

# The Findings of the Living Standard Survey

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## **1. Material well-being and living standards – what is it?**

The study we are reporting does not claim to be covering the whole of human life. Prisoners in a dungeon may be noble and heroic, but to put it mildly, they lead a very restricted human existence. They are seriously lacking in material well-being. We don't ask if people are noble or heroic. But we do examine their material well-being. We do this by asking them about the kinds of restrictions they face in terms of what they own, what they can do, how they get by, whether they face serious financial problems, and how they themselves see their material living standards.

## **2. Overview of living standards study and findings**

The surveys

- 3060 people aged 65 years and over by SNZ  
*90 minute interviews*
- 542 Māori aged 65 to 69 years by SNZ  
*90 minute interviews – same as above plus cultural orientation questions*
- 3062 people aged 18 to 64 years by ACNielsen Ltd  
*more limited 40 minute interviews*

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### **A. The Surveys**

Three surveys were undertaken: a survey of 3060 older people, 542 Maori aged 65 to 69 years, and 3680 working-age people (18 to 64 years).

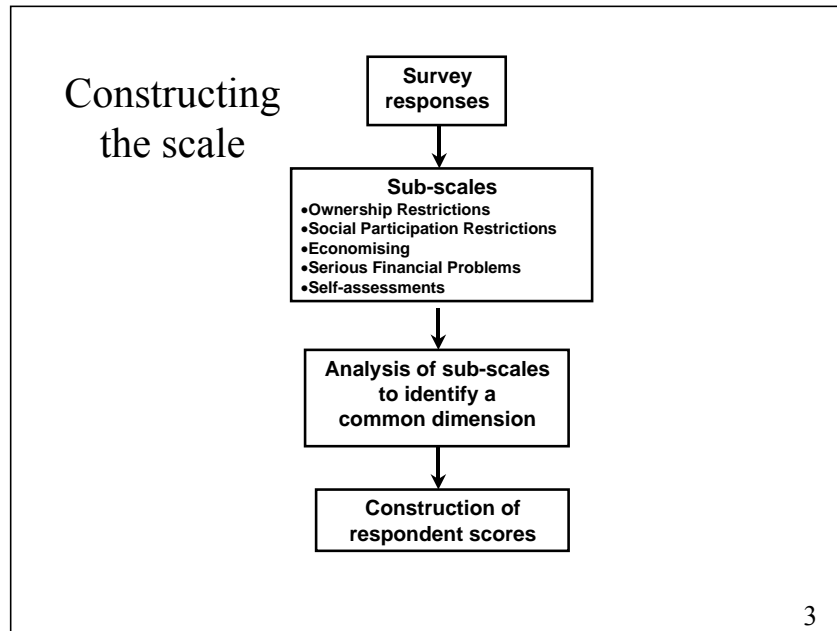
The general research aims were to:

- construct a living standards scale on which all older people could be ranked, and
- identify factors that result in differing scale locations.

### **B. An overview of the method for constructing the scale**

The development of the scale involved the combining of hundreds of responses from survey participants that described their material living standards. Complex statistical analysis (Confirmatory Factor Analysis) was undertaken to confirm that this information could be grouped together in a single scale to describe a single dimension that we have called material well-being.

Slides 4 and 5 provide further detail about the five types of information provided by the survey participants that were used in the scale.

