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Social Cohesion in New Zealand

Background Paper to Te Tai Waiora: Wellbeing in Aotearoa New Zealand 2022

Analytical Paper 22/01

November 2022

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**ANALYTICAL PAPER 22/01
Background Paper to
Te Tai Waiora: Wellbeing in
Aotearoa New Zealand 2022**

Social Cohesion in New Zealand

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Executive Summary

Social cohesion is one of the four aspects of the wealth of Aotearoa New Zealand included in the Treasury's Living Standards Framework (LSF). Like all aspects of our wealth, sustaining social cohesion into the future is necessary to safeguard the wellbeing of future generations.

This background paper, released alongside Te Tai Waiora, the Treasury's first Wellbeing Report, discusses the evidence base relating to social cohesion in New Zealand. The Treasury's work to understand social cohesion remains explorative at the time of writing. This background report introduces the relevant concepts and reviews cohesion indicators for New Zealand including those used in the Living Standards Framework Dashboard.

The report is analytical in focus and does not provide recommendations on drivers or policy.

Social cohesion provides ongoing benefits to society

The Treasury's LSF defines social cohesion as the willingness of diverse individuals and groups to trust and cooperate with each other in the interests of all, supported by shared intercultural norms and values.

Social cohesion exists when people feel like they are part of a society that accepts differences in a way that allows conflict to be resolved peacefully and amicably. Social cohesion has broad economic and social benefits for society and is a contributor to sustained long-term prosperity.

Social cohesion acts like an asset creating ongoing value for society

Socially beneficial norms, rules, culture, and understandings encourage inclusion and aid in the peaceful resolution of disputes, which allows society to focus on growth and development. For this reason, social cohesion can be understood to have a capital value. As an asset (or wealth) it creates ongoing benefits or value for New Zealand over time.

The intangible nature of social cohesion makes it hard to directly value, but the World Bank, used cross-country studies to estimate that a significant amount of wealth within nations may be intangible and a large share of this may be attributable to social capital¹. As social cohesion's value is embedded in other goods and services its precise value is uncertain, but it is widely accepted that institutions, norms, and culture are important.

Given its intangible nature, most researchers focus on survey measures of social trust in other people as the best summary indicator for social cohesion. Social trust is described as the "*glue*" that holds society together. It enables social interaction, supports community engagement, and may reduce the cost of commerce.

¹ Social capital is a distinct, but very closely related term used to describe social cohesion in the literature. While both provide benefits for society, social capital specifically includes the stock norms and values that may give rise to social cohesion over time.

New Zealand's social cohesion looks comparatively strong ...

Most metrics and indicators suggest that New Zealand is relatively cohesive and that it enjoys strong social capital compared to many similar countries. New Zealand statistics collected within the General Social Survey suggest that the majority of the community are socially connected, politically engaged, and also report high levels of social trust. Similarly, most members of the community report comfort with diversity and openness to inclusion within their communities.

...but there are differences across society...

While social cohesion looks high on account of aggregate metrics, there are differences across different groups within society. Adverse experiences relating to history, adverse life experiences, discrimination, and differences in opportunity may fall more heavily upon specific groups of people with implications for trust, cohesion, or wellbeing.

Generalised Trust scores for Māori are around 10% lower than those for Pakeha. However, reported discrimination is also higher for Māori and Pacific peoples. Ministry of Justice survey statistics also illustrate how the experiences of minorities may differ. Māori, disabled persons, and adults with diverse sexualities were significantly more likely to be victims of crime. Just over 2 percent of adults experience 39 percent of all crime victimisations.

These groups may display less trust in institutions contributing to lower engagement or challenges to benefiting from opportunities and/or public services.

...risks to future social cohesion exist

Current events, social media trends, and high levels of reported discrimination suggest future risks exist and that these challenges may be most acute for discrete groups within the community.

While New Zealand's level of generalised trust is comparatively high, it has trended down over time. At the same time, reported discrimination has trended up with over 20 percent of New Zealanders reporting having experienced discrimination in the last 12 months.

While most New Zealanders appear to be socially connected, nearly 30 percent of adults report no connection to their neighbourhood and 20 percent report not engaging with family or friends on a weekly basis. While reported loneliness has increased, issues with mental health and connection may be most acute for youth or minorities. Youth are more likely to report lower trust and are more likely to engage in and be victims of crime.

New Zealand also has the second worst youth suicide rate in the developed world, which can be an indicator of underlying issues with social cohesion or integration. It is worth noting that New Zealand suicide rates are significantly higher for Māori, males, and youth.

Trust in institutions can impact on policy outcomes

Social cohesion acts like a wealth within the LSF as cohesive communities can accomplish more, may grow faster, and have proven more resilient to shocks. The United Nations and World Happiness Report (Helliwell *et al.* 2021), for example found a link between mortality and trust during the COVID-19 pandemic, which illustrates how public engagement, trust, and social cohesion can improve policy outcomes.

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1. Background

This paper is one in a series that the Treasury has commissioned ahead of Te Tai Waiora, the Treasury's first Wellbeing report, published in November 2022.

The Wellbeing report is a new stewardship document that the Treasury must produce every four years following passage of the Public Finance (Wellbeing) Amendment Act 2020. The Wellbeing report sits alongside the Long-Term Fiscal Statement, Investment Statement and Long-term Insights Briefing as part of a suite of regular strategic assessments by the Treasury of New Zealand's economic, fiscal, social, and environmental health.

The Te Tai Waiora Wellbeing report has the broadest scope of the four reports. The relevant section of the Public Finance Act 1989 requires the Treasury, using indicators, to describe:

- the state of wellbeing in New Zealand
- how the state of wellbeing in New Zealand has changed over time
- the sustainability of and any risk to the state of wellbeing in New Zealand.

Rather than attempt to cover this scope comprehensively in a single document, which would be very long, the Treasury is publishing a series of more detailed background papers to meet these requirements.

Significant work has been undertaken internationally to understand social cohesion and its relevance to economic performance. The Treasury's work in this area is explorative at the time of writing. This paper introduces relevant concepts, updates the cohesion indicators used in the Living Standards Framework Dashboard, and provides introductory analysis of relevant currently available indicators.

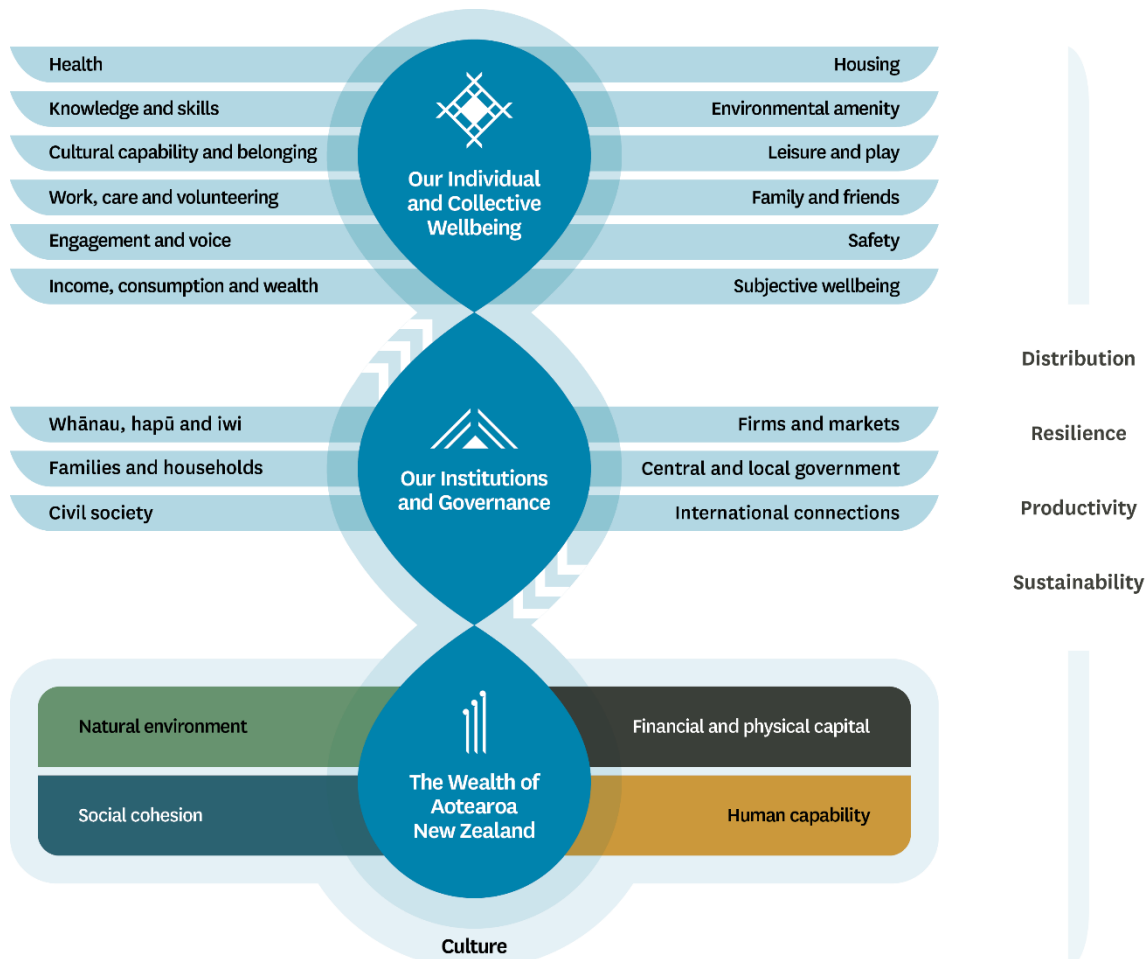
2. The Living Standards Framework

There is no one conceptualisation of wellbeing that is universally agreed. The framework that the Treasury is using to conceptualise wellbeing in the Wellbeing Report, and associated background papers, is called the Treasury's Living Standards Framework (LSF) illustrated in Figure 1.

This paper focuses on social cohesion, which is one of the four aspects of the '*Wealth of Aotearoa New Zealand*' in the LSF. Given the links between social cohesion and the rules, norms, practices, and culture (ie, social capital) that are typically embedded in institutions, the paper also includes general discussion on other relevant factors such as trust in institutions that may be reflected in the '*Our Institutions and Governance*' level of the LSF (see Figure 1).

For more information about the definition and explanation of each element of the LSF, refer to the recent Treasury Papers (Treasury 2021a & 2021b).

Figure 1: The Treasury Living Standards Framework



The Treasury also uses He Ara Waiora, which provides a Māori perspective on wellbeing.

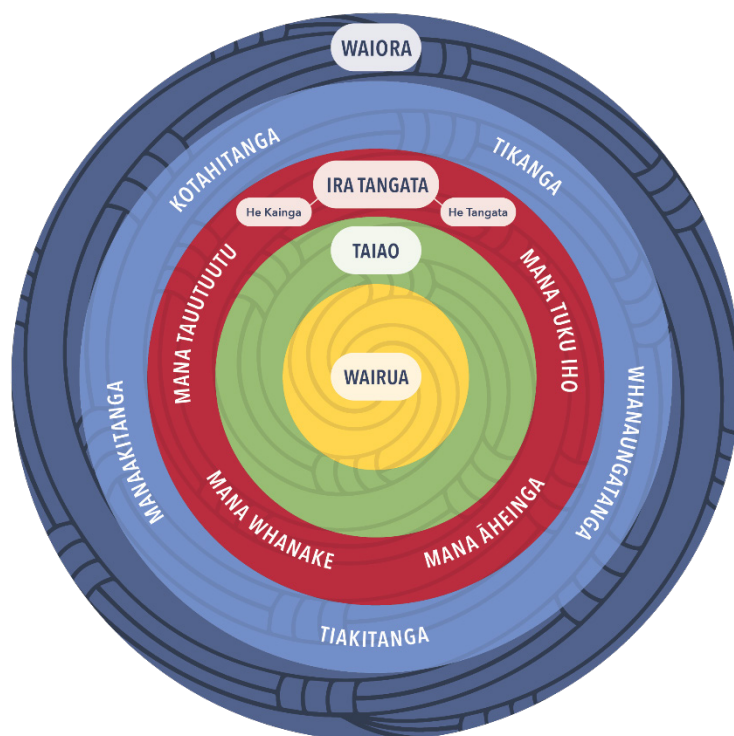
He Ara Waiora articulates both the ends, or what are important elements in Māori perceptions of wellbeing, and the means, or the tikanga values or principles that help us achieve the ends.

Social cohesion is consistent with Te Ira Tangata, which is an end that encapsulates human activities and relationships including relationships between generations.

Cohesion is also consistent with the key principles, which are:

- **Kotahitanga** – working in an aligned, coordinated way
- **Tikanga** – making decisions in accordance with the right values and processes, including in partnership with the Treaty partner
- **Whanaungatanga** – fostering strong relationships through kinship and/or shared experiences that provide a shared sense of wellbeing
- **Manaakitanga** – enhancing the mana of others through a process of showing proper care and respect
- **Tiakitanga** – guardianship, stewardship (eg, of the environment, particular taonga or other important processes and systems).

Figure 2: He Ara Waiora - A Māori View of Wellbeing



As this report primarily introduces the topic of cohesion with relevant indicators, we have not sought to describe in detail the specific interactions between layers of the LSF or He Ara Waiora.

3. What this note covers

A focus on social cohesion

The 2021 LSF defined social cohesion as the willingness of diverse individuals and groups to trust and cooperate with each other in the interests of all, supported by shared intercultural norms and values.

This definition in the LSF moved from the use of social capital as a wealth of New Zealand to focus instead upon social cohesion. These two concepts are similar and very closely related and both behave as an asset providing benefits for New Zealand (Frieling, 2018). However,

- social capital specifically involves pro-social norms, values, and rules
- the LSF definition above focuses more on the willingness of diverse groups to trust and cooperate supported by these shared intercultural norms and values.

