

Intergenerational Wellbeing and Public Policy –

An Integrated Environmental, Social, and Economic Framework

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***Wellbeing Budget 2019 –
Background, Context, and Priorities***

Table 1 – Examples of evidence behind the Wellbeing Budget priorities¹

Taking Mental Health Seriously	Improving Child Wellbeing	Supporting Māori and Pasifika Aspirations	Building a Productive Nation	Transforming the Economy
Mental health – In any year, one in five New Zealanders will have a diagnosable mental illness, with three-quarters of lifetime cases starting by the age of 25	Material hardship – Around 150,000 children in New Zealand live in households experiencing material hardship	Living standards – Māori and Pacific people rank low in most measures of wellbeing relative to the rest of the population	R&D expenditure – New Zealand has low research and development (R&D) expenditure relative to OECD countries	Greenhouse gas emissions – New Zealand has one of the highest per capita rates of greenhouse gas emissions in the OECD
Suicide rates – New Zealand's suicide rate for young people is amongst the worst in the OECD	Health outcomes – 41,000 children are hospitalised each year for conditions associated with deprivation	Income level disparities – Māori and Pacific people have lower income levels, on average, than other groups	Future of work and automation – 21 per cent of current workforce tasks may be automated by 2030	Quality of waterways – Waterways in our farming areas have markedly higher pollution than in catchments dominated by native vegetation
Homelessness – One in 100 New Zealanders are homeless, based on the 2013 Census	Family violence – New Zealand has high rates of family violence	Educational attainment – Māori and Pacific people are less likely to attain higher educational qualifications than other groups	Productivity – New Zealand's productivity is low relative to other OECD countries	Soil erosion – Annual soil erosion of 720 tonnes per square kilometre is reducing our land's productivity and harming aquatic ecosystems
Young people in employment – 12 per cent of young people aged 15-24 years are not in education, employment or training	Crowded housing – Over 40 per cent of Pacific children and roughly 25 per cent of Māori children live in crowded homes	Disparities in health status – Māori and Pacific people are less likely to report good, very good or excellent health than other groups	Incomes – New Zealand's incomes are in the bottom half of the OECD as measured by per capita Gross Domestic Product (GDP)	Waste – New Zealand's level of waste per capita has increased substantially since 2013

Key Framing Question

The Minister of Finance's budget speech comments, '[i]n the election that led to the formation of this Government, New Zealanders were asking a core question: If we have declared success because we have a relatively high rate of GDP growth, why are the things that we value going backwards, like child wellbeing, a warm, dry home for all, mental health services, or rivers and lakes that we can swim in?' (Minister of Finance's 2019 Budget Speech)

Budget 2019 Priorities

With broader ideas of wellbeing taking root, the NZ government is now focused on delivering sustainable wellbeing across multiple dimensions. NZ's *Wellbeing Budget* (2019) has given priority to:

- improving mental health
- improving child wellbeing
- lifting Māori and Pasifika aspirations
- building a productive nation
- transforming the economy
- investing in NZ

Background and Context

- Undeniable worrying trends (in terms of actual **outcomes**) in all the major pillars underpinning wellbeing – the natural environment, our society, and our economy.
- Recognition that the current approach to public policy is inadequate to address these challenges.
- Redefinition of the objective of public policy – towards wellbeing.
- Redesign of the public policy framework – towards supporting “progressive capitalism”.
- In this very context, rethinking the role of communities in the implementation of public policies - “the third pillar”.
- Alignment of the design and operation of public finance with the new public policy framework and modus operandi.

Objective of Public Policy

Objective of Public Policy

To improve **wellbeing** on a sustainable basis – looking after both the current and future generations.

Wellbeing

Being able to live the lives individuals and communities value.

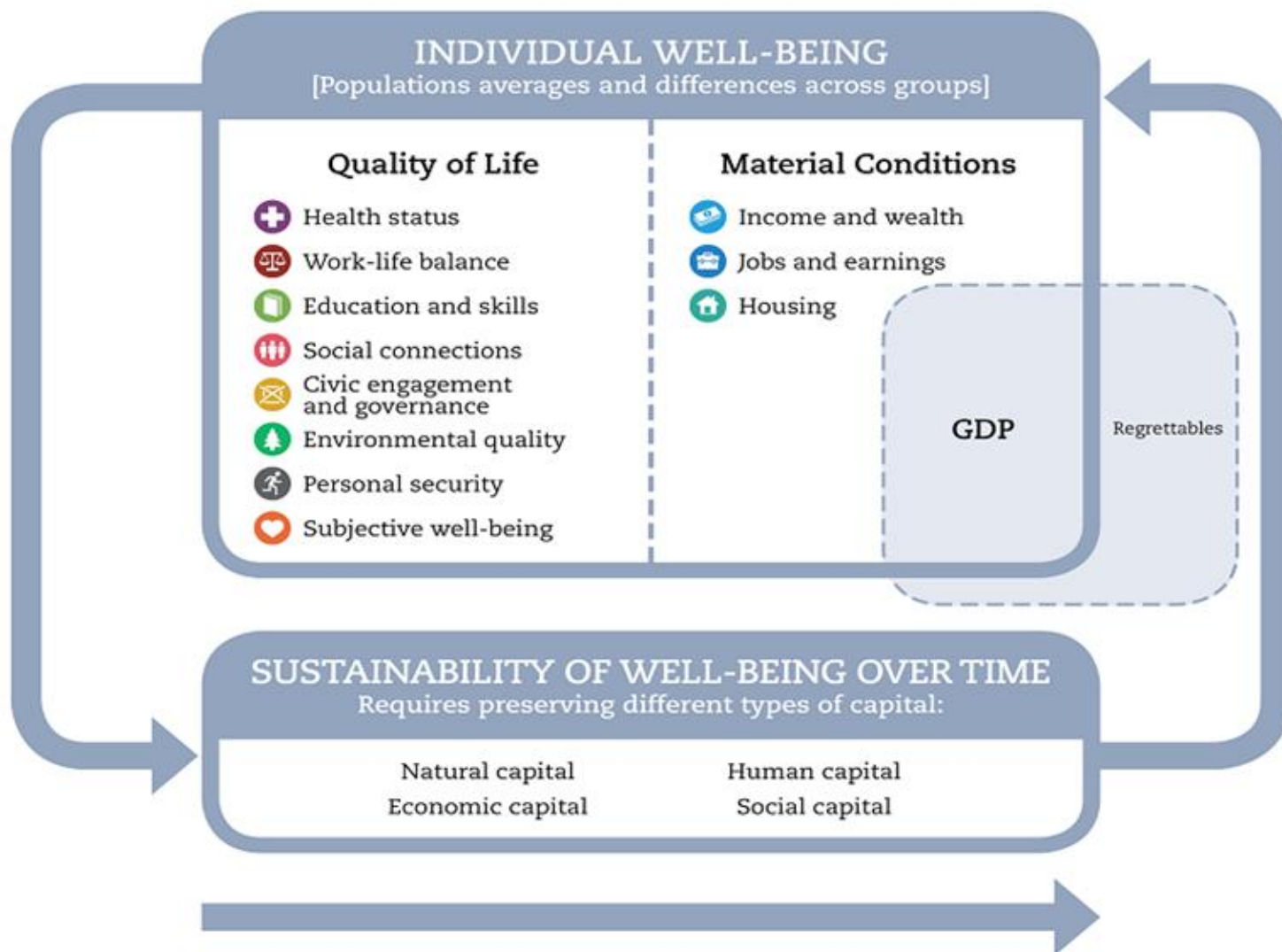
The ultimate purpose of public policy is to help people live better lives, now and into the future; that is, to enhance individual and community wellbeing on a sustained basis.