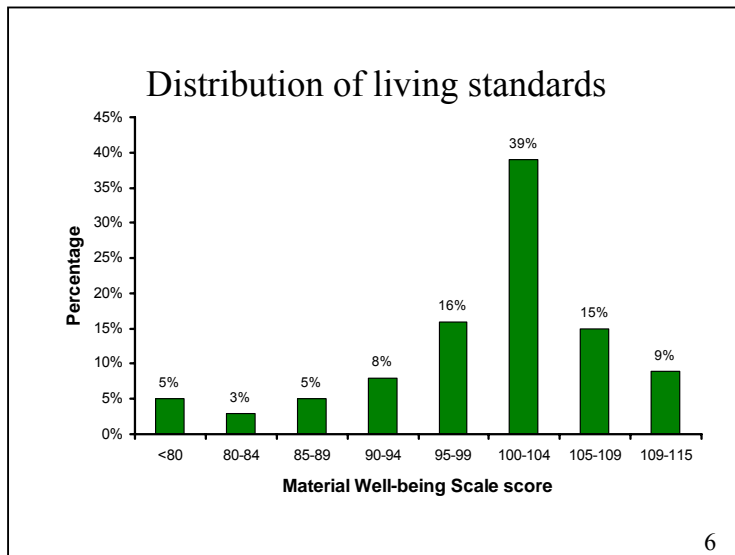


- The sub-scales
1. Ownership restrictions  
*e.g. heating, warm bedding, washing machine, television, car, dishwasher*
  2. Social participation restrictions  
*e.g. family/whanau activities, night out once a fortnight, holiday away from home once a year*
  3. Economising behaviour  
*e.g. Less/cheaper meat, put up with cold, not picked up prescription, not gone to funeral, postponed doctors visit*
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- The sub-scales
4. Serious financial problems  
*e.g. Could not keep up with payments for utilities, Borrowed money from family/friends*
  5. Self-assessments  
→ Adequacy of income to meet everyday needs  
→ Overall material standard of living
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### C. Distribution of living standards according to the scale.

Slide 6 shows the distribution of scores on the Material Well-being Scale. The lower scores represent people having more material restrictions and difficulties and higher scores represent fewer difficulties.



What does it mean to have a low rather than high score? Those with a score of 100 and above are differentiated by having few difficulties and restrictions and positive self-assessments. Those below 85 have multiple restrictions. Slide 7 provides a hypothetical example of an older person who scores 66 on the scale.

Elsie reported

- 3 ownership restrictions (warm clothing; heating; dryer)
- 3 social participation restrictions (special meals at home; having visitors; going out once a fortnight)
- 12 areas in which she economised
- a serious financial difficulty (could not keep up payments for utilities)
- She described her living standards as “low” and stated that her income was not enough to meet day to day living expenses.

Elsie had a score of 66 on the Material Well-being Scale.

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## D: A view of the characteristics of people at each stage on the scale.

Slides 8 and 9 provide a summary profile of the social, economic and demographic characteristics of people located at different points on the scale. This profile is a prelude to the more complex multivariate analyses of the determinants of material well-being that will be the feature in the next chapter. A summary statistic is presented for a range of demographic, economic and social characteristics of the sample for each of the scale categories. The information presented down each column provides an idea of the type of people represented in each of the scale categories. Looking across the rows provides an indication of how these characteristics vary across the scale categories. For example, the first row on the table presents the percentage of people in each category who were aged 80 years or over. The table shows that people in the lower material well-being categories tended to be younger as the proportion of people aged 80 years and over was smaller. Statistically significant differences across the scale scores were apparent for nearly all of the characteristics examined.

### Who is in each scale category?

Characteristic (Percentage of sample)	<80	80-84	85-89	90-94	95-99	100-104	105-109	>109
Aged 80 years or over*	9	3	14	17	17	28	24	19
Single	57	58	54	52	50	56	50	42
Māori *	17	5	3	4	3	1	2	1
Living in complex household <sup>1</sup>	20	18	18	8	13	11	10	10
Living in Auckland	36	28	27	28	24	22	24	27
Living in rural area	8	10	6	6	12	8	9	12
No educational qualifications*	54	50	46	47	45	40	35	24
Overall health rating less than good <sup>2*</sup>	45	38	32	30	31	23	24	14
NZS as main income source <sup>3</sup>	91	89	85	87	85	80	67	56
Participation in pension schemes <sup>4</sup>	5	4	7	10	9	15	26	28
No savings/investments	54	35	27	27	20	11	5	4
Home ownership	62	59	68	77	83	88	88	88

## Average scores in each category

Sample mean	<80	80-84	85-89	90-94	95-99	100-104	105-109	>109
NZSEI score	42.2	48.5	43.8	44.1	43.9	45.8	49.1	53.0
Annual income – equivalised <sup>5</sup> (\$,000)	18.7	17.4	21.1	19.8	20.2	23.9	33.5	45.5
Number of savings/investment types	0.6	0.9	1.1	1.2	1.3	1.7	2.2	2.6
Weekly accommodation costs – equivalised <sup>5</sup>	101.6	72.3	65.1	54.5	42.3	37.8	44.7	22.1
Number of health problems*	2.4	1.7	1.7	1.7	1.5	1.4	1.2	0.8
Number of recent financial stressors <sup>6</sup>	1.1	0.8	0.7	0.5	0.4	0.2	0.2	0.1
Number of adverse life events <sup>7</sup>	1.4	1.0	1.0	0.8	0.7	0.5	0.6	0.4

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The table shows that older people with lower material well-being scores were more likely to:

- be younger, single or Māori
- be living in a household with people outside their CEU
- be living in Auckland
- not have educational qualifications
- be reliant on NZS as their main source of income, not have participated in any private or job related pension schemes and not have any savings and investments
- be renting and paying high accommodation costs relative to other older people
- have poor health
- have experienced financial stressors such as replacing major appliances or home maintenance bills in the past 12 months
- have experienced adverse events such as redundancy, bankruptcy or property damage when they were aged 50 to 59 years.