In this way, the LSF definition focusses upon bridging social capital, which involves the links or coordination **between** different groups. The discussion in subsequent sections highlights that interpersonal links **within** a group (bonding social capital) are also relevant to social cohesion. While bonding social capital may be covered by other domains within the LSF, this report may discuss indicators for social connection in the context of social cohesion.

The rationale for structuring the LSF in this way was that bridging social capital provides a wider benefit so is recognised as a national “*wealth*” of the nation, while bonding social capital (personal connections within a defined group) provide more of a personal benefit. This is discussed in more detail in subsequent sections.

Use of indicators

Annex one provides a summary of measurement challenges and approaches to valuation or analysis. The Treasury currently relies on an indicator-based approach in line with the data released in its updated 2022 LSF Dashboard (the “dashboard”). The Dashboard includes the indicators that are most important to inform our wellbeing reporting and policy advice.

Trends not drivers or policy

There are a large number of indicators that are closely associated with social cohesion. This report primarily focuses on the factors that may indicate either strength or weakness in New Zealand’s social cohesion. The paper does not comment in detail on the drivers or policies affecting these indicators as the causal processes may not be well understood.

4. Social cohesion or capital as an asset

Social cohesion is described in the LSF as a wealth that provides ongoing benefits over time. Relevant literature may also refer to this asset as “*social capital*.”

This section briefly summarises the literature on the benefits that may arise given similar ongoing benefits arise from social capital and social cohesion.

Social structures embody value for society

The general benefits of social structures for society and the wider economy have been studied by social scientists, political scientists, and economists for many years. The role of civic association and the support that it provides to the operation of democracy was first discussed by Alexis de Tocqueville (1863) and economists and social scientists continue to investigate the implications of institutions, coordination, trust, and transaction costs on social cohesion, growth, and efficiency.

Defining social capital

A common conceptualisation of ‘*social capital*’ has emerged for use within the World Happiness Report (Helliwell *et al.* 2022) and World Bank publications. Putnam (2001), a political scientist, defines social capital as “*networks together with shared norms, values and understandings that facilitate co-operation within or among groups.*”

Dasgupta provides an alternative definition, suggesting that if social capital is to serve a useful purpose it should be interpreted as “*interpersonal networks where members develop and maintain trust in one another to keep their promises by device of “mutual reinforcement” of agreements*” (Dasgupta 2009). Generalised trust in other people is so closely associated with both social capital and social cohesion that it is one of the measures most often used as a proxy or primary indicator of them.

Social capital may have multiple dimensions: (Putnam 2001):

- **Bonding capital:** horizontal ties between people who share common background and characteristics (eg, within a social category such as locality, age, ethnicity, and religious or political beliefs).
- **Bridging capital:** horizontal ties that exist between different social categories or groups.
- **Linking or vertical capital:** ties also exist between people in power or influence with the community at large. This may be related to trust in institutions (Woolcock 1998).

In practice, these dimensions may be closely correlated and could be difficult to entirely disentangle. The 2021 OECD report on trust in Government found correlation between trust in Government and trust in other people. For this reason, this report considers a range of indicators related to social cohesion along four dimensions: individual identity and social engagement, community engagement, attitudes, and non-cohesive behaviours.

The benefits of social capital

Strong pro-social norms allow the community to work together to facilitate the achievement of collective outcomes. Norms, rules, and values increase predictability, supporting trust. Trust underlies the operation of commerce and the effective operation of public entities, notably Parliament or the Police. It also supports community initiatives and the peaceful coexistence of diverse groups with different values, cultures, and world views.

Lange, Wodon, and Carey (cited in World Bank, 2021) suggest that a substantial proportion of a nation's wealth may be intangible and a large proportion of this may be attributable to social structures and/or norms.² The benefit that rules or norms provide over time, in the form of cooperation, engagement, or cohesion, is referred to as "social capital." While estimates of social capital are relatively uncertain, it is widely accepted that culture, rules, norms, and institutions are important.

² For example, Hamilton, Helliwell, and Woolcock (2016) suggest that much of this is social capital (around 28% of total wealth).

5. Indicators of social cohesion within the Living Standards Framework

The LSF defines social cohesion as the willingness of diverse individuals and groups to trust and cooperate with each other in the interests of all, supported by shared intercultural norms and values.

This definition focusses more upon the trust and cooperation (ie, outcomes) that may arise from social capital (eg, intangible norms, values, etc).

This definition may differ from other authors as, while there is general consensus that cohesion is important, different studies use the concept in different ways. A meta-analysis of the literature suggests that most studies tend to emphasise: social relations; identification with the geographical or national unit; and orientation towards the common good (Schiefer & Noll, 2016).

Social cohesion creates both public and private benefits

In assessing indicators that suggest strength or weakness in social cohesion, it is worth considering the public versus private benefits that may arise.

The treatment of social cohesion as a wealth of Aotearoa, emphasises the public, or national, benefits that arise from social cohesion. Indicators suggesting social cohesion involving cooperation between different groups suggests a wider positive benefit for society. In a cohesive society, the frontier of what is possible may expand if groups are willing to cooperate. Governance may also be easier, and commerce may be more productive (Coyle and Lu, 2020).

Social cohesion also creates benefits for individuals that is captured in the friends and family domain of the “*individual and collective wellbeing*” level of the LSF. Social relations are a consumer good that individuals derive satisfaction and happiness from (Hamilton et al 2016, Claridge. T, 2015). A diverse and healthy social network (ie, bonding social capital) may, for example, provide a range of positive physical and mental health benefits that contribute to people’s quality of life.

A focus on bridging social capital

The primary focus of the social cohesion wealth within the LSF continues to be the general benefits that arise from bridging social capital. Positive benefits for New Zealand unambiguously exist when different groups peacefully coexist and coordinate. An ability to display trust, exercise tolerance, and cooperate ensures economic opportunities are utilised and resources are shared. Disputes may also be minimised and, when they do arise, are resolved fairly and amicably.

Bonding social capital may support or discourage social cohesion

However, as noted, bonding and bridging social capital are tightly interrelated. While social connections have more relevance to the friends and family domain within the LSF, the strength or health of social connections still provides a foundation for bridging social capital that may exist between groups. As such, the indicators demonstrating social connection may provide useful supporting information as an indicator of social cohesion.

However, in assessing the national benefit that may arise from bonding social capital care needs to be taken. Bonding social capital arises within groups involving relationships between people of similar interests and backgrounds. These close personal links provide a vital form of personal support. However, while bridging social capital involves people working with diversity, bonding social capital is more commonly associated with homogeneity and may be more inward looking.

The World Bank (2021), for example, note that gang and mafia families are highly cohesive and so possess very strong measures of bonding social capital. Dominant groups may also enforce conformity in the name of cohesion in a way that fails to recognise the value of diversity. Similarly, while bonding social capital can reduce transaction costs, norms or traditions within groups can also act to discourage innovation or may act as a barrier to entry.

Some examples of negative factors attributable to bonding social capital include (World Bank 2021 & Portes, 2014):

- discrimination of other groups or people that are different in some way
- groups or memberships that act as a barrier to social inclusion or social mobility, and
- norms or beliefs of groups that contribute to or encourage strife with respect to the wider community.

For this reason, this paper includes indicators reporting the strength of social connection alongside outcome-based indicators demonstrating levels of discrimination, crime, and/or perceived safety.

Social attitudes and social cohesion

While evidence of cooperation between groups, strong social connections, and positive social outcomes may indicate healthy levels of social cohesion, social capital (ie, underlying norms, beliefs, or values) remains an important predictor of whether people will be willing to cooperate in future.

Various measures of trust are perhaps the most important attitudinal indicators relevant to social cohesion. The OECD defines trust as “*a person’s belief that another person or institution will act consistently with their expectations of positive behaviour.*”

This predictability is necessary if people are to have the confidence required to commit, cooperate, transact, or engage with people different than themselves.

Putnam (1995) notes “*social trust is not part of the definition of social capital, but it is certainly a close consequence, and therefore could be easily thought of as a proxy.*”

Other authors, such as Dasgupta, suggest trust is so closely aligned with social capital or cohesion it should form part of the definition. For this reason, generalised trust in other people is one of the most important indicators of cohesion that has been included in the Living Standards Dashboard.

Given the importance, the next section discusses the wider economic benefits of generalised trust in other people. Further discussion of trust and its other implications for governance, community, and cohesion has been included in the sections discussing the cohesion indicators.

6. The economic benefits of trust

Grootaert (1998) describes trust as the glue that holds society together. Without trust and cooperation between members of society, economic activity, and wellbeing may suffer. While the benefits of trust may be indirect or facilitative in nature, a breakdown of trust or cohesion can lead to direct costs associated with socially undesirable behaviours or disagreements within the community. Grootaert discusses how, *“without social capital, society at large will collapse.”* Examples may include civil war, violence, unnecessary litigation, or dispute.

The enduring role of trust in commerce

Early commerce and community coordination were built entirely upon trust between well-known counterparties. But development has led to increasingly arm's-length transactions made over large distances or across time.

Economic history illustrates how trust and markets complement each other. The OECD notes that social ties and interpersonal trust can reduce transaction costs and reduce issues associated with the enforcement of contracts (Knack & Keefer 1997). Very early international banking, for example, formed out of cross-border links that existed within families such as the Rothschilds. These families grew their business by moving trusted family members to different European capitals.

Early underdeveloped legal systems tended to favour networks of known counterparties supporting a narrow elite within society. However, as markets developed informal networks of trust have been replaced with international laws, enforcement mechanisms, and institutions grew to securely manage settlement between strangers. These rules, norms, and standards have allowed people to transact with strangers over large distances and across time.

Lower transaction costs

While market structures have reduced the need for close known associations, trust continues to play an integral role in commerce. The high cost of monitoring and enforcement suggests that all economic activity relies to some extent on cooperation and coordination requiring a degree of trust in your counterparty. Reputation continues to be important (Dyer and Chu, 2003). The rule of law and property rights are seen as basic prerequisites for growth, but trust continues to have a complementary role supporting growth in modern trade and investment.

Higher levels of trust create a direct economic benefit as they reduce transaction costs via:

- **Ex-ante contracting costs:** individuals in lower-trust societies spend more to protect themselves through written contracts or security. If transaction costs get too high, people may stop trading altogether. But with high levels of trust, detailed written contracts become less important and can be drafted in a way that does not need to cover every possible contingency.
- **Ex-post monitoring and enforcement costs:** monitoring and enforcing contracts can be extremely expensive. In high trust economies with strong institutions and the rule of law, litigation may be less frequent, monitoring costs may be lower, and people may be more comfortable transacting with strangers.

The benefits of a reliance on courts and litigation may differ in different circumstances. For example, financial market participants may be attracted to the United States, or the City of London, on account of their reputation with respect to the rule of law. However, the risk of litigation may also discourage projects that might otherwise be considered.

Higher productivity

As well as lowering transaction costs, trust may also contribute to improved productivity. Productivity measures how much output can be produced from a certain number of inputs. As the ability to coordinate, take risks, or transact increases what may be accomplished, the World Bank (2021) suggests that social capital may be an enabling asset or scaling factor that increases total factor productivity (TFP). Trust may, for example facilitate additional co-investment, shared research, support continuity of employment, or accumulation of “*tacit*” knowledge.

Coyle and Lu (2020) find a link between trust and TFP growth in 23 European countries. Smith (2022) suggests that a 10 percent increase in the proportion of “*trusters*” in the population will lift the growth rate by just under a half percentage point. Smith suggests that high levels of trust in New Zealand lift our ranking with respect to TFP compared to an economically diverse sample participating in the European Social Survey³ from 16th to 11th. This may occur as lower transaction costs impact on the allocation of capital, innovation, and investment more generally.

³ Countries included Ukraine, Hungary, Czech Republic, Estonia, Slovenia, Bulgaria, Russia, Portugal, Iceland, United Kingdom, Cyprus, Lithuania, Italy, Finland, Spain, Poland, New Zealand, Austria, Sweden, Belgium, Denmark, Germany, France, Netherlands, Switzerland, Ireland, Norway.

7. The role of institutions in supporting social cohesion

While physical or formal institutions are separable from both social capital (norms, rules, and values) and social cohesion, the strength or weakness of institutions may still provide valuable information on the state of social cohesion.

Within institutional economics, legal or physical institutions are less important than the rules or norms (ie, social capital) that these institutions create, manage, or enforce.⁴ When economists refer to the “institutional environment”, they may be using the term broadly to describe the “framework” within which human action takes place or the “rules of the game.”

Legal or physical institutions embody the rules, norms, or values that are defined as social capital, which is why high or low levels of trust in institutions may be important (Knack, 2001). Institutions, such as the Police or other public institutions, create incentives that guide cohesive behaviour. However, the incentives created by informal habits, beliefs, norms, or traditions are equally important (Ferrini, 2012).

With respect to bridging social capital (ie, social cohesion), the cooperation that occurs between people also most commonly occurs within or alongside an institutional structure. The role of public institutions is well recognised, but our accompanying wellbeing paper on Pacific people’s wellbeing highlights the role of other institutions, for example churches within Pacific communities (refer Figure 10). The rules or standards of conduct these institutions encourage or promote affects how people with different cultures or values interrelate.

In terms of importance, Rodrik, Subramanian, and Trebbi (2002) found that the quality of institutions, notably rule of law, “trumps” all other determinants of economic development, including geography and trade.

Indicators demonstrating participation in clubs, institutions, or memberships demonstrate community engagement. Ethnic differences relating to trust in institutions or reported discrimination may provide relevant information as to how different groups are working together (ie, social cohesion).