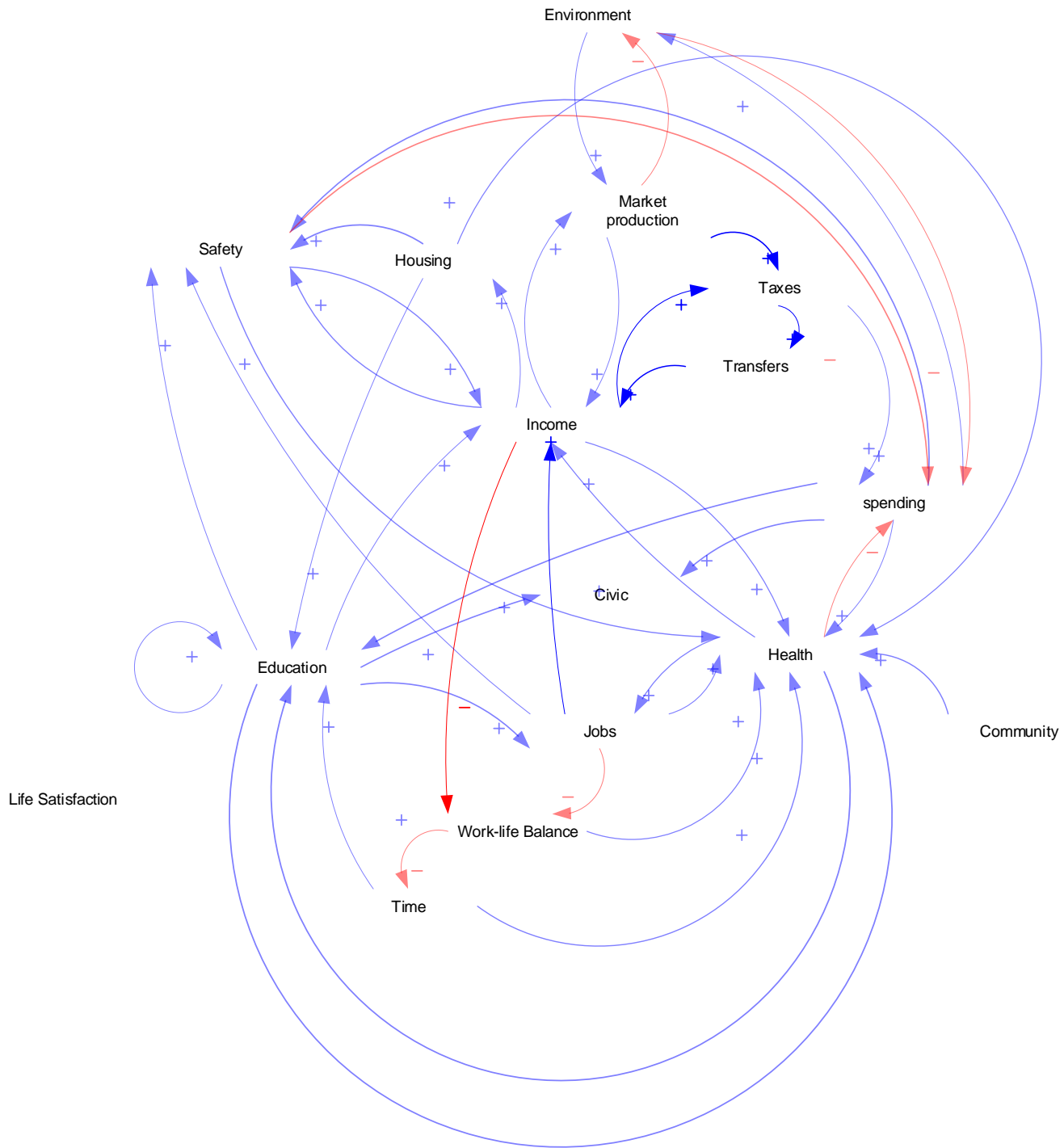
Who is the judge?

After quoting Thomas Jefferson ("The care of human life and happiness ... is the only legitimate object of good government"), Layard and O'Donnell (2015) go on to write: "What should be the goal of public policy? We agree with Thomas Jefferson. What matters is the quality of life, as people themselves experience it. And the best judge of each person's life is that same person. Is she happy with her life; is she satisfied? In a democracy that **should** be the criterion for good policy" [emphasis is mine] (p. 77).