## E. Factors associated with variation in scale scores

An analysis taking into account the interplay between the factors and living standards was undertaken. The factors found to predict variation in the material living standards of older people are depicted in slide 10a.

**Factors associated with living standards**

- Net annual income
- Savings and investments
- Accommodation costs
- Economic life events and stresses
- Age
- Māori ethnicity
- Pacific ethnicity
- Education and Socio-economic status

10a

***Net Annual Income:*** Consistent with other studies that have directly measured living standards outcomes (things people have and do), the research found a modest relationship between income and material living standards. In addition, the research indicated that the impact of changes in weekly income would be greater for those at lower income levels, with diminishing impact on living standards for those with higher income levels.

***Savings and Investments:*** Savings and investments contribute to higher living standards. This may occur through their being progressively spent to permit a higher level of consumption than would otherwise have occurred, or by acting as a buffer against unexpected economic shocks.

***Accommodation Costs:*** The role of accommodation costs in determining living standards is likely to reflect the impact of these costs on the respondent's disposable income. Those with high accommodation costs were disadvantaged relative to those with low costs. Rental costs were the primary source of higher housing costs.

***Economic Life Events and Stresses:*** Both exposure to various adverse life events and circumstances in the decade before retirement, such as marital breakdown, unemployment, and bankruptcy; and recent economic stresses such as unexpected bills or costs had an impact on levels of living standards. These findings highlight the role of long term life course factors in determining the living standards of older people, and also highlight the need for older people to have resources to cushion themselves from the effects of economic stresses during retirement.

**Age:** The results suggested a small tendency for the material living standards of older people to increase with age. This result is the opposite of what might be expected on the assumption that reductions over time in savings, assets and the condition of household amenities should produce a decline in living standards as respondents became older. The reason for this effect needs to be examined further in the future. Possible explanations for this findings are that it reflects:

- a process of disengagement so that as people grow older, their wants and needs tend to reduce, making them less vulnerable to material hardship;
- a cohort effect such that older cohorts (e.g. aged 75 to 85 years) experienced a more favourable economic life history than younger cohorts (e.g. aged 65 to 75 years);

**Māori ethnicity:** The preliminary findings from this study agree with other New Zealand evidence that Māori as a group experience greater material and social disadvantage. Māori had lower living standards than non-Māori with most of this difference being explained in the study by other variables in the analysis (income, savings, accommodation costs) that were correlated with both ethnicity and living standards. This suggests that the lower living standards experienced by Māori were largely a consequence of their economically disadvantaged position. However, even after other factors had been taken into account, a part of the difference for Māori remained unexplained.

**Pacific peoples:** Pacific peoples had lower living standards than Māori or Pakeha/other respondents. As for Māori, the results appeared to largely reflect economic disadvantage, but some difference remained even when these other factors are taken into account.

**Educational achievement and Socio-economic Status (SES):** Even after other variables in the study (income, savings, accommodation cost, etc) were taken into account, respondents of low SES or who lacked formal educational qualifications tended to have poorer material well-being.

#### ***The accumulative effects of social, personal and economic factors***

The findings of the regression model suggest that levels of material well-being in older people are determined by an accumulative disadvantage model in which a person's level of material well-being reflected the accumulative effects of current income; savings and assets; accommodation costs; household composition; age; socio-economic status; ethnicity and region.