⁴ The rules of the game are referred to as the institutional environment (Klein, P.G 1999).





8. Indicators from the Living Standards Dashboard

The Treasury publishes the LSF Dashboard to inform the Treasury's wellbeing reporting and advice provided to Ministers. It includes indicators relating to all the different parts of the Living Standards Framework.

The Dashboard was last updated in April 2022, but Statistics New Zealand has published updated data with the release of the 2021 General Social Survey in July 2022.

This section provides a brief summary of how the four indicators included within the dashboard have changed. These indicators, which are discussed in more detail in the sections below, include: ability to express identity, experience of discrimination, sense of belonging, and trust held in the people of New Zealand.

Table 1: Indicators of social cohesion (size of arrow denotes significance)

	2016	2021	Average Standard Error (2021)	Strength of change
Ability to express identity	87% of people found it easy or very easy to express their identity	80% of people found it easy or very easy to express their identity	+/- 1.9 percentage points	
Trust held for the people of New Zealand (mean)	67.6% have a score over 7/10	64.2 have a score over 7/10	+/- 0.1 percentage points	
Experience of discrimination	17% of people experienced discrimination in the last 12 months	20% of people experienced discrimination in the last 12 months	+/- 1.6 percentage points	
Sense of belonging	89% of people report a sense of belonging to New Zealand	88% of people report a sense of belonging to New Zealand	+/- 1.4 percentage points	

Source: The Treasury Living Standards Framework Dashboard 2022

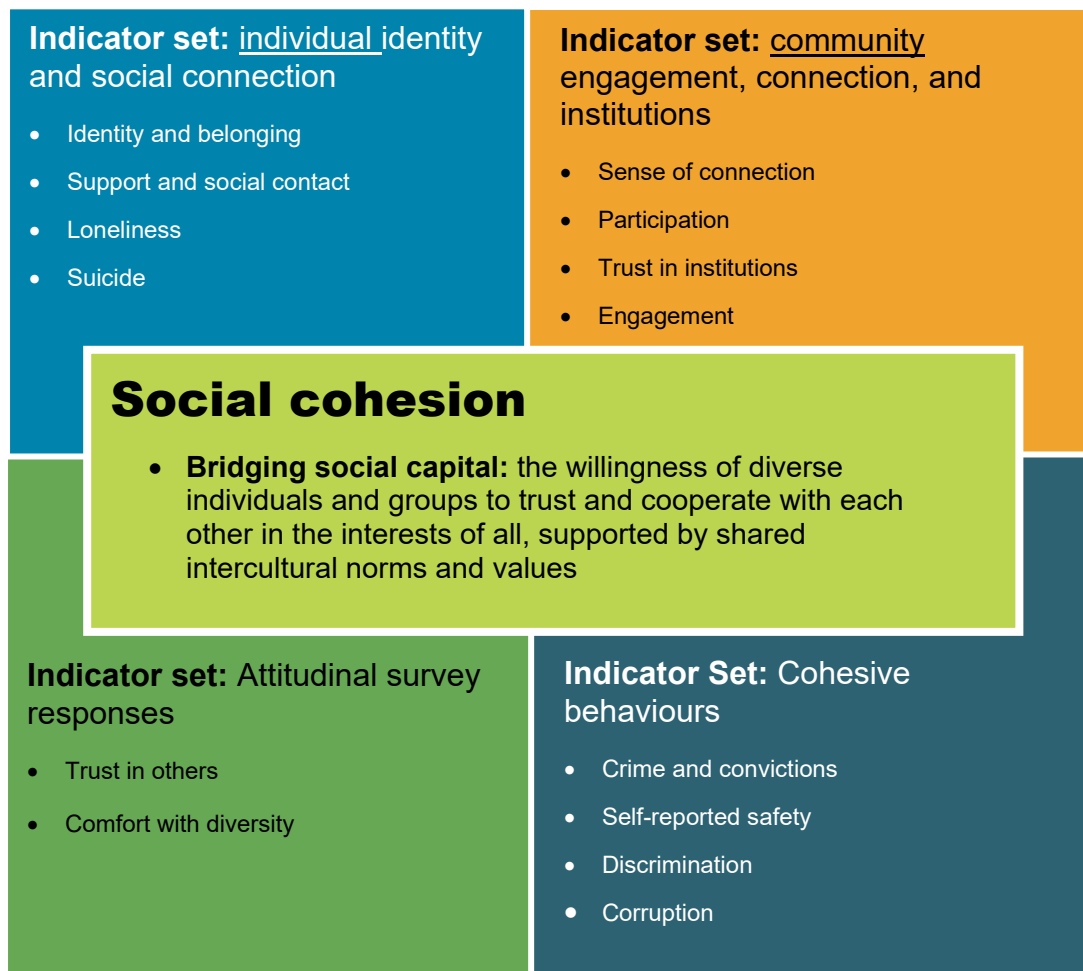
Table 1 shows that all four indicators for social cohesion have deteriorated over the last five years, but the decline in sense of belonging is not considered to be statistically significant. One significant decrease was with respect to the number of people who find it easy or very easy to express their identity, which declined from 87 percent to 80 percent (refer discussion below).

9. Other indicators and discussion

This section discusses the Dashboard's cohesion indicators with supporting information on secondary indicators that are relevant to social cohesion in New Zealand. This additional reporting is structured around four dimensions (refer Figure 3):

- **Identity and social connection:** direct interpersonal social connections are more closely associated with the *Individual and Collective Wellbeing* layer in the LSF (refer Figure 1). However, social connections, identity, and belonging form the basis for all forms of social cohesion.
- **Community connections, institutions, and engagement:** institutions sit within the *Institutions and Governance* layer of the LSF (refer Figure 1). However, the cohesive interaction between different groups may occur alongside, within, or between institutions.
- **Attitudinal survey data:** attitudinal survey responses covering metrics such as generalised trust provide an indicator of social cohesion.
- **Whether cohesive behaviours exist:** the LSF dashboard already reports on discrimination. However, other non-cohesive behaviours, such as crime, also provide useful information on social cohesion.

Figure 3: Indicators described in this report



9.1 Identity and social connection

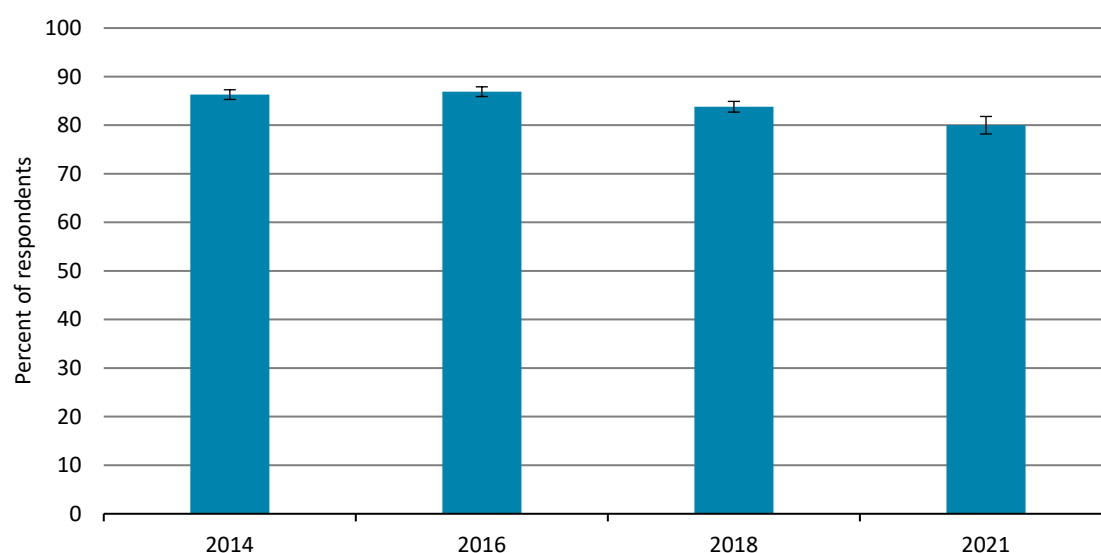
Direct interpersonal social connections are more closely associated with bonding social capital, which is captured in other parts of the Living Standards Framework. But social connections, identity, and belonging also form the basis for social cohesion. People form connections or develop relational skills with respect to their families, close associates, and immediate community. Later sections of this report discuss the links that exist between lack of connection or loneliness and socially incohesive behaviours including violence.

New Zealanders have a strong sense of identity

The overwhelming majority of New Zealanders indicated that they found it easy to communicate their individual identity with a strong sense of belonging to New Zealand as a whole. However, the number of people reporting it was either easy or very easy to express themselves (ie, personal identity) has trended down over the last eight years (refer Figure 4). While around 86 percent of people found expressing themselves easy in 2014, this number had declined to 80 percent in the 2021 General Social Survey.

While there was a general decline that was statistically significant, it appears that the decline was more pronounced for people of Asian descent and recent migrants. In contrast, the ability for Pacific peoples to be themselves has strengthened between 2014 and 2018. While this declined in 2021, the change may not be statistically significant.

Figure 4: Identity reporting it was easy/very easy to be themselves.



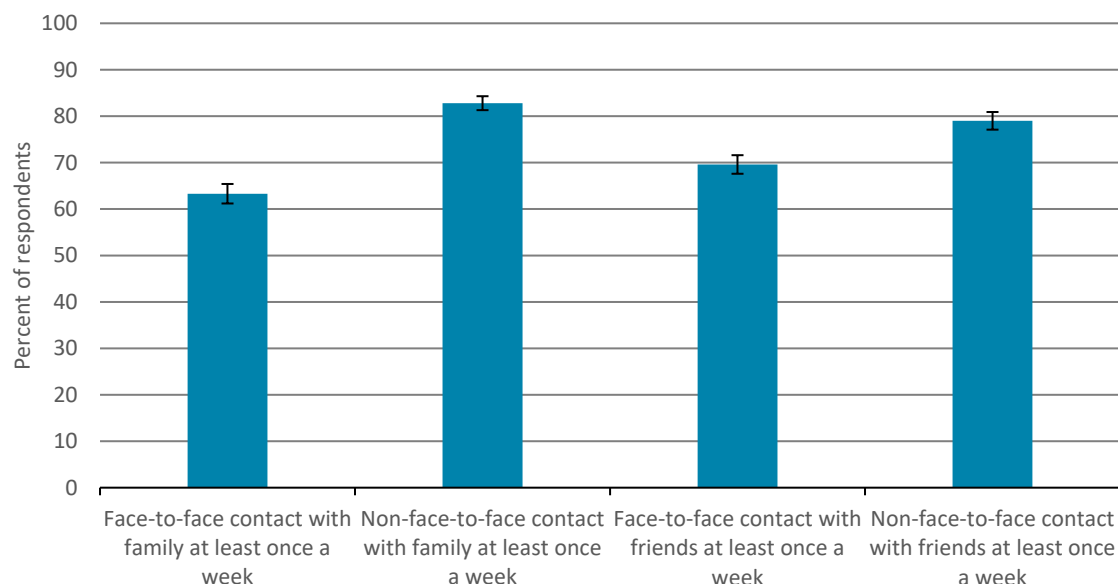
Source: Stats NZ General Social Survey

While identity may be linked to a small group, a community, or a nation, it appears most New Zealanders strongly associated themselves with national values. In the same survey, 88 percent of New Zealanders reported a strong sense of belonging to New Zealand, suggesting identity may be associated with national values.

Regular contact with family and friends

A strong sense of identity appears to be supported by healthy levels of social connection for the majority of New Zealanders. Figure 5 shows that over 60 percent of New Zealanders are having regular weekly face-to-face contact with their friends. 70 percent of people met friends once a week. And around 80 percent of New Zealanders had non-face-to-face contact with family and friends each week.

Figure 5: Contact with family and friends



Source: Stats NZ General Social Survey 2021

While the majority of New Zealanders are socially connected, the figures, nonetheless, highlight that around 20 percent of New Zealanders do not have contact with friends or family once a week. Weekly face-to-face contact with family was higher for Pacific peoples and Māori (around 73 vs percent vs. a national average of 63 percent). Females reported significantly more contact with family (10 percent points higher), but very similar contact with friends compared with males.