Common ingredients of valued lives –
what do people care about

Ingredients of Valued Lives - OECD's Better Life Index





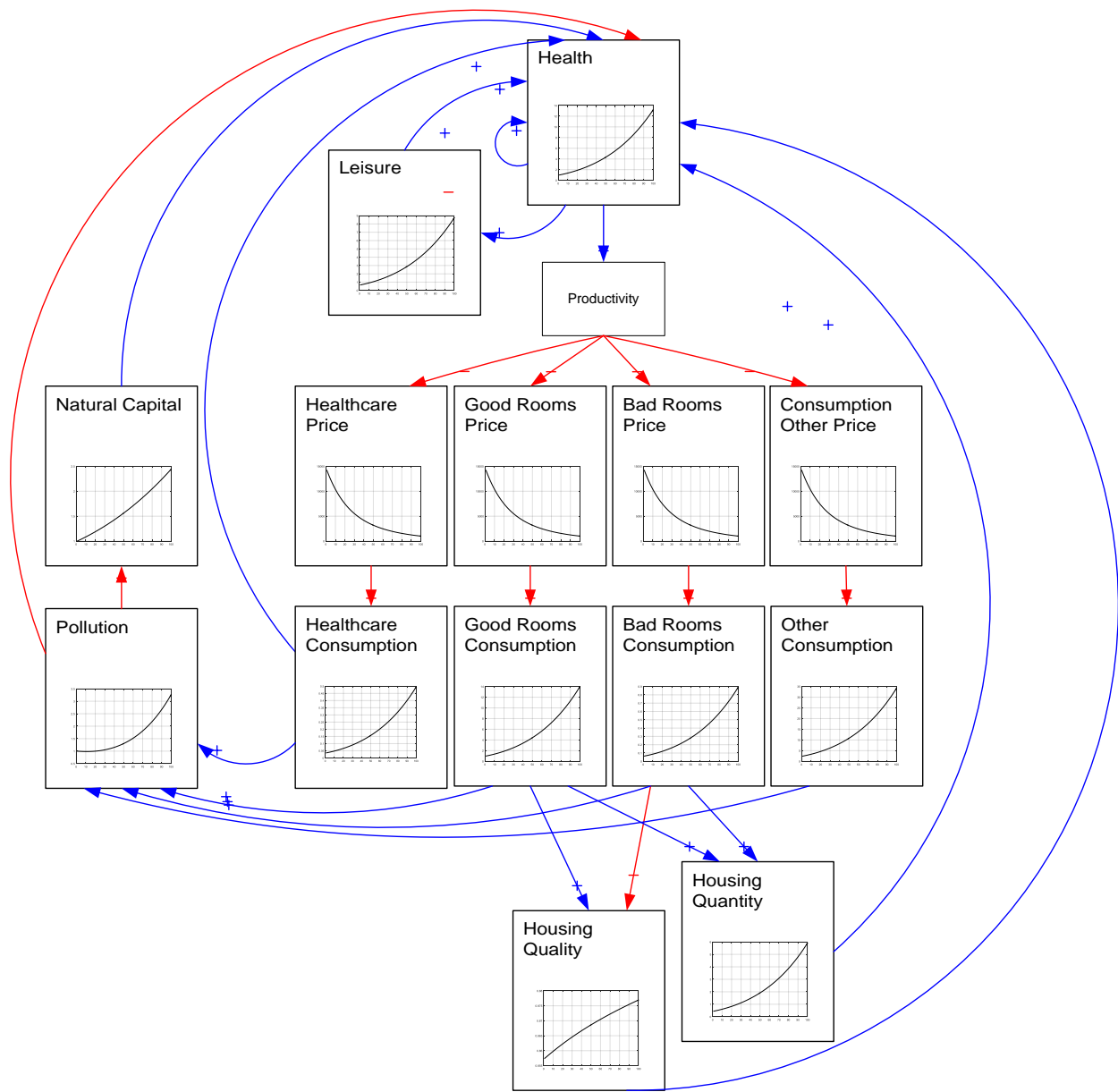

























Figure 1. The 17 Sustainable Development Goals



Source: United Nations.

Table 1. Comparison of the OECD well-being framework and the 2030 Agenda

OECD Well-being Framework			Sustainable Development Goals
<i>Individual well-being</i>	<i>Well-being dimensions</i>	 Income & wealth	 SDG 1 (poverty);  SDG 2 (food)
		 Jobs and earnings	 SDG 8 (decent work & economy)
		 Housing	 SDG 11 (cities)
		 Health status	 SDG 3 (health)
		 Work-life balance	 SDG 8 (decent work & economy)
		 Education & skills	 SDG 4 (education)
		 Civic engagement & governance	 SDG 16 (institutions)
		 Environmental quality	 SDG 6 (water);  SDG 11 (cities)
		 Personal security	 SDG 16 (institutions)
	<i>Differences across groups</i>		 SDG 1 (poverty);  SDG 5 (women);  SDG 10 (inequality)

