers will be using the framework holistically rather than targeting specific measures of indicators and should bear in mind that policy targeting of measure of wellbeing are also likely to have effects, intended and unintended, on other measures.
- 5.2. Policy coherence is not mentioned in the document. Instead the term spill-over is used. What are the spill-overs from the policy to outcomes other than the primary goal of the policy? This question is important and could be interpreted as including the concept of implementation coherence. However, sectoral policy coherence is concerned with mutually (re-)enforcing policies instead of outcomes affecting more than one policy area. The distinction is crucial when making policy recommendations: coherent policies will result in greater spill-over effects than incoherent policies. Therefore coherent policies are more effective in relation to achieving the desired outcomes. Policy coherence is particularly relevant to the realisation of the objectives of a wide-ranging framework like this.
- 5.3. Ensuring coherence for implementation of the LSF is essential. Coherence can be defined as “an attribute of policy that systematically reduces conflicts and promotes synergies between and within different policy areas to achieve the outcomes associated with jointly agreed policy objectives.”(International Council for Science, 2017) . In addition to the importance of sectoral and implementation coherence on the national level, multilevel coherence from international agreements to national

policy is important. Mismatches between frameworks, objectives and indicators set internationally and the national agenda should be avoided.

6. Indicators of Intergenerational Wellbeing

6.1. The Dashboard will play an important role in ensuring the accessibility and understanding of the LSF. We provide some commentary on some of the indicators:

6.1.1. **Cultural identity:** While indicators measuring cultural identity are welcomed this work should be done with Māori alongside the work describing Māori wellbeing. It is essential that indigenous wellbeing is embedded and doing so would be a good example and an opportunity for this work be world leading.

6.1.2. **Material standard of living:** we contend that one of the indicators in current wellbeing should be household net worth, to capture measurement of wealth and assess inequality (which will then be analysed by distribution). While household net worth is currently proposed as an indicator of produced capital (future wellbeing) we think it should also be included as an indicator of current wellbeing. Household wealth and also home ownership are material signs of current wellbeing. Including household income in both current and future wellbeing indicators is similar to the way education is treated as an indicator in the Dashboard proposal.

6.1.3. **Jobs and earnings:** the unemployment and employment rate are insufficient in themselves as indicators. Consideration of the measures in the Survey of Working Life which looks at the *employment relationship* (permanent, temporary, self-employed, employer) could be considered. This survey will go into the field at the end of this year and provide updated and more detailed information compared to the previous ones (2008/2012). It is conducted as an ad-on module to the Household Labour Force Survey every four years - though this means it lacks timeliness. Another indicator to consider is variability of (paid) hours worked (e.g. over a quarter) which could also be used as proxy for employment security. Collective bargaining, and as a result, collective agreements specify employment conditions including security and therefore

can be used as a proxy for workers' employment security. The Centre for Labour, Employment and Work (CLEW) at Victoria University holds data on collective employment conditions and wage trends for particular years and for particular sectors and /or industries and also data on union membership trends.

- 6.1.4. **Jobs and earnings:** Median hourly earnings as an indicator will capture all wages and identify the numbers of people below or on the living wage (as defined each year by Living Wage Aotearoa). The numbers of people below or on the living wage rate is an expected reporting indicator to be available given the wide acceptance of the Living Wage in New Zealand as a wage setting mechanism. We are pleased to see the inclusion of work accidents as an indicator.
- 6.1.5. **Leisure and recreation:** the division between paid and unpaid work by sex is crucial: It not only provides an indication of how much leisure and recreational time one actually has available but also a more accurate account of a person's work life balance. The data is available from the Time Use Survey. It also is an indication of achieving gender equality (which is an indicator relevant to present and future well-being).
- 6.1.6. **Civic engagement and governance:** the report highlights that the focus is on 'public social capital' as a productive resource meaning that it produces human well-being. Indicators related to trade union membership provide critical insight into the production of well-being, pro-social behaviours and norms, feelings of unity and the trust in institutions and democratic participation. One of the most common indicators used is trade union density and/or trade union membership. Trade union membership should be included as an indicator of social capital as higher union density enhances social capital, civic engagement and democratic participation.
- 6.1.7. **Knowledge and skills:** the proposed indicators of adult academic attainment (upper-secondary and tertiary) and cognitive skills at 15 will give no real new insight into wellbeing and are very adult-centric. Moreover, academic

attainment alone doesn't adequately equate with the wellbeing goal of "participating fully in work and, study, recreation and in society more broadly". Participation can be more about the ability to communicate, connect, relate, problem solve, persevere which are competencies/capabilities rather than academic ones.

6.1.8. **Knowledge and skills:** It is also not clear what cognitive measure at age 15 would be used. There is a question of whether indicators at a much earlier age than 15 would give stronger indications of both current and future wellbeing. Indicators such as rates of ECE participation, engagement/participation/transience at school, and the National Monitoring studies that assess capability across the curriculum should be considered.

6.2. There is also the need to consider how indicators work together and balance against each other. For example, high achievement levels of NCEA are questionable as an outcome in the face of poor youth mental health.

7. Reporting on the Dashboard

7.1. The report should present measures of inequality for each wellbeing indicator and for any aggregated measures. This information should also be available on the Dashboard, not as a separate indicator but as an analysis for each indicator. Where at all possible, distributions should identify income, gender and ethnicity.

7.2. The role of Māori in the reporting process must be established.

7.3. The publication of a joint report rather than a Treasury-only report is proposed. We suggest a tripartite structure (workers' representatives, employer representatives and Treasury) for drawing up the report.

7.4. There is now a dearth of agencies, compared to some decades ago, commenting publicly on social and economic policies. Formerly agencies such as the Commission for the Future, Planning Council, the Families Commission/SUPERU assessed wider effects in government agencies and commented on the effects of policies. The research funding system for Crown Research Institutes and other agencies also

mitigates against any sort of systemic robust indicators/ critique of indicators because of the short term nature of much of it.

- 7.5. The involvement of the social partners in the reporting process will enhance institutional trust, civic engagement and good governance. A structure established for a jointly-drafted tripartite report would bring different perspectives to the table which would make the report richer, more relevant and more likely to be communicated and shared across a variety of audiences. This would help to initiate public discourse and political transformation.

8. Conclusion

- 8.1. The CTU supports the Living Standards Framework and Dashboard on which to base policy making and budget decisions to improve living standards and wellbeing now and in the future.
- 8.2. We are concerned that Te Ao Māori view of wellbeing is not part of this initial discussion and urge that Māori are better connected to this work and that Te Ao Māori paper is expedited so that it can further shape the LSF and inform the Dashboard and indicators.
- 8.3. We welcome an opportunity to be involved in the reporting mechanisms of the Living Standards Framework and Dashboard.
- 8.4. We would like the opportunity for a discussion with Treasury on this submission and the continuing work on the LSF and Dashboard.

9. Bibliography

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