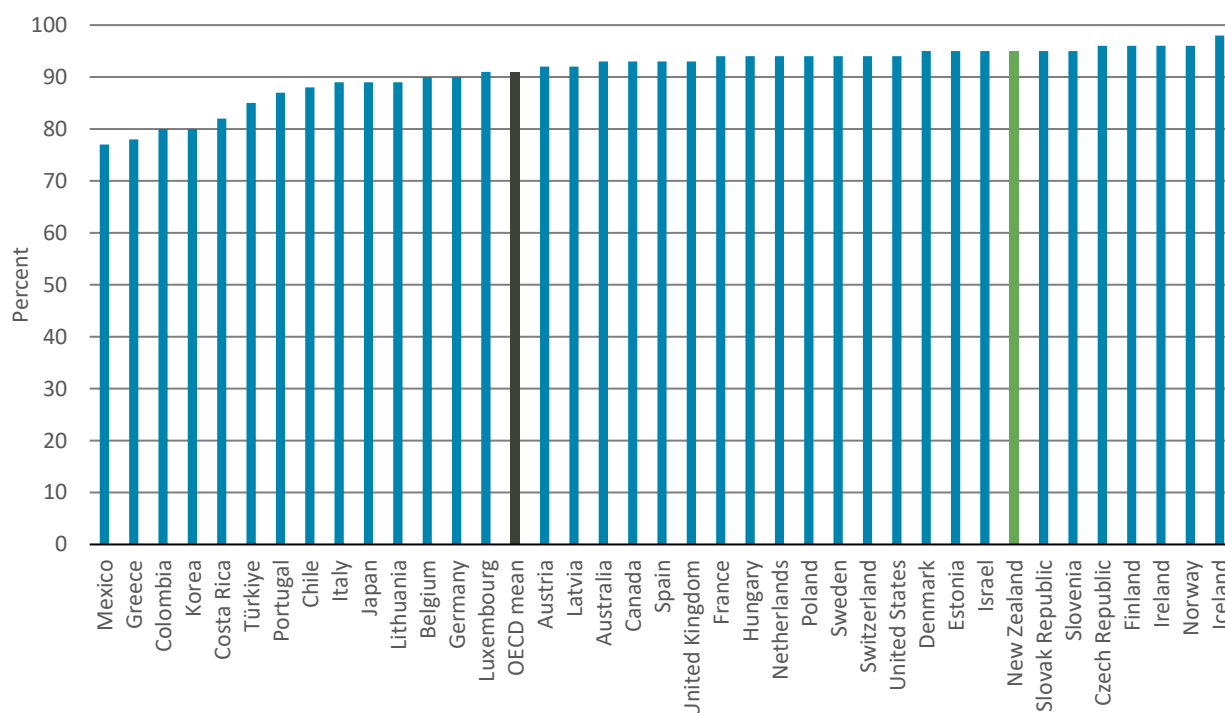
Some sexual minorities, such as LGBT+⁵, report significantly less contact with family, although these findings were not statistically significant on account of small sample size. Direct contact with family was understandably lower for recent migrants (47 percent vs 63 percent nationally). However, contact with friends may be higher (87 percent vs. 83 percent), although again the small sample size means this result may not be statistically significant.

⁵ LGBT+ is the statistical categorisation within the 2021 Stats NZ Wellbeing statistics.

Social connection appears strong compared to OECD countries

Figure 6 shows that New Zealand social connection statistics also appear strong by international standards. The OECD publishes a measure of community engagement as part of its Better Life Index. The OECD tested whether the person had a support network based the question “if you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not?”

Figure 6: Adults who report they have friends or relatives they can count on in times of trouble



Source: OECD Better Life Index⁶

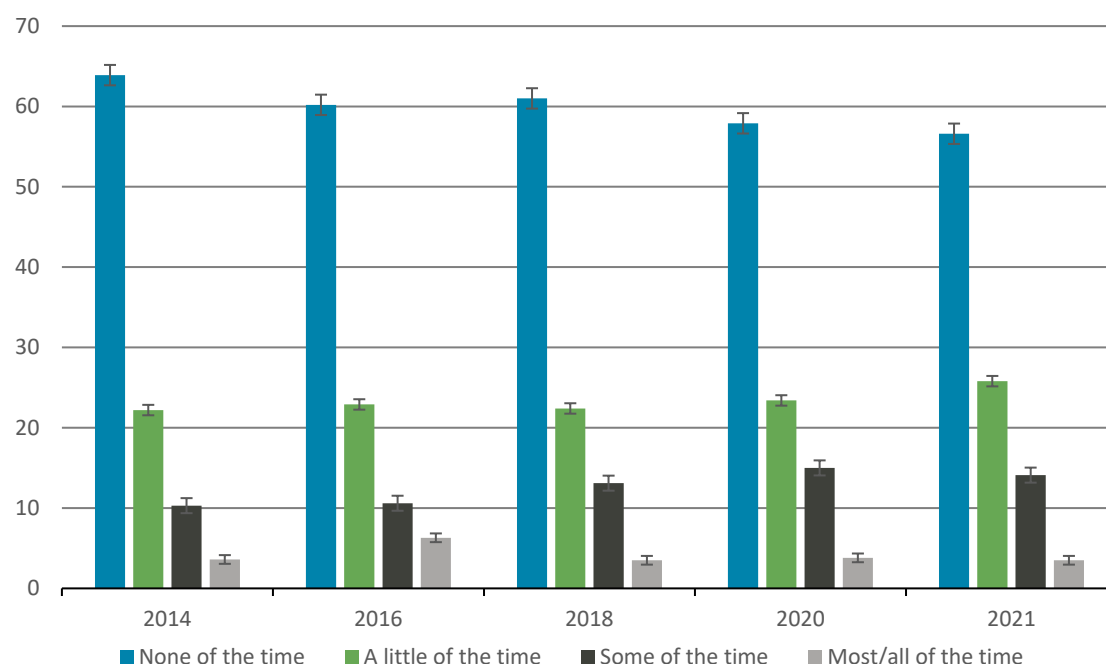
95 percent of New Zealanders felt they had access to a support network, which suggests that New Zealand was ranked 6th equal out of the OECD. But there was not much variation in the responses and New Zealand’s score of 95 only lagged three points behind Iceland’s score of 98. The New Zealand score of 95 exceeded the OECD average of 91.

The majority of New Zealanders indicate that they do not feel lonely

As a result of regular social connection, most New Zealanders do not report feeling lonely. Figure 7 shows that over 60 percent of people reported never feeling lonely. However, responses for feeling lonely none of the time have trended slightly down over time. Similarly, responses discussing feeling lonely some of the time have trended up from 10 percent to around 15 percent. While the 2021 response may have been influenced by COVID related lockdowns, the trend has existed for some time.

⁶ All 2020 except for Luxembourg (2019).

Figure 7: Percent of New Zealand adults by reporting how lonely they felt in the last four weeks



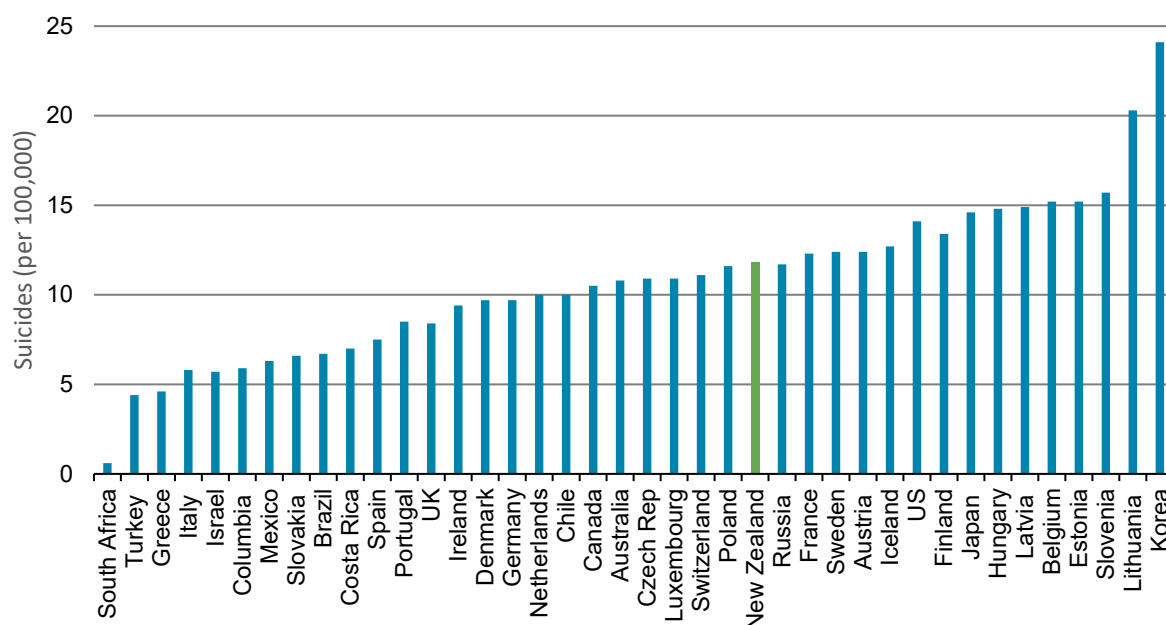
Source: Stats NZ General Social Survey

There is a well-established link between loneliness and other aspects of wellbeing including health outcomes (Helliwell & Putnam, 2004). Social isolation or lack of social connection can impact on the risk of depression, anxiety, cardiovascular disease, and stroke. The impacts are not immaterial. For example, a report by the National Academies of Sciences, Engineering, and Medicine (2020) suggested that social factors contributed to a 32 percent increase in the risk of a stroke and 50 percent increase in the risk of dementia.

Studies also make a link between social connection, loneliness, and aggressive behaviours. For example, lonely males are more likely to express hostility to women and may manifest greater aggressive tendencies (Check et al. 1985; McGraw 1996). This link and the implication for cohesion is discussed further in later sections of this report.

The Ministry of Health has identified good family relationships, a secure cultural identity, community support and connectedness, and access to support as protective factors against suicides (Parliamentary Service 2022). Figure 8 suggests that suicide rates are relatively high in New Zealand at about 11.6 per 100,000 people. However, the rate was much higher for Māori (19.9) and males (17.9). UNICEF (2020) noted that New Zealand's youth suicide rate was 14.9 deaths per 100,000, which was twice the OCED average and the second worst in the developed world.

Figure 8: Suicides (rate per 100,000 people)



Source: OECD Health Statistics and Parliament Library New Zealand⁷

9.2 Connection, institutions, and engagement

Social connection contributes to higher trust (Glanville et al. 2013), which may support cohesion. The previous section discussed identity and close personal connections (bonding social capital). This section looks more widely at community engagement, connection, and institutions. This form of connection sits more closely alongside bridging social capital, as used in the LSF.

While the LSF differentiates between social cohesion and institutional environment; memberships, community activity, and engagement with politics or public processes matter for social cohesion because they signal a willingness to interact with or invest beyond one's immediate peer group. Similarly, connections with people different to ourselves often occurs within or in conjunction with an institution. For example, New Zealanders may experience and interact with people with different ethnicities, beliefs, or values within or relation to workplaces, clubs, or associations.

As a result, in considering social or community engagement, this section also discusses trust in public institutions and political engagement. Engagement can provide information as to how connected into (or interested) New Zealanders are in contributing to or having a say in the management of the community or country.

⁷ New Zealand data is from 2020 with most recent country data from OECD ranging from 2017-2020.

Connection varies across New Zealand

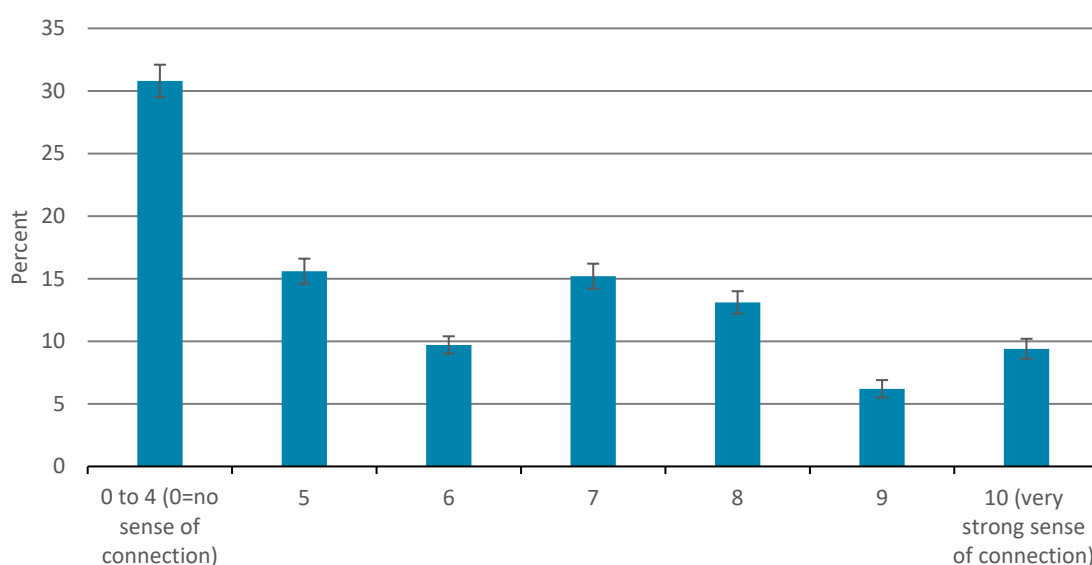
The majority of New Zealanders appear to be well connected to their neighbourhood, but there may still be a significant number of New Zealanders who are either socially disconnected or who feel little or no connection to their neighbours.

Stats NZ's 2018 neighbourhood and environmental statistics suggest that the median value for sense of connection to people in their neighbourhood was 5.6 out of 10. Figure 9 illustrates that around 50 percent of New Zealanders report that they feel connected (score over 6/10), but only around 15 percent reporting very strong levels of connection (over 9/10).

At the other end of the scale, nearly 31 percent of New Zealanders reported feeling little or no sense of connection to their neighbourhood. Reports of limited connection to the neighbourhood was higher for young people, unemployed, renters, and those without family.

There was not enough detail in the statistics to consider whether sense of connection and reported loneliness statistics (refer Figure 7) are linked.