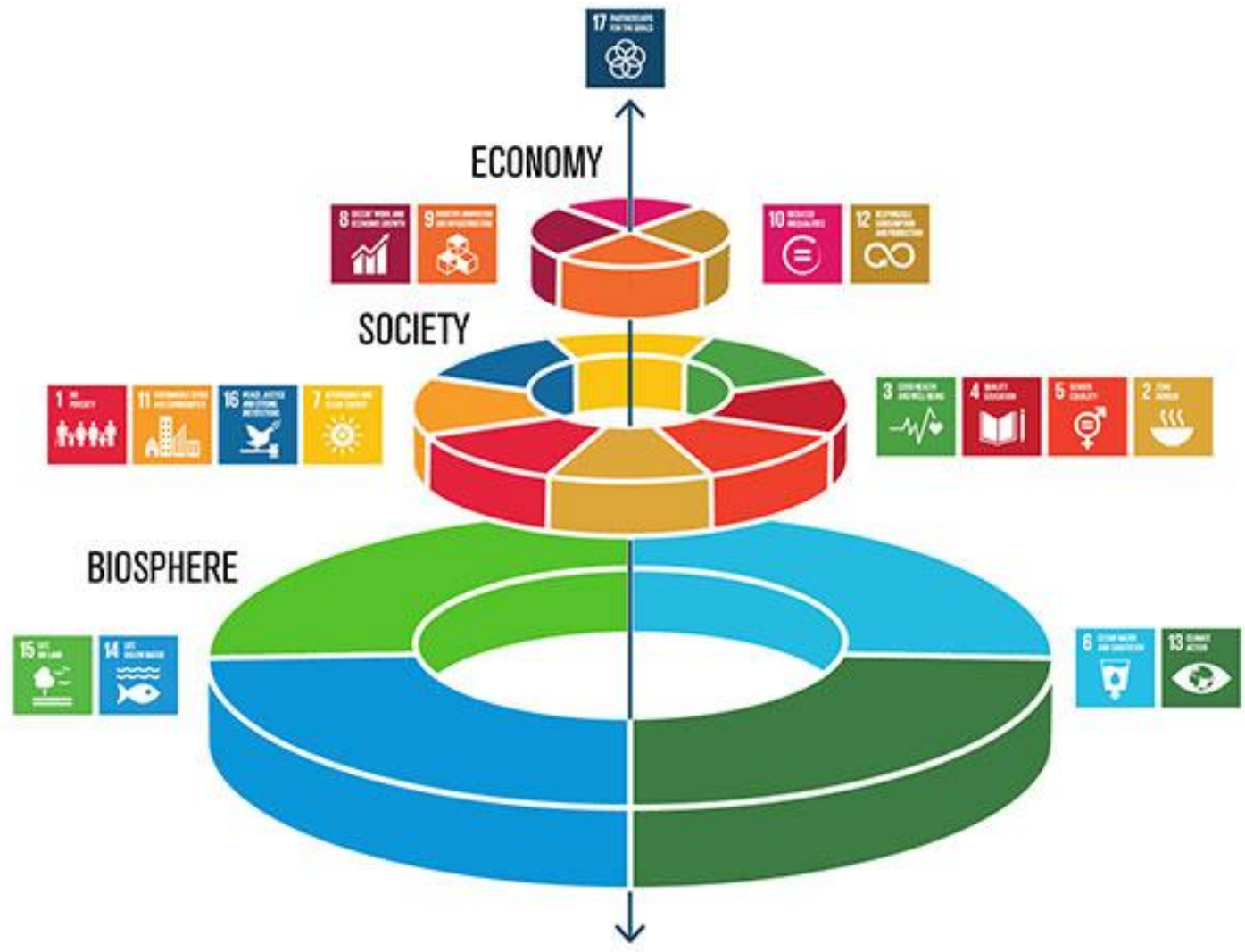


Figure 2 – The Treasury's Living Standards Framework

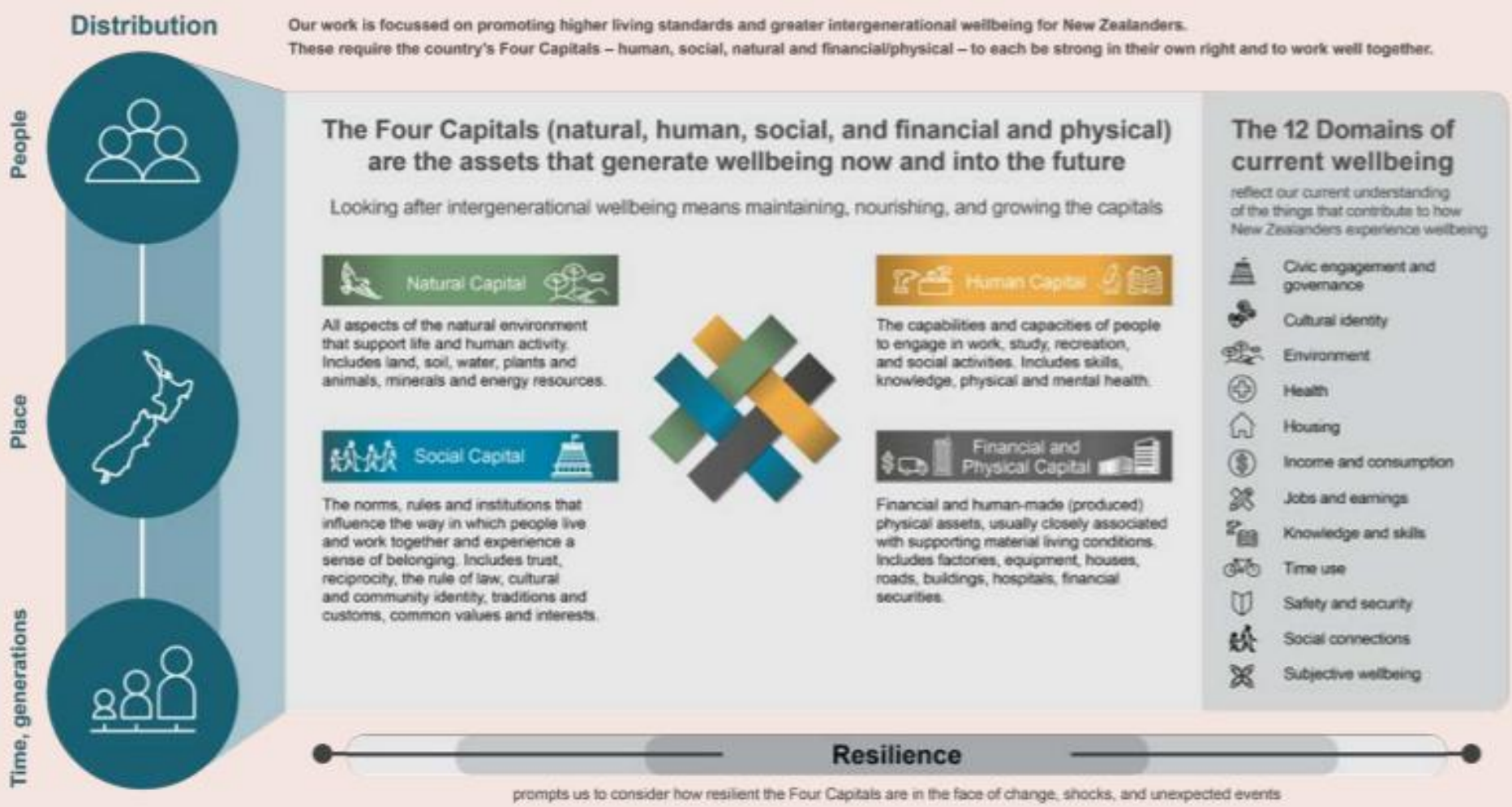
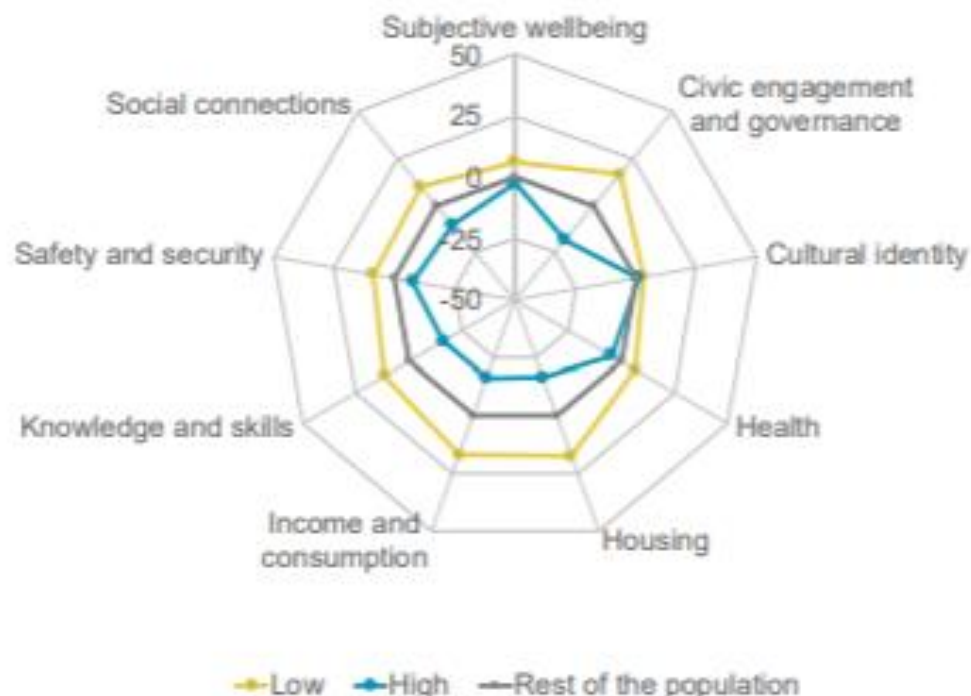