The research shows that the person most at risk of poor living standards was characterised by a mix of: low income, no savings, high accommodation costs, a history of economic stress, being younger (65 to 69 years), being of Māori or Pacific ethnicity, and having held a low status occupation. These findings suggest that what determines a person's living standard in old age is not one single factor (such as net annual income) but an accumulation of factors that reflect the person's current circumstances and previous life history. (Slide 10b)

## The impact of multiple factors

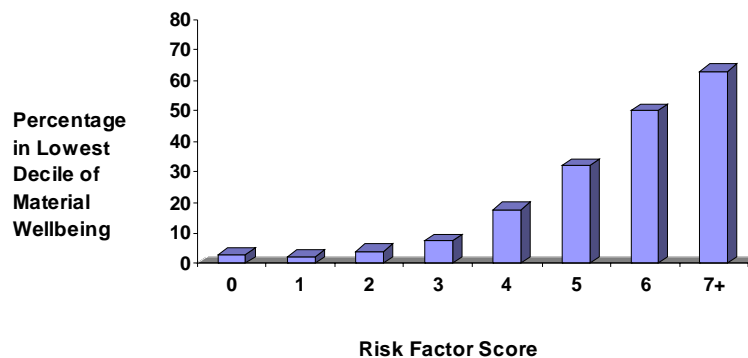
Increased risk of poor living standards  
when mix of factors such as:

- low income
- no savings
- high accommodation costs
- history of economic stress
- being younger (aged 65-69)
- being Māori or Pacific ethnicity
- having held a low skill occupation

10b

A further demonstration of the impact of accumulative risk factors is shown in slide 11. This depicts the relationship between being in hardship (defined as being in the lowest decile) and number of risk factors. Those with seven or more risk factors had rates of hardship that were over 20 times those with no risk factors.

## Effect of multiple risk factors

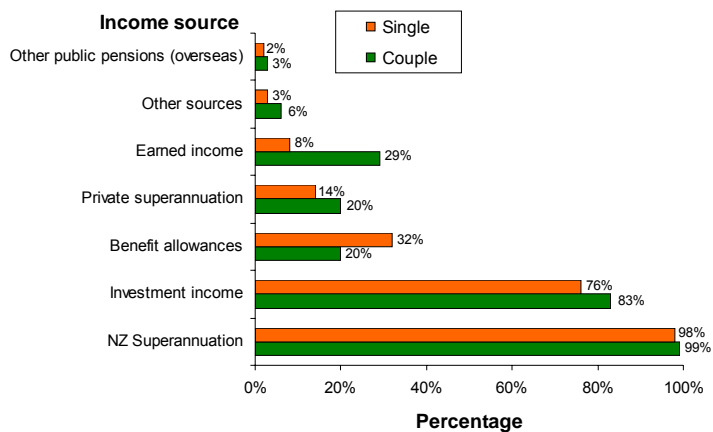


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### **3. Implications for pre-retirement**

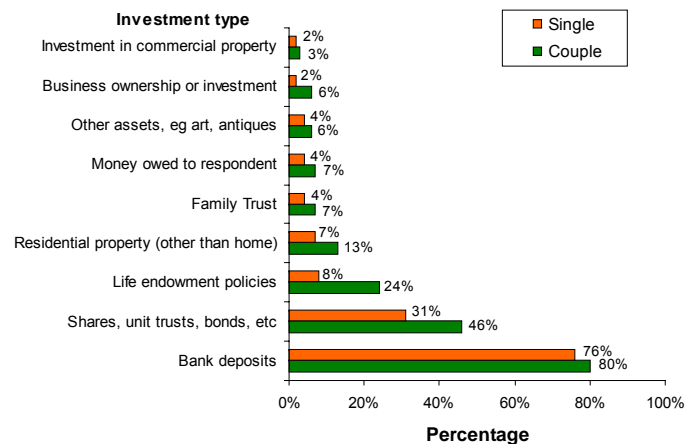
- Slides 12-19 unpack more of the detail on implications for pre-retirement.
- Encouragement of savings and investments
- Employment superannuation and living standards in retirement
- Paying for accommodation in retirement
- Buffers against economic difficulties in pre-retirement – particularly in the decade prior to age 60 years

## Sources of income



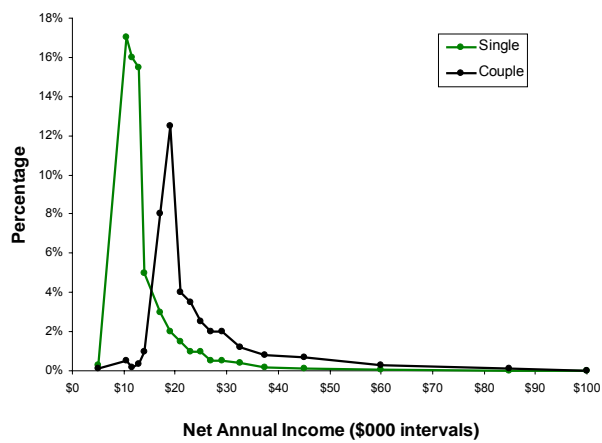
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## Types of savings & investments