Figure 9: Sense of connection to people in neighbourhood



Source: Stats NZ Neighbourhood and Environment Survey 2018

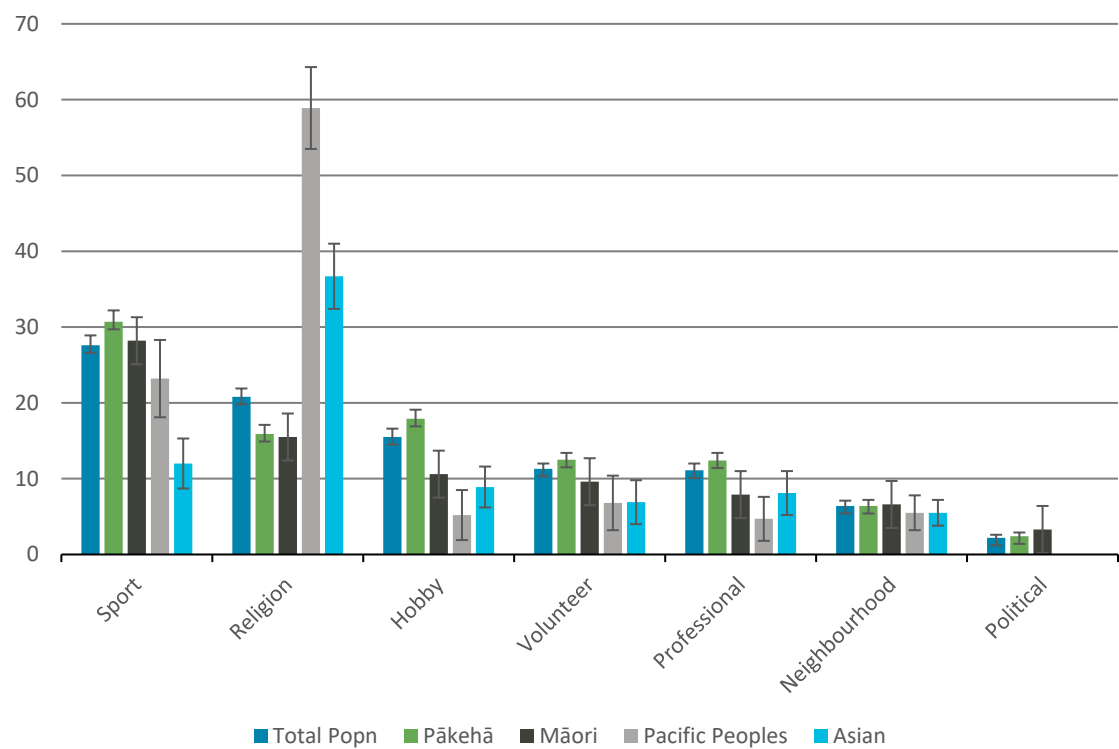
Membership of clubs and associations is strong

Membership of clubs and associations appears to be strong. While the data in Figure 10 is now dated, the majority (64 percent) of New Zealanders reported being a member of a group, club, or organisation in the 2014 General Social Survey. Of this group, 6 percent belonged to four or more clubs, organisations, or groups.

Analysis produced by Stats NZ suggests that sport and religious organisations are the most important forms of membership for most New Zealanders. However, the Pacific People's Wellbeing Report (2022) discusses the specific importance of community to Pacific peoples (refer Figure 10) and the role that churches play providing a focal point for that community. Participation in religion also appears significant to Asian peoples.

The Wellbeing of Māori paper (2022) released alongside the Wellbeing Report notes that Marae are key cultural institutions that function as binding points for Māori people and communities. In 2018, 65 percent of Māori said they felt strongly attached with their Marae.

Figure 10: New Zealand participation in clubs



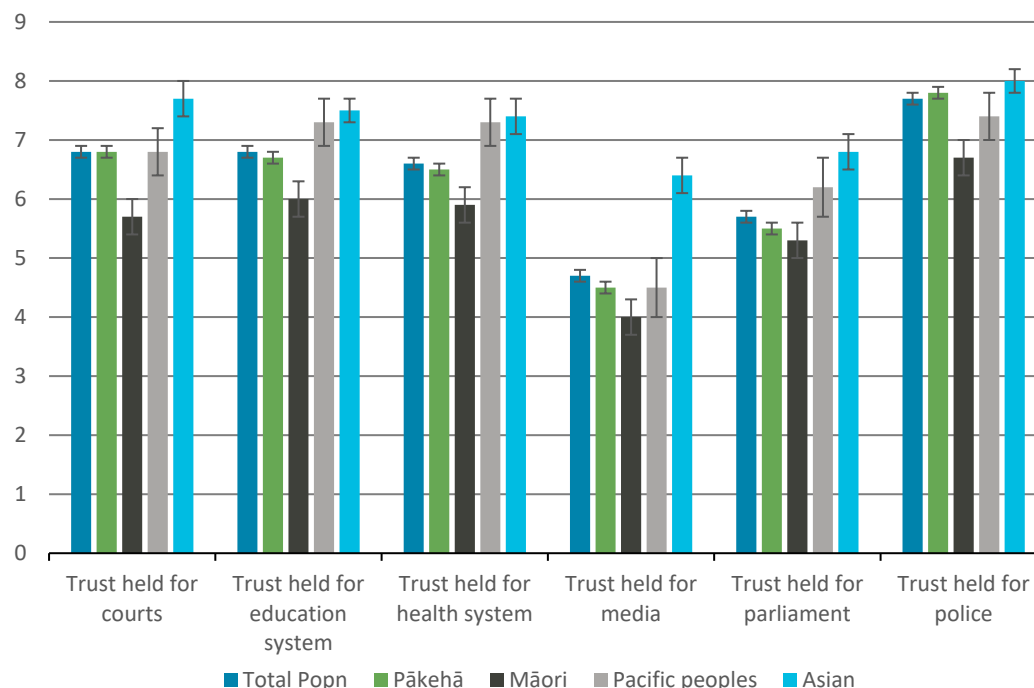
Source: Stats NZ General Social Survey 2014

Most New Zealanders display strong trust in public institutions

New Zealand wellbeing statistics (Figure 11) also suggest New Zealanders have a high level of trust in formal public institutions. However, differences between different ethnic groups exist (refer discussion in the next section). Trust in institutions is one metric indicating a comfort transacting beyond immediate family or friends. Trust in public institutions (eg, the Police) is also important as these institutions enforce the rules and policies that promote the functioning of society.

The United Nations (2021) notes that the trust and legitimacy of institutions is integral to the functioning of society as social cohesion relies on legitimacy, which is crucial for building peaceful and inclusive societies. Trust also assists with the delivery of policy, policy effectiveness and outcomes. Subsequent sections discuss the findings of the UN and World Happiness Report (Helliwell *et al.* 2022), for example, which find a link between trust in Government and lower COVID-19 mortality rates.

Figure 11: Public trust in New Zealand institutions



Source: Stats NZ wellbeing Statistics 2021

Groups of people with less trust in institutions

The OECD (2022) found that disadvantaged groups with less access to opportunity tend to have lower levels of trust in Government. Younger women, people with lower incomes, or less education also tend to report lower levels of trust in Government.

Analysis of sub-groups is limited by small sample size and the insufficient categorisation of the data collected. As a result, there are significant groups in New Zealand about which little may be known. With respect to the data collected in the General Social Survey (refer Figure 11) Māori had noticeably lower levels of trust with respect to most institutions.

A discussion of drivers lies beyond the scope of this paper. However, it is worth noting that while ethnic differences exist, differences in trust may be better explained by other exogenous population characteristics that may sit across other levels of the LSF. The following sections of this report, for example, discuss discrimination and crime statistics. The Ministry of Justice note that while Māori are more likely to be victims of crime, but the difference is not statistically significant once other population characteristics, such as relative youth or relative economic deprivation are taken into account.

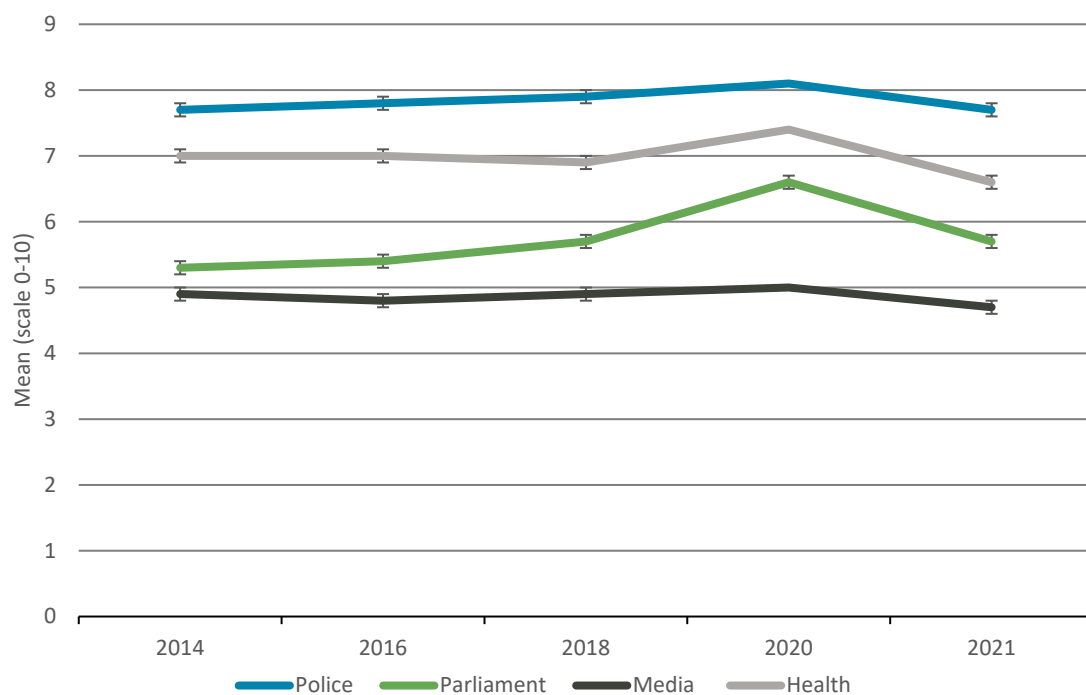
Care also needs to be taken in considering causality, which can be bi-directional. The New Zealand Health and Disability Review, for example, identified differences in health outcomes for Māori. Poor health outcomes may explain lower trust in the health system. But, conversely, lower trust may also contribute to reduced policy outcomes if reduced use of medical services such as screening occurs.

Trust in institutions responds to current events

Governments that respond to the needs and preferences of their population will engender trust. But trust can be volatile as it is affected by recent events. For example, the OECD (2021) research suggest metrics of trust tended to improve in OECD countries during the first wave of COVID, but there was a general decline in trust in 18 of the 22 OECD countries during the second part of 2022. There is a tendency to “rally around the flag,” as people tend to swing in behind leaders and institutions during short-term shocks and tend to temporarily pay less attention to other policy issues (OECD, 2021).

Trust in the New Zealand Parliament, health, and the media peaked in 2020. The timing of the General Social Survey for 2020, which was collected after 7 May, suggests the peak in trust coincided with the success of the 25 March 2020 lockdown in temporarily eliminating COVID-19. By 2021, reported levels of trust in institutions had eroded below their 2018 levels, most notably with respect to trust in the health system. Trust in Parliament had also declined below its peak.

Figure 12: Mean trust in institutions

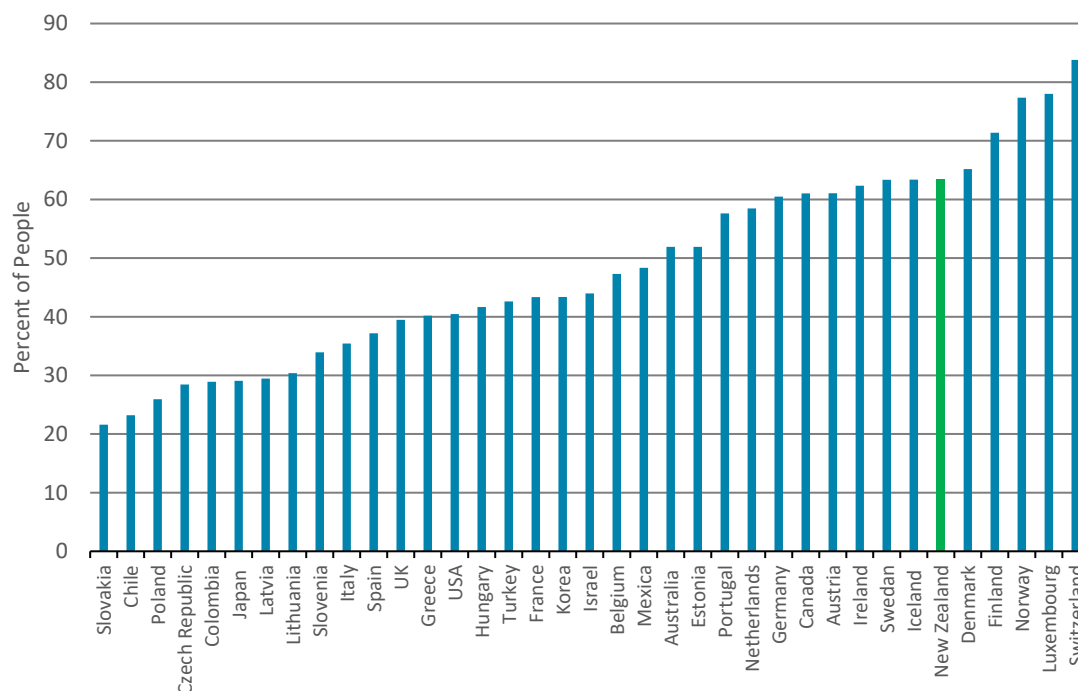


Source: Stats NZ wellbeing statistics

Trust in institutions is high by international standards

Putting aside differences between parts of the New Zealand community, the general levels of trust held by New Zealanders in institutions tends to compare favourably to comparator OECD countries. Figure 13 provides OECD data showing the percent of people who answered yes to the question “do you have confidence in national government?”