Figure 4 – Māori wellbeing analysis compared to the rest of New Zealand

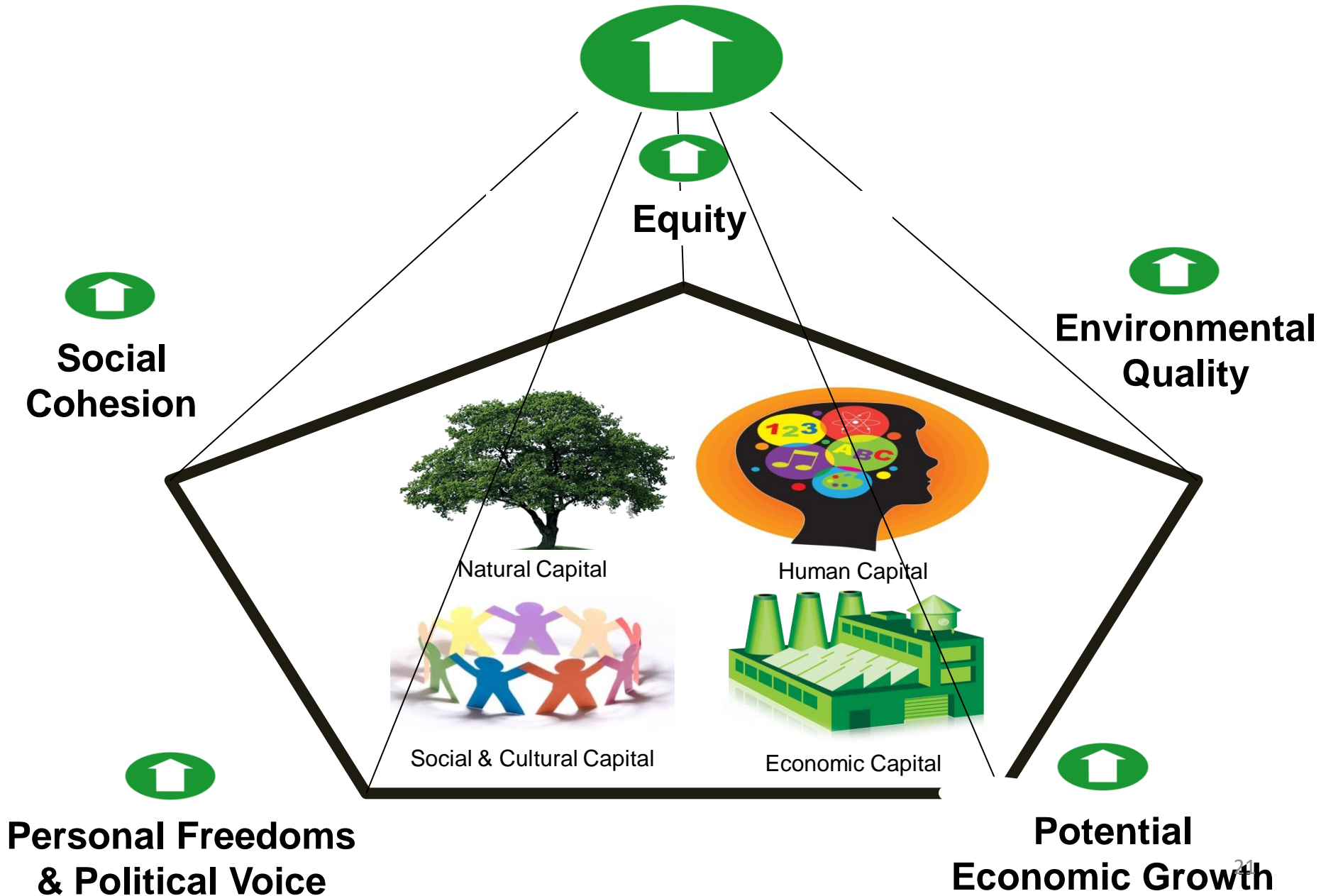


Sources: Treasury analysis, Stats NZ

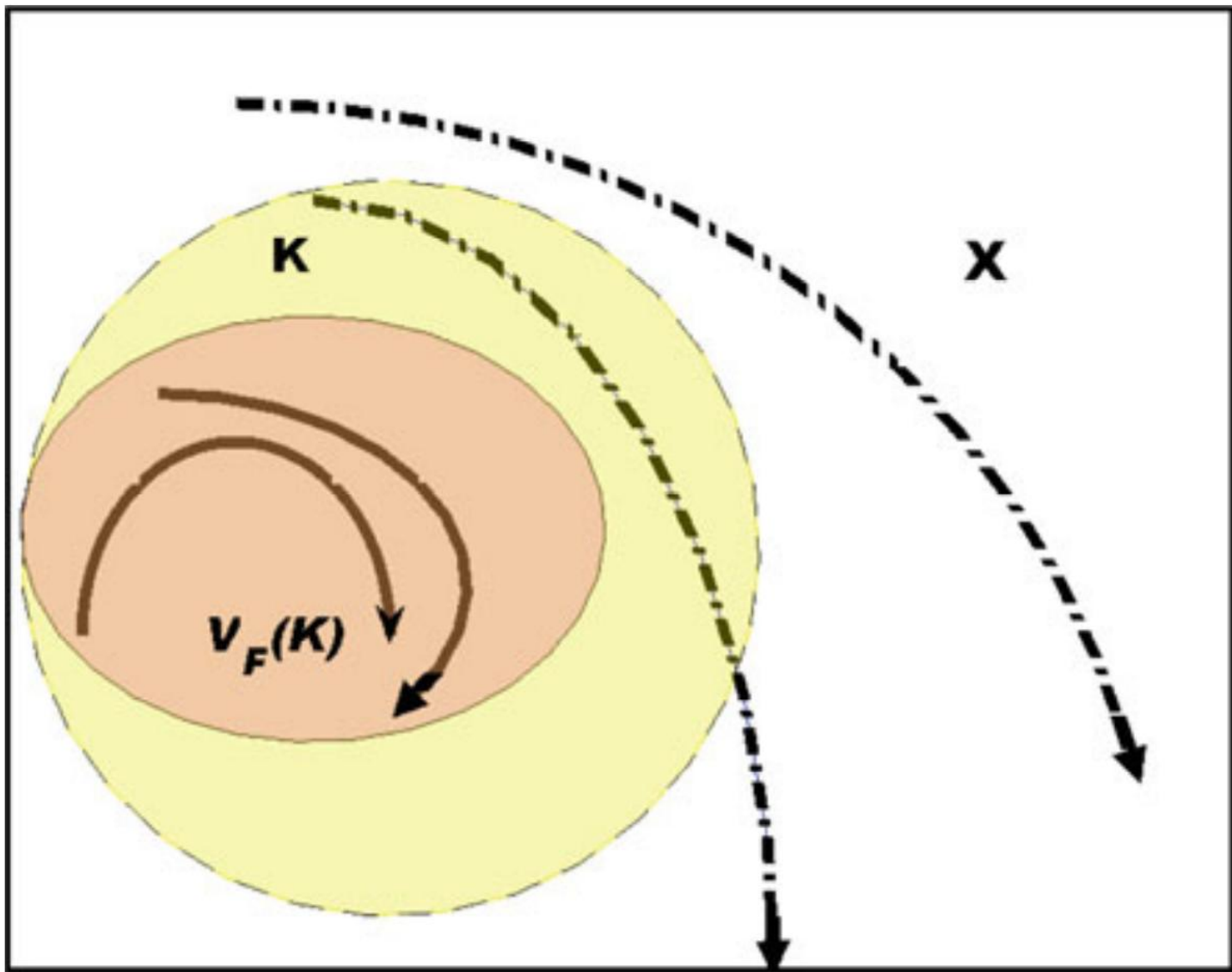
Note: Figure 4 shows how Māori compare to the rest of the population. If a yellow point is further from the middle than a corresponding grey point, this means wellbeing for Māori is lower than the national average in that domain. Māori rank low relative to the rest of the population in most measures of wellbeing.

***Domains and Distinctive Role
of
Public Policy***

Sustainable Wellbeing – through Resilience (Enlarging the Wellbeing Frontier)