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## Net annual income



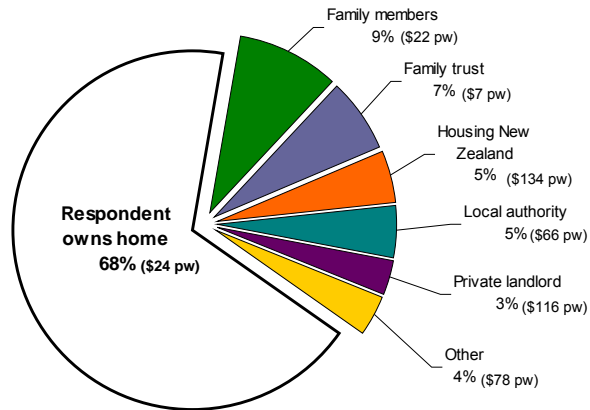
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## Value of savings & investments

Value (\$000)	% Single	% Couple
<1	31	21
1-5	14	8
5-10	12	8
10-15	7	6
15-25	9	9
25-50	9	12
50-100	7	10
100-150	3	6
150-200	2	4
200-250	2	4
250-300	0.7	2
300-350	0.9	3
350-400	0.7	2
400+	2	7
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

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## Home ownership - single respondents



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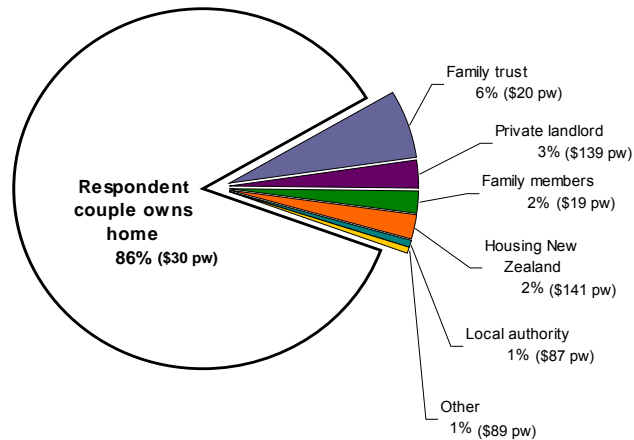
## Adverse economic life event (50-59)

### Event

- Separation or divorce
- Mortgagee sale
- Bankruptcy
- Financial loss of \$10,000 or more
- Made redundant
- Unemployed 12 months or longer
- Death of partner
- Major damage to home caused by natural disaster
- Legal bill of \$10,000 or more
- Illness lasting 12 months or longer
- Major injury/illness requiring hospital treatment
- Imprisonment

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## Home ownership - Couples



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## Financial stress in past 12 months

### Source of stress

- Legal costs
- Major item of house maintenance
- Business failure
- Matrimonial property settlement
- Natural disaster
- Death of a partner
- Funeral costs
- Unusually large car repair bill
- Replacement of fridge or washing machine
- Burglary
- Fraud, embezzlement
- Victim of other crime
- Property damage

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## Policy themes

The research findings

1. support the current system of income support
2. highlight areas to target supplementary assistance
3. suggest older people were less prone to material restrictions and difficulties than working-age people
4. indicate the importance of pre-retirement policy
5. further demonstrate social and economic disparities for Māori and Pacific people

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#### **4. Cohort effects**

- Commentary on likely characteristics of the older cohort in relation to the current working-age cohorts: The survey shows that people aged 65 to 69 are generally worse off than those aged 70 and above. From the nature of a cross-sectional survey we cannot say if this is a genuine cohort effect or due to other factors such as differential survival rates.
- We also cannot generalise well to how the current working-age will fare during their retirement. This would require a longitudinal study. However, we can comment on some factors or risks that would appear likely to have an impact across different cohorts as already outlined.

#### **5. Future work:**

- Describing the living standards of all New Zealanders.  
Research on the development of a universal Material Well-being Scale that will be used to describe the material living standards of the total population and sub-groups within the population from information collected in the survey of Working-Age People.
- Modelling  
Analysis of savings/investments and expenditure data etc. to model future living standards of working-age people in retirement based on assumptions about their current savings/investment behaviour.
- Further survey 2002  
A further survey to be undertaken in late 2002 to gain understanding of the factors that predict difference in living standards for working-age people.