Figure 13: Trust in National Government, 2021

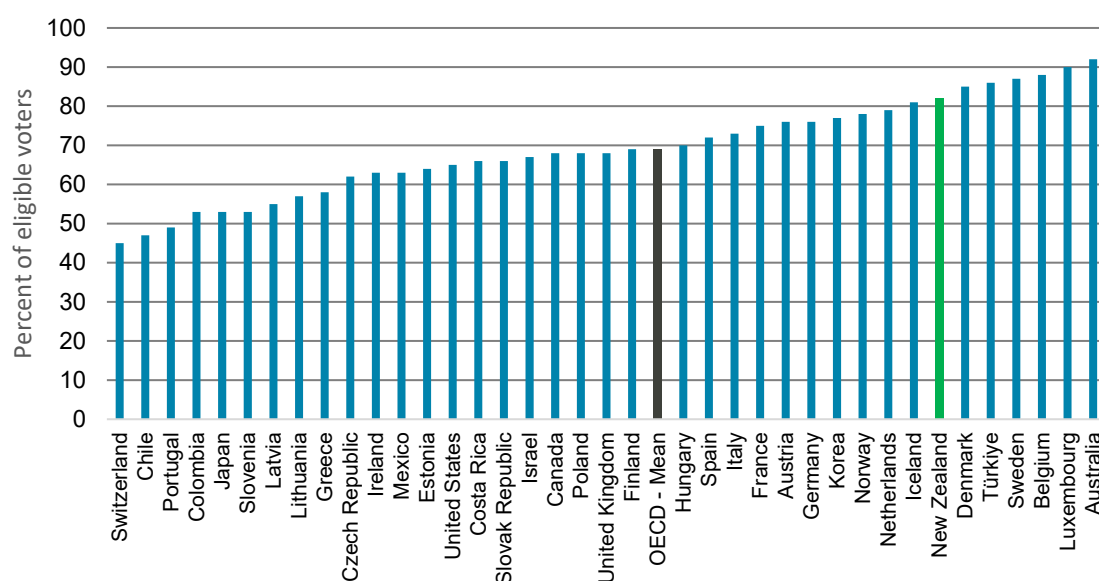


Source: OECD Trust in Government statistics 2021

Trust supports engagement and cohesion

Voting turnout is a commonly available statistic that is used as an indicator for political engagement. New Zealand's voter turnout for the 2020 election (82 percent), which was higher than the OECD average of 69 percent, was ranked 7th in the OECD. Of the countries with higher voter turnout than New Zealand, most countries, with the exception of Denmark and Sweden, had compulsory voting suggesting a direct comparison cannot be made.

Figure 14: Voting turnout in OECD countries



Source: OECD Better Life Statistics⁸

⁸ 2021 or latest election data.

In terms of the trend, turnout for local and national elections appears to have trended downwards through the 1980s and 1990s, but this trend has reversed for Parliamentary elections since 2011 and has climbed in recent years (Parliamentary Service, 2021). Voting turnout in local elections stabilised around the same time and has plateaued at around 43 percent (LGNZ, 2019).

The voting turnout on the Māori electoral roll was materially lower at 69 percent compared to 82 percent on the general roll (Parliamentary Service, 2021). As with other statistics, these results, may be driven by exogenous factors including the age or education level of the population, or factors such as strength or weakness of the incumbent for these seats.

9.3 Attitudinal survey responses: cohesive attitudes

Survey responses testing social attitudes are regularly used to test the strength or weakness of social capital or cohesion. Attitudinal responses, most notably trust in others, provide a close proxy for social capital and also represent a determinant of social cohesion. Individuals with a high level of trust tend to be more willing to cooperate and interact with people different than themselves.

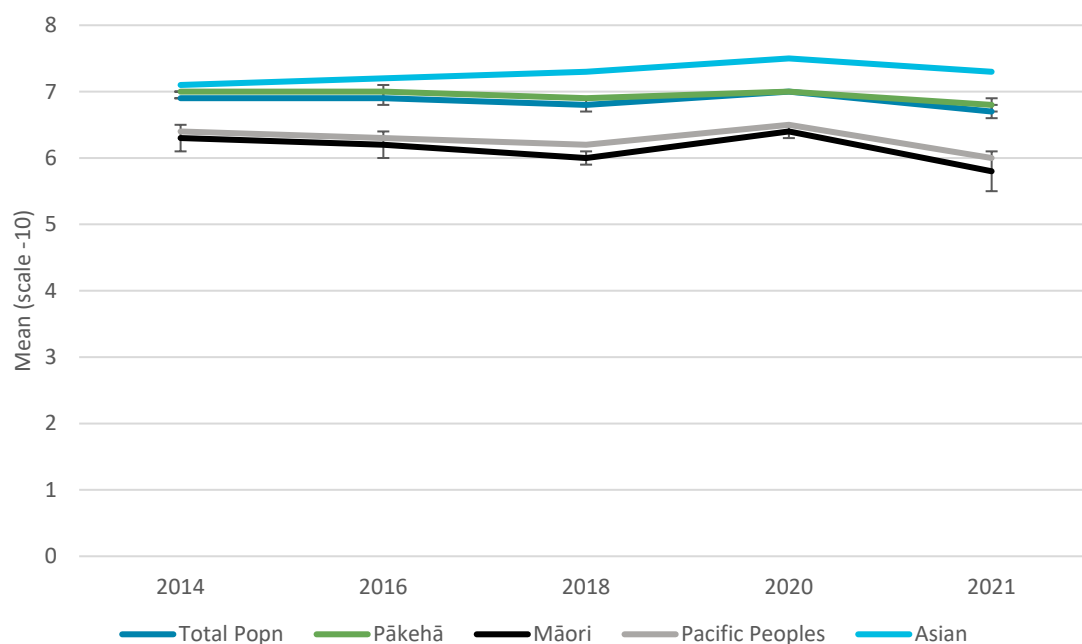
Trust is regularly used as a proxy for social cohesion

To test the importance of trust, the World Happiness Report (Helliwell *et al.* 2021) asked respondents as to whether they had trust that a lost wallet would be returned. Their study found that to feel that a stranger would return your wallet if lost was estimated to be more important for happiness than income, unemployment, or major health risks. The effect was stronger if the person felt a neighbour or stranger would return the lost wallet, compared to a belief that a police officer would return the wallet.

The WHR also found that trust explained some of the differences in COVID-19 death rates. While factors such as age or whether a country was an island explained a significant amount of the difference in COVID related deaths, measures of trust still had significant explanatory power. The WHR 2021 suggests that a third of the difference in death rates between Singapore and Brazil may be explained by differences in trust.

Stats NZ publishes a survey measure of trust within the community. The Stats NZ survey responses for generalised trust were just under 7 (on a 10-point scale) suggesting relatively high levels of trust, but these values have trended slightly downwards.

Figure 15: Mean generalised trust for people in New Zealand



Source: Stats NZ General Social Survey and Wellbeing Statistics⁹

A downward trend in different metrics of trust is consistent with overseas trends. The UN (2021) indicates a similar downward trend exists in many developed economies, most notably since 2000. Putnam (2001) also reports a 40-year decline in trust in the US, which he partly attributes to a move towards a more individualistic society as evidenced by declining participation in organised events, clubs, or memberships. The UN (2021) provides a different explanation by suggesting this could signal a generational shift.

Different ethnic groups report different levels of generalised trust

Similar to the institutional trust figures, generalised trust in other New Zealanders differs by ethnicity. Trust in other people reported by Māori and Pacific peoples is substantially lower. These results appear consistent with the Ministry of Justice statistics that suggest that Māori are more likely to be victims of crime for a range of economic and social reasons. Repeated breaches of trust may impact on or reduce reported levels of trust in other people over time.

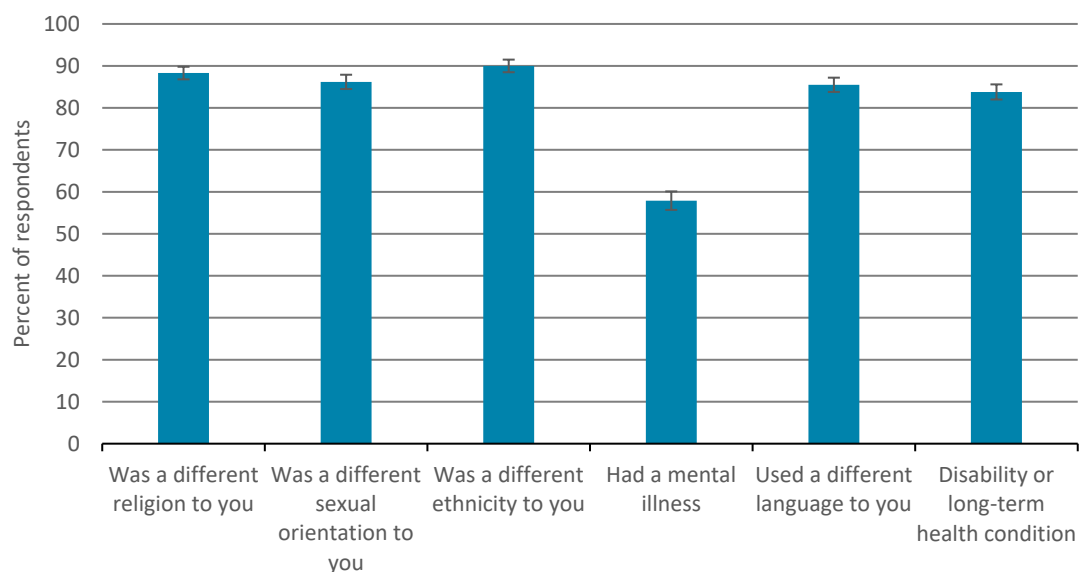
Comfort with diversity

The majority of New Zealanders consider themselves accepting of diversity, but discrimination statistics in the next section suggest a difference may exist between theory and practice.

The 2021 General Social Survey suggests around 90 percent of New Zealanders reported comfort with a neighbour that had a different religion, ethnicity, or sexual preference (refer Figure 16). However, scores were lower for lower-income earners, and older generations tended to have a much higher level of discomfort with neighbours who may have mental illness.

⁹ Error bars are only shown for the overall population and Māori for readability.

Figure 16: Comfort with a new neighbour who is different



Source: Stats NZ Wellbeing Statistics 2021

9.4 Socially cohesive behaviours

The social attitudes discussed in the sections above may give rise to pro- or anti-social behaviours. Simplistically, a deterioration in crime or behavioural statistics may suggest an erosion of social cohesion within New Zealand. Crime, opportunistic behaviour, and discrimination erode trust in others making cooperation less likely.

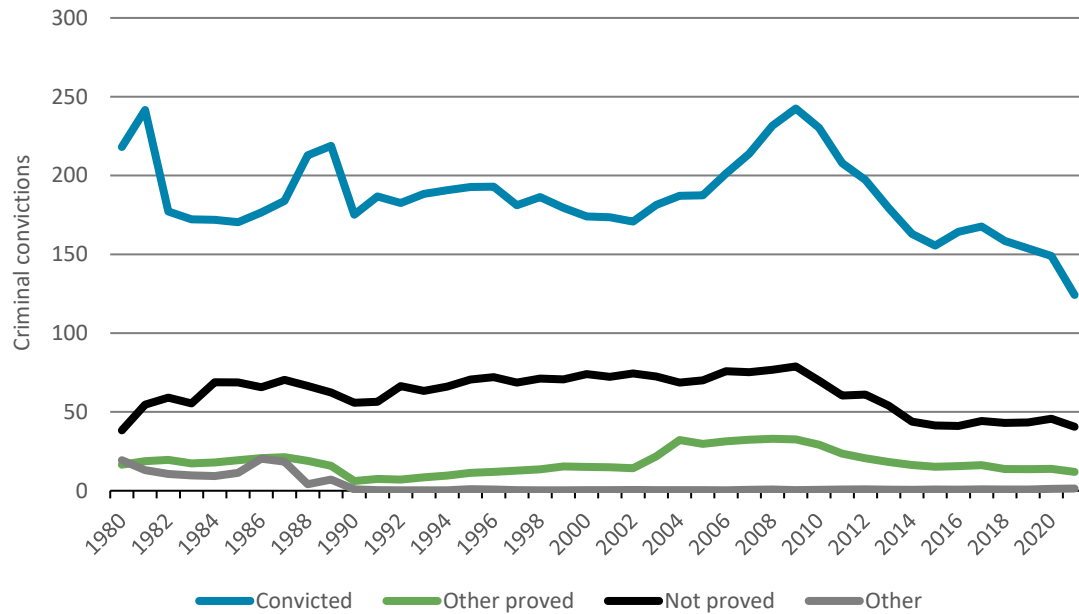
The concentration and distribution of crime is relevant from a general wellbeing perspective, but there may be self-perpetuating dynamics around crime, future trust, the health of both community and future social cohesion. National averages may, for example, materially understate the levels of crime in parts of the country. While many New Zealanders feel safe, vulnerable populations and minorities may have quite different life experiences and perceptions of safety.

Social isolation also tends to be heightened in areas with higher crime (Tung et al. 2019) as people may become less inclined to go out, and loneliness and lack of social connection may result. Studies from the US (Tung et al. 2019) note that social isolation is a key predictor of mortality in the US. However, the McGraw (1996) also found that social isolation and loneliness can be linked to mental health, further crime, and addiction.

Crime and justice

The Ministry of Justice statistics report that convictions have been trending downwards from a peak of a total 354,331 convictions in 2009 to 178,160 convictions in 2021 (refer Figure 17). Similarly, the number of successful convictions declined from 242,510 to 124,237 in 2021.