Viability Kernel and Resilience



Three-Dimensional Application

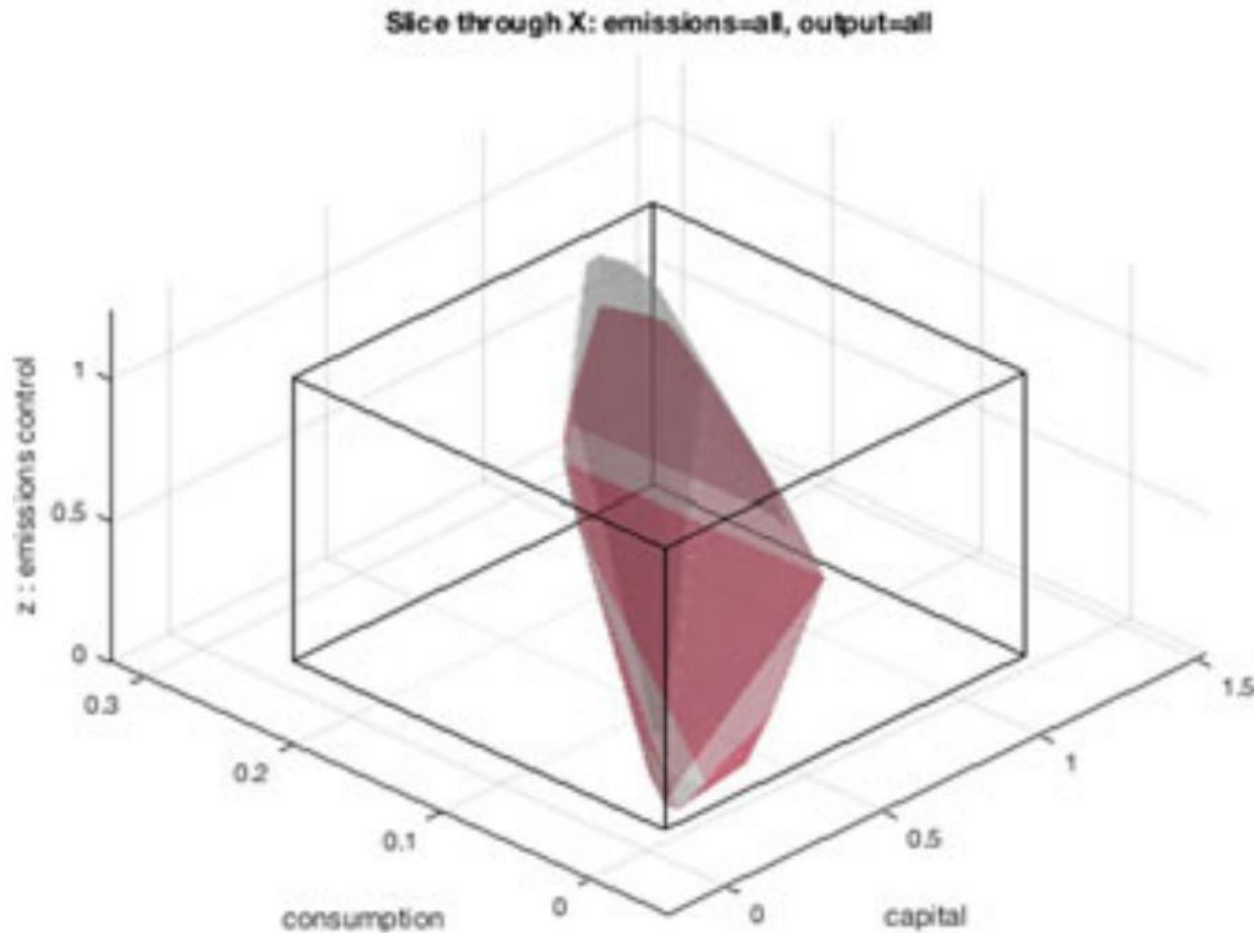
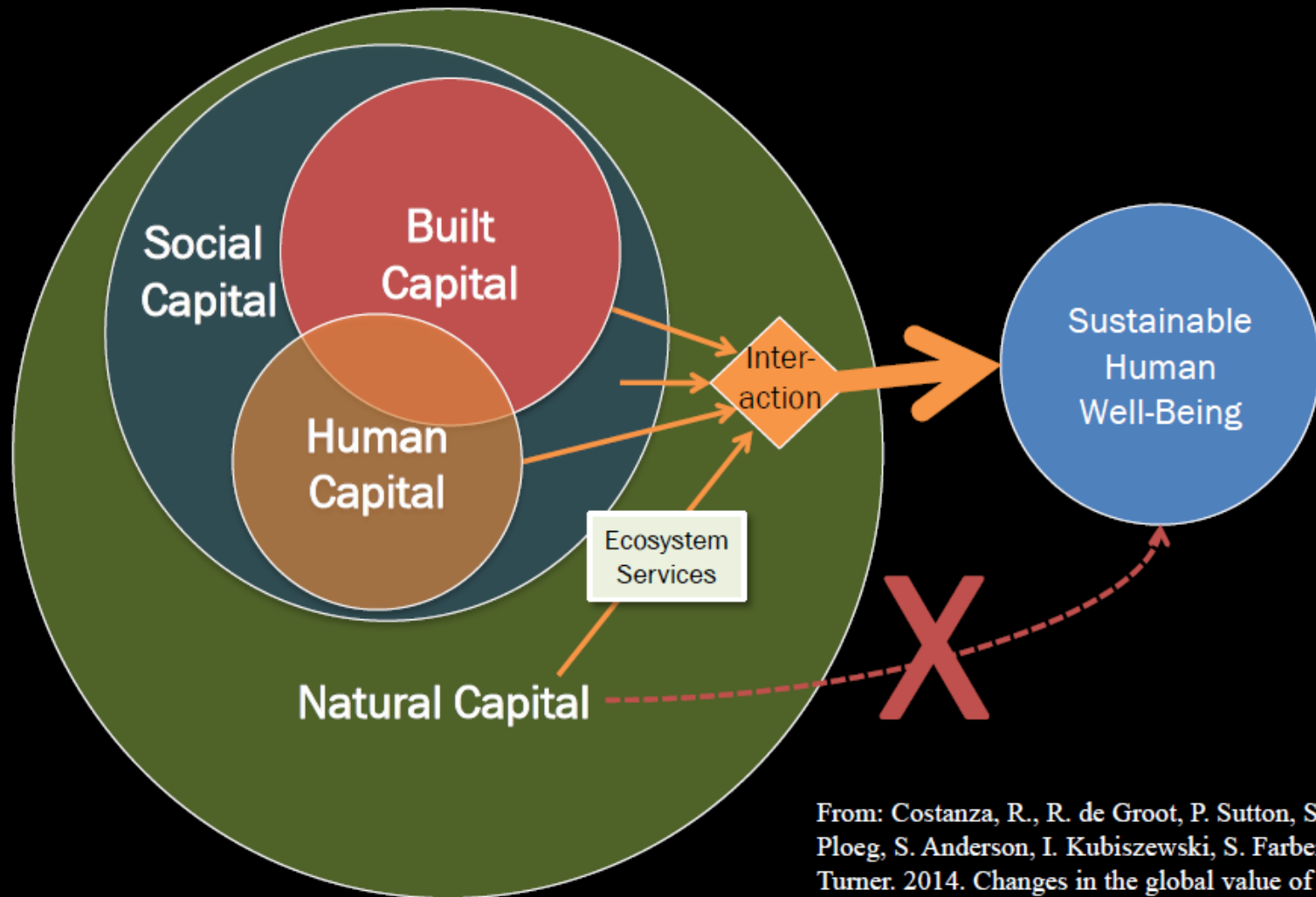


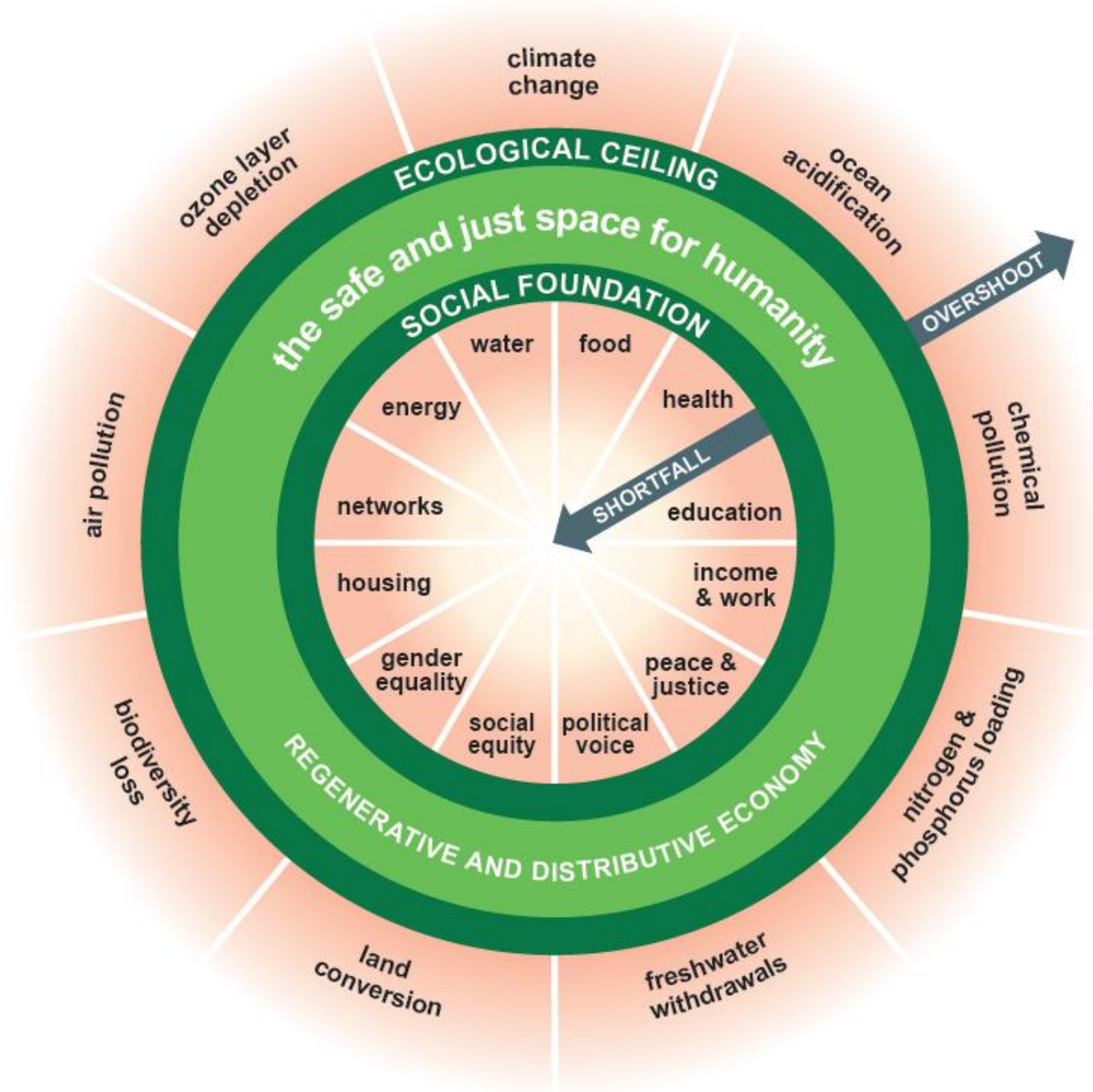
Fig. 6.5 3D slices of the viability kernel

Sustainability
is a key concept

It is the **sustainability of wellbeing** that matters

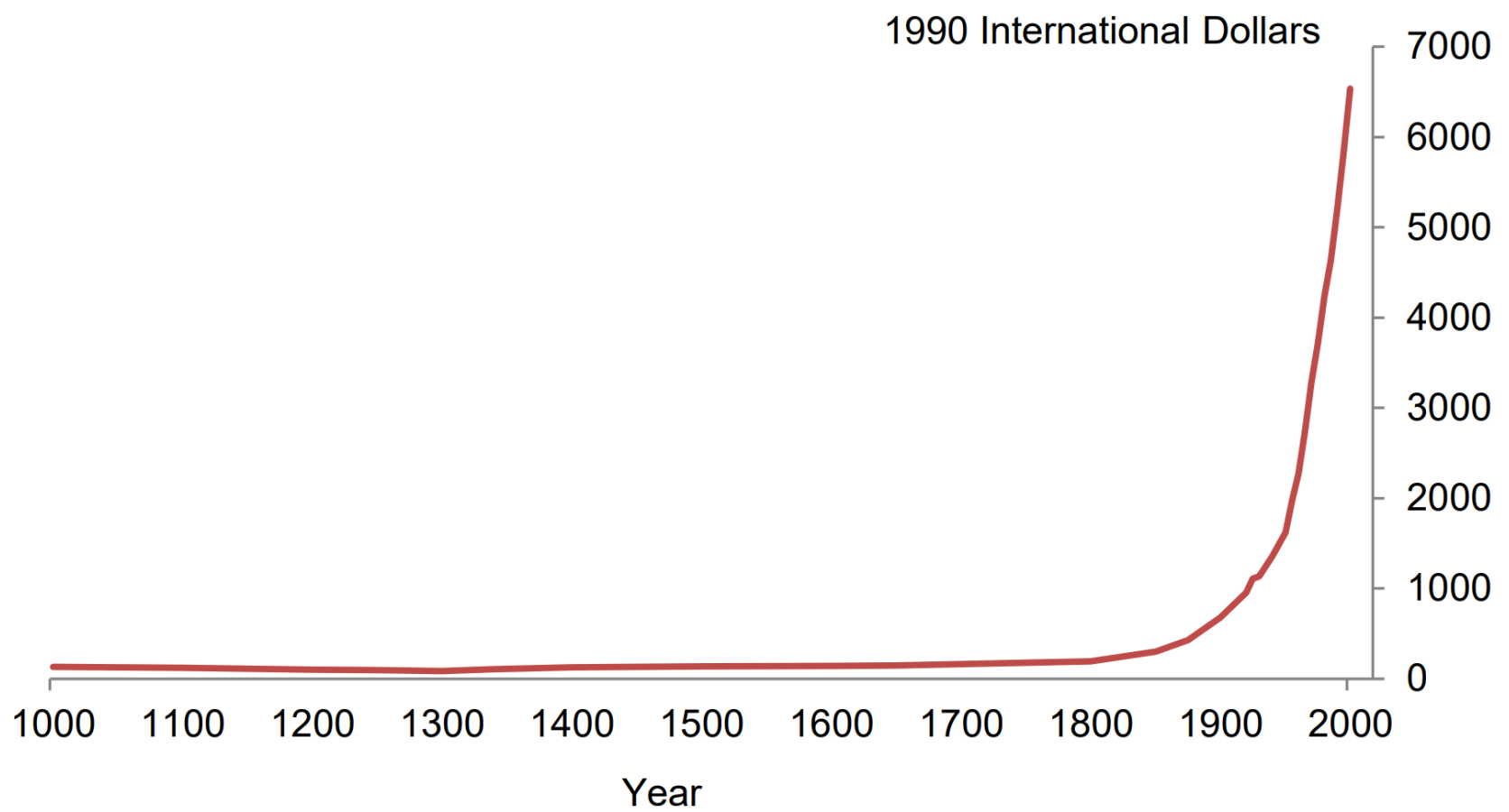


From: Costanza, R., R. de Groot, P. Sutton, S. van der Ploeg, S. Anderson, I. Kubiszewski, S. Farber, and R. K. Turner. 2014. Changes in the global value of ecosystem services. *Global Environmental Change* 26:152-158.