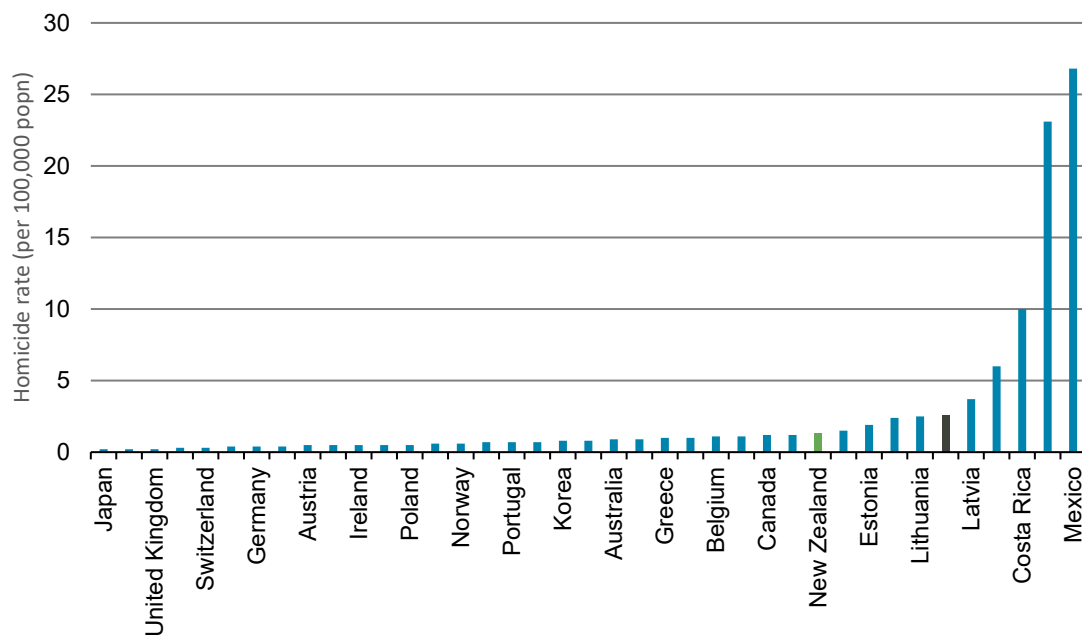
Figure 17: Criminal convictions by charge outcome (000's), 1980-2021



Source: Ministry of Justice data tables

However, as only about 25 percent of crime is reported to police (Ministry of Justice, 2022), convictions may not represent actual crime. Differences in reporting and Police procedure complicate internationally comparisons and the interpretability of crime statistics. For this reason, entities such as the OECD report intentional homicides. While homicides are rare, the definition is less ambiguous and reporting more likely. While numbers go up and down, New Zealand is around fluctuating around the OECD median (Treasury 2022). Figure 18 provides OECD data showing that around 1-2 homicides occur per 100,000 people in New Zealand.

Figure 18: Homicide rate in OECD countries

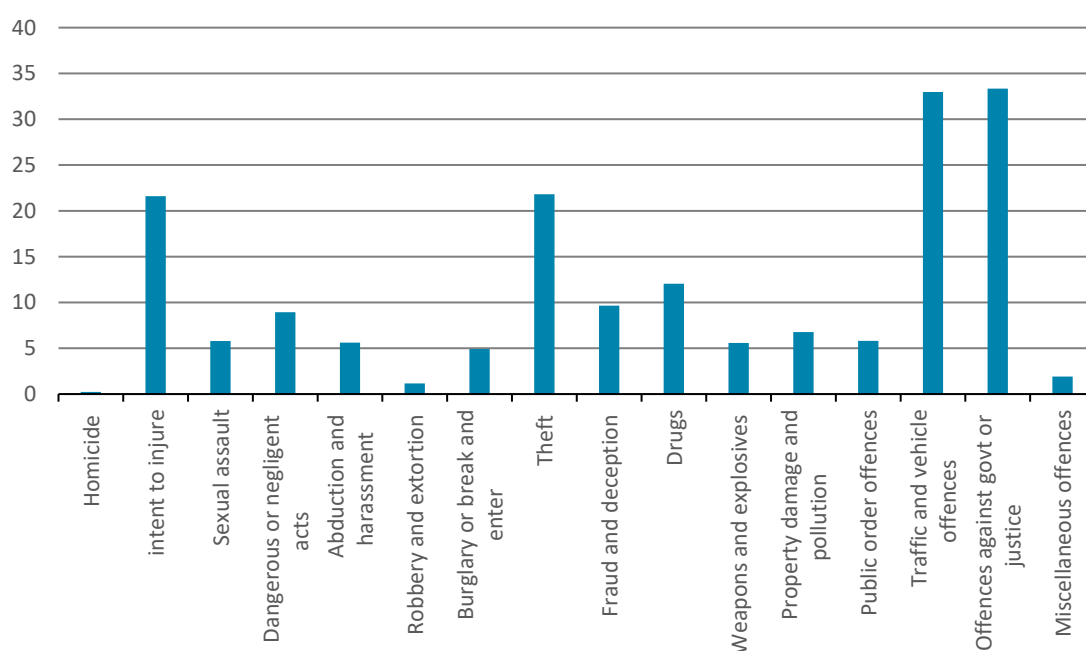


Source: OECD Better Life Index¹⁰

¹⁰ Latest available year reported by the OECD: 2019 for Austria, Brazil, Costa Rica, the Czech Republic, Estonia, Germany, Korea, the Russian Federation, Slovenia, Turkey, 2017-19 for Hungary and

However, Figure 19 shows that homicides represent a small share of crime. Relatively minor offences, which are less likely to be reported, continue to make up the majority of crimes and may be as important for cohesion. Acts intended to cause injury, theft, and offences against justice procedures, government or security increased by 2 percent. This was partly offset by a decline in public order offences (6 percent), and fraud (2 percent). Persistent exposure to minor crimes, such as petty theft, may still impact on trust and community engagement.

Figure 19: Number of charges (000's) (2021)



Source: Ministry of Justice data tables

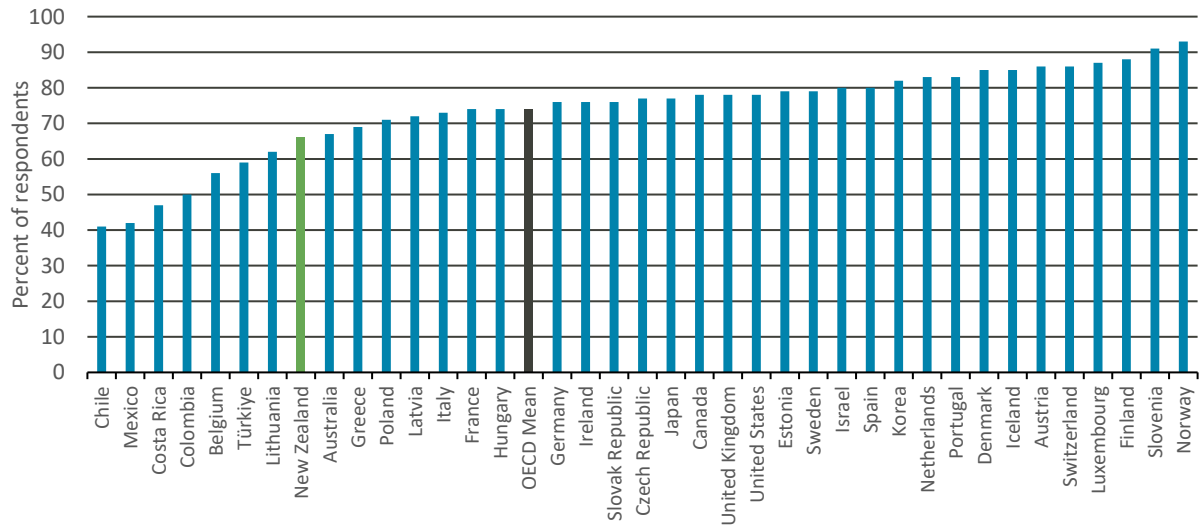
Perceived Safety

The Institute for Economics and Peace (IEP) suggests that New Zealand is the second most peaceful country in the World. The IEP index produce a global peace index that looks at international and domestic conflict, including crime, demonstrations, terrorist acts and political stability.

However, while New Zealand's overall homicide rate of 1.3 per 100,000 people is lower than the OECD average of 2.6, Figure 20 suggests that New Zealanders feel less safe compared to most other OECD countries (OECD 2022). New Zealand ranked 32nd in the OECD with a survey score of 62, which was well below the OECD average of 74.

Lithuania, 2017 for Canada, Colombia, Italy, Mexico, Spain, Switzerland and the United States, 2016 for Belgium, France, New Zealand, Norway and the United Kingdom, 2015 for Ireland and South Africa, 2014 for the Slovak Republic and 2018 for all the other countries.

Figure 20: Feeling of safety walking on the street at night



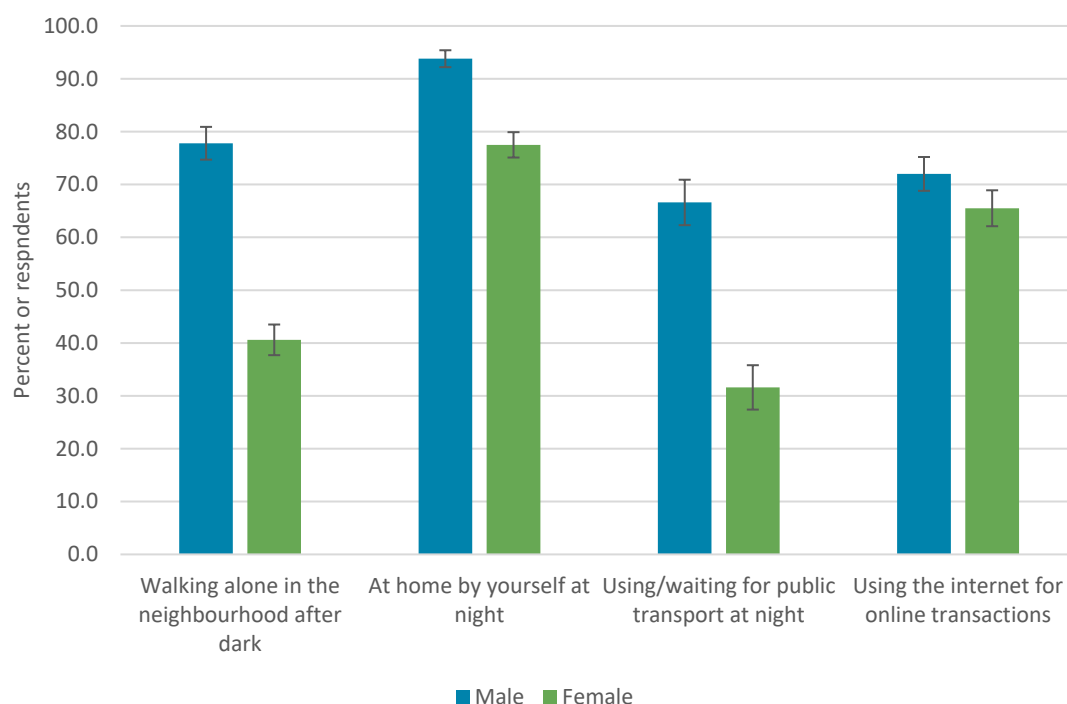
Source: OECD Better Life Index¹¹

The difference in the percent of people who feel safe walking the streets at night may be explained by the impact or prevalence of second tier crimes. The Ministry of Justice Crime Victimization Survey (2022) suggests that around 29% of adults will have been victimised in the last 12 months and 38 percent of these adults were victimised more than once (Ministry of Justice 2022). The most common offences were harassment, threatening behaviour, burglary, and deception.

As a result, while convictions and charges are trending downwards, only 60 percent of New Zealanders felt safe walking in their neighbourhood at night (refer Figure 20). These statistics also mask significant differences between genders. While 80 percent of men reported comfort with walking alone after dark, only 40 percent of females indicated comfort in similar circumstances Ministry of Justice figures suggest that while only 12 percent of males experience sexual assault, 35 percent of females experience this during their lifetime.

¹¹ All data 2020, except for Luxembourg (2019).

Figure 21: Percent of respondents feeling safe in different circumstances



Source: Stats NZ General Social Survey 2021

The experiences of the majority may also understate the experiences of Māori and minority populations. Crime is highly concentrated with just 2 percent of New Zealand adults experiencing nearly 40 percent of all victimisations (Ministry of Justice, 2022). Young adults (aged 15–29), Māori, disabled adults, adults with diverse sexualities, adults living in a one-parent-with-child(ren) household and some other population categories were significantly more likely to be victimised.

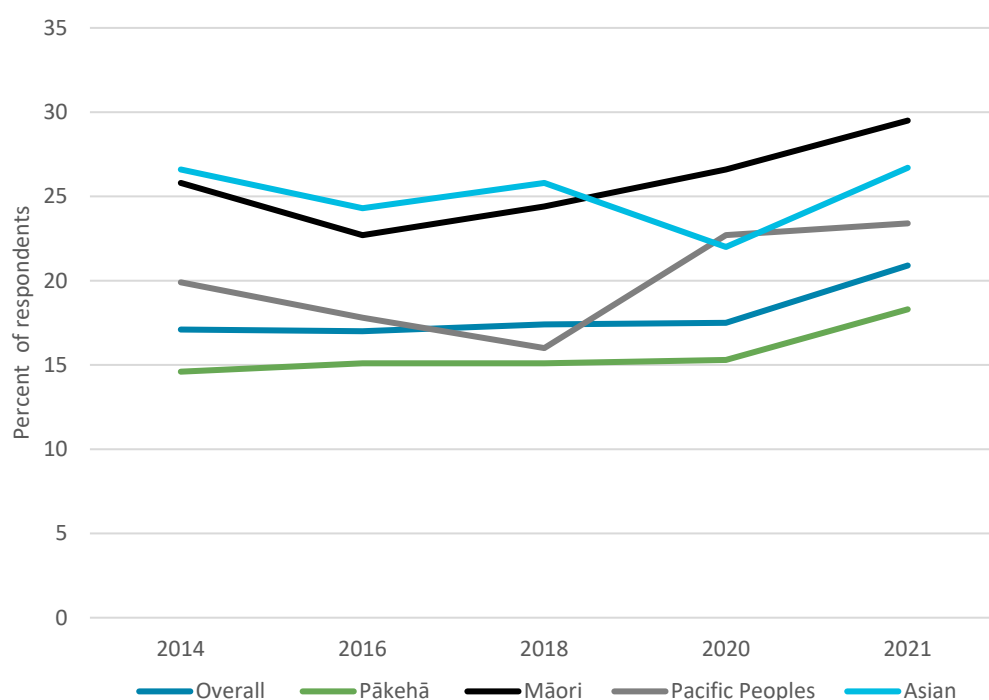
Discrimination

New Zealand may also face challenges with respect to discrimination as experienced by Māori, minorities, or vulnerable populations. While discrimination may not always meet the threshold for being a criminal act, non-inclusive practices and micro discrimination can still have significant implications for social cohesion and real or perceived opportunity.