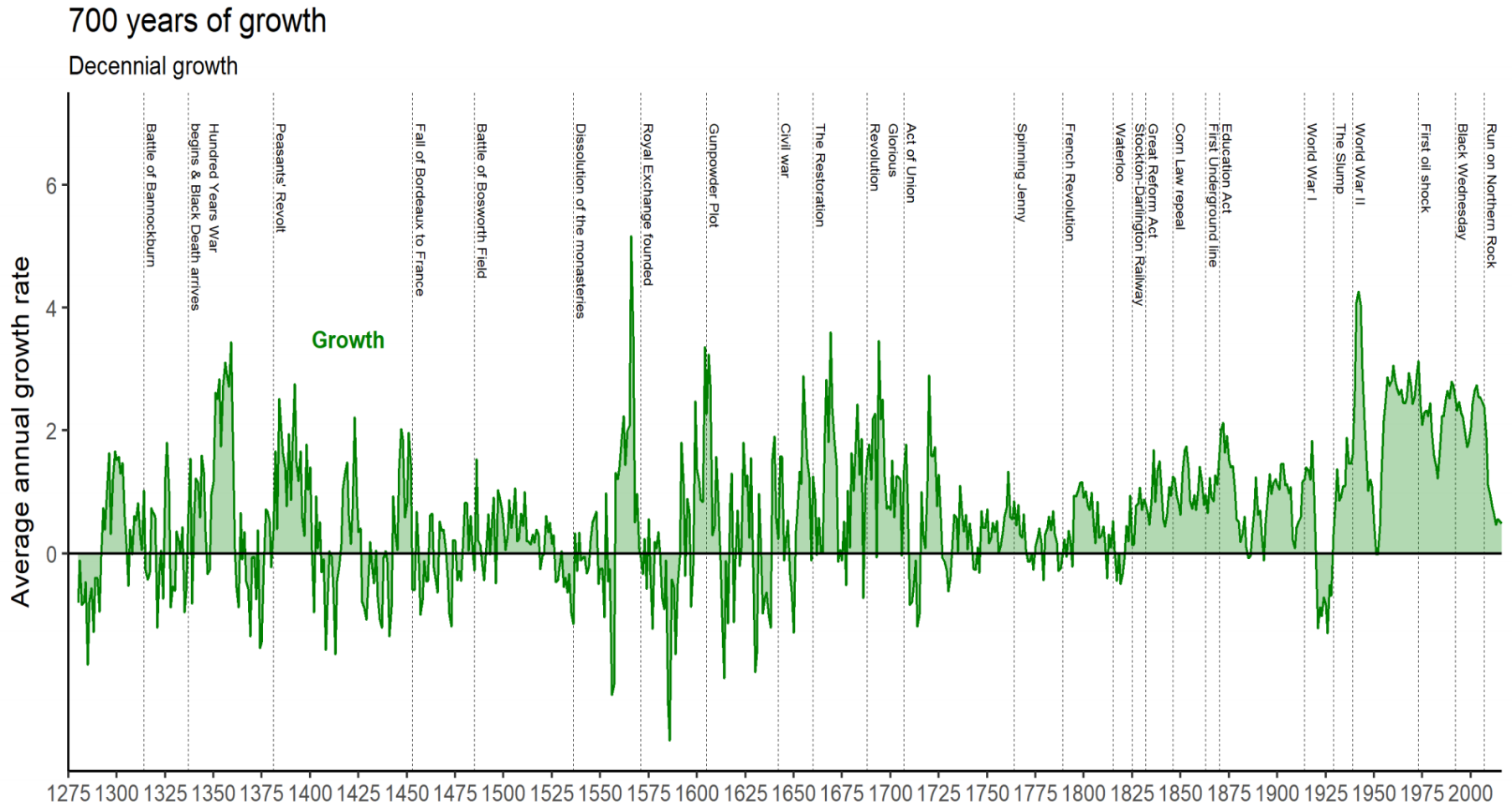
Resilience is the Key Platform

Chart 1: World GDP per head since 1000 AD



Sources: De Long (1998).

Chart 4: Long-run UK GDP growth



The chart plots average annual growth in GDP per capita over the preceeding ten years

Sources: Broadberry and Wallis (2017) and Bank calculations.

Building Blocks

Foundations of Sustainable Wellbeing



Fig. 1.5 Wellbeing triangle

Sustainable Intergenerational Wellbeing



Productivity +

Resilience

Shock-absorbing capacity (preservation)
Adaptation (creativity/enhancement)



Clean Natural Environment

Social cohesion/communities

Economic Infrastructure

Freedom/civil liberties



Access to comprehensive wealth (equity / no poverty / voice / participation)



Institutions = f (distribution of power)



Public Investments



Public Finance

Key Lessons

“Many current social problems are rooted in our neglect of the democratic process. The solution isn’t to dribble out enough crumbs to keep people at home, distracted, and otherwise pacified. Rather, we need to rejuvenate democratic politics, boost civic involvement, and seek collective solutions. Only with a mobilized, politically active society can we build the institutions we need for shared prosperity in the future, while protecting the most disadvantaged among us.” (Daron Acemoglu, 2019)

- Unless we design policies that take into account the interdependencies between environmental, social, and economic influences on wellbeing, our objective cannot be achieved.
- Multi-dimensional / complementary interventions are required.
- A very promising mix of policies is to focus on lowering poverty (by ensuring widespread access to “comprehensive wealth”), complemented by “directed technical change” towards cleaner technology.
- Poverty-reduction strategies need to be based on deep community involvement in picking areas of focus, how they will be implemented, and how they will be evaluated.

- Wellbeing priorities are defined by the communities.
- Public policy operates at the system level and ensures that communities have the resources and the voice to give effect to these priorities, calling on help and support from the centre as required.
- A combination of the *participatory* and *capabilities* approaches to designing, implementing, and evaluating public policy.

Channels of Public Finance

“Collective Investment Model” – Regional Wellbeing Fund

- The role of relevant Ministers as the ultimate governance group.
- The Treasury’s role in supporting, designing, and assessing the overall investment strategy as an advisor to the governance group.
- The stewardship role of the investment manager associated with each collective (say, child poverty).
- Community-based budget holder, accountable to the Treasury.
- The collective as the management entity responsible for delivering the “desired outcomes” – negotiated between the local entity and the governance group.

“Collective Investment Model” – Child Poverty Reduction

- The role of Ministers as the ultimate governance group.
- The Treasury’s role in supporting, designing, and assessing the overall investment strategy as an advisor to the governance group.
- The required governance and management arrangements, bringing in a wider set of advisers, such as the Children’s Commissioner, and people with on the ground credibility such as Tariana Turia and/or John Tamihere
- The stewardship role of the investment manager associated with each collective. “Investment manager” (in the form of the Child Poverty and Child Wellbeing units) already exists in the DPMC.
- The community collective as the management entity responsible for delivering the desired outcomes.
- A few “pilots” to be run in selected communities, where the appropriate leadership and other capabilities are available.

Picture of Success

- Monitor progress on the dimensions of the wellbeing frontier.
- Monitor progress on the size / area of the wellbeing frontier.
- Monitor progress on the shape of the wellbeing frontier.
- Model the interactions and dependencies (complementarities and substitutabilities) between the dimensions of the wellbeing frontier.
- Estimate the parameters of the model just referred to.
- Recommend complementary policies, working through appropriate investments in the components of comprehensive wealth, that will expand the wellbeing frontier.
- Assess (estimate / quantify) the impacts of proposed policies on the size and shape of the wellbeing frontier.

Thoughts

- We are trying to minimise the information required to develop effective public policy.
- What is the minimum amount of information we require in order to make progress towards a wellbeing-enhancing public policy?
- The domains and limits of public policy need to be recognised.