While Figure 16 suggests that most New Zealanders consider themselves to be tolerant of diversity, reports of discrimination in New Zealand appear to contradict this. For example, analysis published by the Ministry of Social Development suggests that a substantial number of New Zealanders may be marginalised (Ministry of Social Development 2020) and the Royal Commission of Inquiry into the Terrorist Attack on Christchurch Mosques reported discrimination and profiling of Muslim communities.

The Stats NZ General Social Survey noted that around 20 percent of the total population report that they have experienced discrimination of some form over the last 12 months. This number was nearly 30 percent for NZ Māori.

Figure 22: Experience of discrimination in the last twelve months



Source: Stats NZ General Social Survey

While national rates of self-reported discrimination were relatively constant between 2014 and 2021, the makeup of those reporting discrimination changed. Reported discrimination for Asians has been volatile, but discrimination for Māori appears to have steadily increased.

The actual extent of change is unclear as the survey sampling errors (standard errors) are quite wide for smaller sub-groups on account of small sample size. The sampling errors for NZ Europeans (around 1 percent) are much narrower than those for Māori (3-4 percent), Pacific peoples (4-5 percent), or Asian (3-4 percent). Notwithstanding this, there has been a consistent trend towards increased perceived discrimination since 2016.

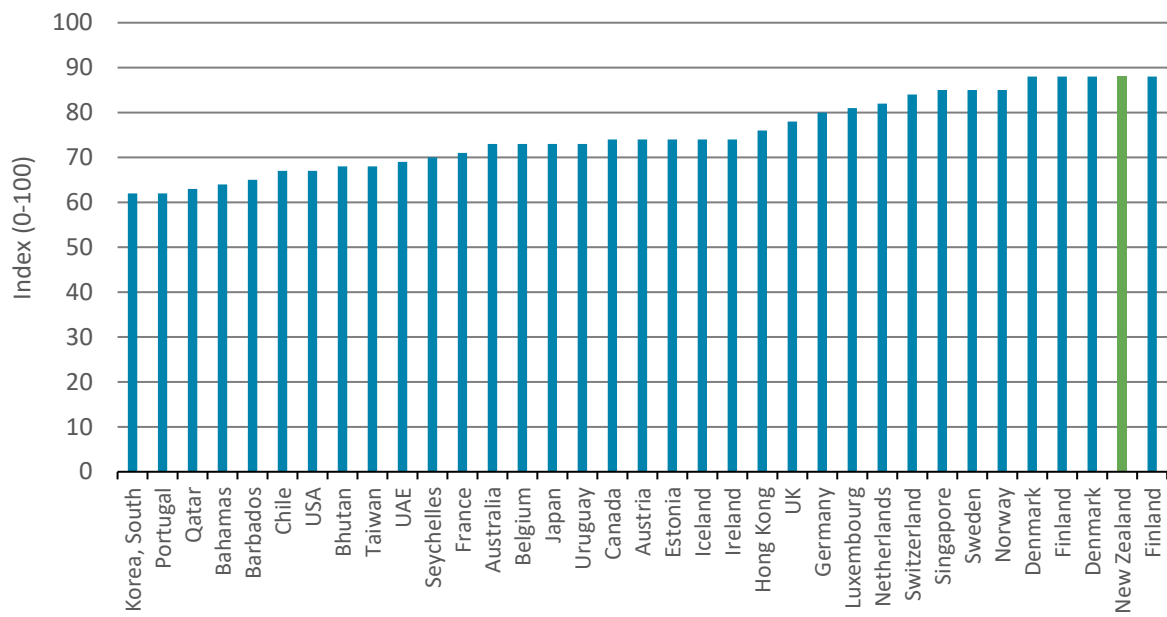
Corruption, rule of law, and governance

Corruption can give rise to significant direct economic costs and may also impact growth indirectly via a reduction in trust. There is a growing literature linking social capital and corruption (Bjornskov 2013).

New Zealand benefits from high levels of transparency on account of legislation including the Official Information Act 1982, Public Finance Act 1989, Audit Act 2001, and Public Service Act 2020. The Rule of Law Index and Corruption Perception Index (refer Figure 23) suggest New Zealand's corruption is low, and rule of law is considered to be strong:

- New Zealand ranked 7th best on the World Justice Project's 2021 rule of law index.
- The Corruption Perception Index is published by Transparency international the 2021 figures put Denmark, Finland, and New Zealand as the top-ranking countries (refer Figure 23: a high score represents less corruption).

Figure 23: Corruption Perception Index, 2021¹²



Source: Transparency International

¹² Scale from 0 (highly corrupt) to 100 (less corrupt).

10. Risks to social cohesion

The variations in the level of trust and social cohesion discussed above suggest that the durability of overall high levels of trust and social cohesion shouldn't be taken for granted. Recently, media attention has focused on the rise of harmful misinformation on social media in many countries, including Aotearoa New Zealand. In the United States, this has coincided with sharp falls in trust and confidence in authority figures and institutions such as elected officials, medical scientists, police and military and journalists.

Recent high-profile events involving violence in New Zealand have triggered public debate around risks to future social cohesion. The March 2019 Mosque terrorist attacks in Christchurch or the Parliament occupation starting in February 2022 have, for example, triggered public concern that New Zealand is less cohesive than originally thought.

More recent violent events have arisen, but questions exist as to whether either of these events was particularly representative. The findings of the Royal Commission of Inquiry into the terrorist attack on Christchurch Masjidain (2020), for example, concluded that the Christchurch terrorist acted alone. Notwithstanding this, the Inquiry did discuss general risk factors relevant to future social cohesion including discrimination or the targeting of minority populations.

The impact of misinformation on social cohesion is the subject of discussion and research. For example, recent New Zealand research suggests that vaccines (notably their use for children) and lockdowns were used as a vehicle for increasing interest in or consumption of fringe media/posts and/or disinformation (Hannah et al. 2021 & 2022). Social media posts following the August 2021 return to Alert Level 4 and Parliament occupation included posts expressing far-right, extremist political, discriminatory, or conspiratorial views. The volume and velocity of these posts has grown, and research suggests that consumption of this material may have increased.

There is a risk that future social cohesion may be negatively affected by prolonged exposure to extreme discourse without relevant context. The ability for different groups to work together (bridging social capital) is influenced by views or values relating to diversity, inclusion, and equity. While a full examination of the potential materiality and drivers of these risks lies beyond the scope of this paper, the increasing prevalence and accessibility of misinformation represents a relatively novel threat to social cohesion that warrants monitoring.

Annex One: Measurement and Analysis

Under Section 26NB(2) of the Public Finance Act 1989, the Treasury must prepare a report that describes the state of wellbeing in New Zealand, how that wellbeing has changed over time, and any future risks.

Work assessing the state of social cohesion in New Zealand is at an exploratory stage and further work may be required to develop analytical frameworks over time.

This technical annex briefly summarises some of the measurement challenges and approaches to analysis identified within the literature (for example World Bank, 2021).

Measurement challenges

This section describes the key challenges associated with valuing social capital or social cohesion (refer discussion World Bank, 2021).

Conceptual difficulties

Conceptual differences exist as to how social capital is defined. Most authors define social capital as the wealth or asset associated with norms, rules, and values. However, social cohesion is not consumed with regular use in the same way as may occur with a factor input. Dasgupta (2009) argues that social capital may work less like an asset and more as a complementary or enabling factor. Strong social cohesion may operate alongside Total Factor Productivity to scale up the frontier of what can be accomplished with a given amount of inputs.

Other authors describe social cohesion or capital as a consumer good that people derive personal satisfaction from. (Hamilton et al 2016). Bourdieu, for example, views a social network as a personal asset that a person may derive economic or social benefit from (Siisiäinen, 2000).

As a result, in economic terms, social cohesion may be both a factor in the economy's production function, but also is a factor in people's individual utility functions.

The intangible nature of the benefit

Social cohesion provides largely intangible benefits that are difficult to quantify.

Lack of data

As social capital is not directly traded in markets, it has no observable price and leaves no transactional footprint. The benefits of trust and social cohesion are indirect in that the benefit may be embedded in reduced costs to produce or sell other goods and services.

Correct unit of account

As social capital and social cohesion are multifaceted, there is no universally agreed unit of account that can be used to value it.

Volatility

Social capital or cohesion, especially if trust is used as a proxy, can change very quickly in response to recent events or developments. Strong or weak institutional performance or cooperation may enhance or rapidly undermine social capital.

Causality

As a positive feedback loop exists, strong statistically significant correlations exist between trust and indicators for wellbeing outcomes, such as health. However, Putnam (Putnam 2001) notes the causality may be unclear, which may create uncertainty as to the best intervention strategy.

Approaches to analysis or valuation

This section describes the range of different approaches that are used to analyse the strength or weakness of social capital and/or social cohesion.

Statistical estimates of the economic or social importance of social capital

A large body of research explores the importance of the stock of social capital. As the benefit of norms and values may be embedded in other goods or prices, most authors follow the approach proposed by Dasgupta (2009), which is to use generalised trust in other people as a proxy.

A common approach to analysis of social capital is to use regression-based analysis to explain the variation in economic or wellbeing outcomes between countries. Papers regularly use GDP or subjective self-reported wellbeing as the dependent variable and regress indicators of social capital (ie, generalised trust) upon it controlling for other factors.

Knack and Keefer (1997) use economic growth as the dependent variable and find that survey responses for trust may explain significant differences in economic growth.¹³ Trust in this context may be influenced by a range of factors including social capital, culture, history, or the rule of law. Their study finds that an increase in a survey measure for trust by one-standard deviation increases economic growth by more than one-half of a standard deviation.

The World Happiness Report (Helliwell *et al.* 2022) regresses variables such as social support, life expectancy, freedom to make life choices, and generosity against a self-reported metric for subjective wellbeing. The metric for social support involved a binary yes/no response to a question asking if the person had friends or relatives to help in a crisis. Factors associated with social capital including generosity and social support had the strongest positive relationship to the report's metric for subjective wellbeing.

¹³ The trust variable in the regression was a survey-based measure – percent of respondents who replied that “most people can be trusted”.

Social cohesion: An indicator approach

Survey responses on trust and reported outcomes such as discrimination are commonly used as indicators to assess both social cohesion and social capital within a single country. Most of these studies make use of indicators derived from other pre-existing social surveys. The World Bank (2021) notes that the metrics used are often more driven by the data that is already collected rather than conscious decisions based on a clear conceptual framework. The different bases for measurement can complicate international comparison and interpretation.

Examples:

- The OECD and UK Office for National Statistics uses 25 indicators relating to personal relationships, social networks, civic engagement, and cooperative norms.
- The US Congress uses seven categories of indices relating to family unity, family interaction, social support, community health, institutional health, collective efficacy, and philanthropic health.

Indexes built using principal components analysis (PCA)

Deriving conclusions from a large number of indicators can be complicated if metrics move in different directions.

Some studies have used principal components analysis (PCA) to summarise data or build a composite index. PCA is a statistical correlation-based tool that examines similarity of movement in different variables (eg, survey responses) to identify underlying causality. Correlated variables that tend to move together may be connected suggesting an underlying or unobserved factor or dimension, such as social capital, is influencing the observed co-variation.

PCA can be used to reduce data or combine common factors into an index or indices. For example, a set of survey responses may be significantly influenced by a change in the quality of social connections along with a range of other secondary factors.

The UK Office for National Statistics (2019) undertook PCA to identify a reduced set of questions that could be used to examine social capital. The analysis suggested the 25 UK indicators could be reduced down to six questions relating to:

- belonging to the neighbourhood
- regular membership of community or political organisations
- sense of civic duty
- support within the family
- number of close friends, and
- membership of social networking websites.

High frequency analysis

Trust grows slowly and can quickly erode (World Bank, 2021). Relevant survey metrics in some countries may only be produced annually or every couple of years, so cannot always capture this volatility. To address this, some authors have experimented with the use of PCA in conjunction with high frequency online data to explore the impact of current events. High frequency data could include social media or online google search data.

Guriev and Melnikov (2016) created weekly social capital data using internet searches for keywords relating to pro-social behaviour during the 2014 Russian-Ukrainian conflict. Using PCA, they sought to estimate whether social capital changed as a result of the war. They found the higher the intensity of the conflict, the more people close to the conflict would search a range of pro-social words such as social protection, blood donation, orphanage and adopt a child that may demonstrate social cohesion or capital.

Financial or economic valuation

Social capital is not traded so there is no market signal. However, economists have developed tools for non-market quantification. This work is currently at an early stage with respect to social capital.

One example is Hamilton, Helliwell, and Woolcock (2016), who use subjective wellbeing to indirectly assess the overall benefit that it creates. The results test the impact of generalised (ie, social) trust on levels of self-reported wellbeing between countries. By estimating the impact of both social trust and income on subjective wellbeing, the authors derive an income-equivalent of social trust that is used to derive an indirect estimated value of social capital. The paper does not provide a value for New Zealand, but suggests the value of social capital could be up to 28 percent of national wealth for countries within the sample.

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