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New Zealand Financial Capability Focus on Pacific Peoples

Introduction

In July 2021 Te Ara Ahunga Ora Retirement Commission released a comprehensive [New Zealand Financial Capability Survey](#) to explore financial wellbeing. Alongside this substantial study three supplementary reports focus on priority audiences (women, Māori, and Pacific people). The three audiences are the focus for the [National Strategy for Financial Capability](#).

This paper *Focus on Pacific Peoples* takes a deeper look at the financial wellbeing of Pacific survey respondents (n=187). However this is a very small sample and is provided as a generator for more detailed research in the future.

The main survey involved 3027 adult New Zealanders and was conducted in early 2021. It measured a range of financial capabilities and outcomes using the financial wellbeing model designed by Prof. Elaine Kempson (2018). The framework for the model is derived from interviews and focus groups in several countries, and contains 21 components of financial capability which are each scored on a scale of 0 to 100¹.

The content of each survey component and how it affects financial outcomes is listed below (Table 1).

Table 1
Financial wellbeing component structure

Financial behaviours	Financial knowledge and experience	Psychological factors	Financial wellbeing (outcome)
Keeping track of money	Knowledge of money management	Long-term thinking	Overall financial wellbeing
Planned use of income	Experience of money management	Impulsivity control	Meeting commitments
Spending restraint	Knowledge of how to compare financial products	Lack of concern about social status	Financially comfortable
Active saving	Financial inclusion	Self-control	Resilience for the future
Not borrowing for day-to-day expenses	Understanding of risk	Financial confidence	Preparedness for retirement
Restrained use of consumer credit		Financial locus of control	
Informed financial decision-making		Action orientation	
Informed product choice		Attitudes to saving, spending and borrowing	

Terms in italics such as *meeting commitments* or *informed products choice* refer to financial wellbeing outcomes or financial capabilities in the model. Please refer to the main report for information on what they mean and how they are calculated.

The focus of the current report is Pacific Peoples. Throughout this paper we refer to Pacific Peoples homogeneously, but it is important to note that we acknowledge and recognise the diversity within Pacific cultures.

¹ Each of the components is measured using a set of questions. The technical report accompanying this report explains the methodology of constructing the scores [here](#)



Where appropriate, gender and age differences will be highlighted, although a separate report on women in general has also been prepared. For this project, a total of 212 participants identifying as a Pacific person took part (Samoan = 101; Cook Island Māori = 46; Tongan = 41; Niuean = 19; Other Pacific Island = 24). After cleaning of data (e.g., excluding those with 10% or more 'Don't know' responses to questions used in the Principal Components analysis), sample sized reduced to n=187.

Age, gender and regional information is contained below (Table 2 and Table 3). The sample is slightly skewed to women and to those in the 35-44 age group, but these will be controlled for using univariate analysis.

Table 2
Age and gender of survey participants (Pacific Peoples)

		Survey	StatsNZ (2018)
SQ2: Are you...	Male	43%	50%
	Female	57%	50%
	Other	0%	1%
Age bands	18-24	11%	16%
	25-34	25%	26%
	35-44	31%	20%
	45-54	17%	18%
	55-64	11%	12%
	65-74	4%	6%
	75-84	1%	3%
	85+	0%	1%

Table 3
Region of survey participants (Pacific Peoples)

	Survey	StatsNZ (2018)
Northland region	2%	2%
Auckland region	62%	64%
Waikato region	9%	5%
Bay of Plenty region	4%	3%
Gisborne region	1%	1%
Manawatu-Whanganui region	3%	3%
Hawke's Bay region	0%	2%
Taranaki region	1%	1%
Wellington region	12%	11%
Nelson & Tasman region	1%	0%
West Coast region	0%	0%
Marlborough region	0%	0%
Canterbury region	4%	5%
Otago region	1%	2%
Southland region	1%	1%

2 StatsNZ age grouping is for 15-19, or 20-24



Executive summary and implications

- The Pacific People who participated in this survey score significantly lower on *financial wellbeing overall*, and on *meeting commitments and resilience for future*.
- There is an income gap, with Pacific people earning a lower median wage than non-Pacific people. However, if all things were equal (including income) and Pacific people had equitable access to financial knowledge and resources, this could convert into greater *perceived* financial wellbeing outcomes compared to non-Pacific people.
- For instance, Pacific ethnicity contributes positively to perceptions of financial comfort and preparedness for retirement.
- While a similar proportion of Pacific to non-Pacific participants have a KiwiSaver account, more Pacific women say they don't currently contribute because they are a stay-at-home parent (much higher than for non-Pacific women, or for Pacific men).
- Even after controlling for socioeconomic factors, Pacific ethnicity continues to be associated with lower scores for experience and knowledge of money management, particularly in terms of spending against income.
- Pacific participants hold far fewer financial products compared to non-Pacific participants.
- Pacific participants are no more likely than non-Pacific participants to hold 'other credit' (e.g. loans from bank, overdrafts, money lenders, credit cards etc), although Pacific women are twice as likely to have this sort of debt compared to Pacific men.
- However, use of personal/joint consumer loans or other credit commitments (e.g. car finance, buy now pay later) is higher among Pacific participants. Small sample sizes mean the impact of household income on debt cannot be assessed.
- The practice of gifting, while an essential part of Pacific culture, can exacerbate debt when focus is on monetary terms, rather than 'in kind'.

The results of this study demonstrate that Pacific people continue to face barriers to achieving financial wellbeing, particularly in terms of low financial inclusion, knowledge and confidence concerning money management.

However, greater association of Pacific ethnicity with financial comfort and preparedness for retirement suggests Pacific people view such aspects differently from non-Pacific people. Future research is needed to understand what financial comfort and preparedness for retirement look like for Pacific people. For example, what are the financial requirements of Pacific people when it comes to enjoying their life? How are finances spent, and on what activities? Similarly, when it comes to retirement, what are the expectations of Pacific people in terms of the finances they will require, and why?

Specific themes for future consideration from a policy perspective include:

- Ethnic pay inequity combined with lower financial inclusion, money management and spending restraint scores mean that Pacific people not only miss out on opportunities to build savings but are at also risk of a progressively worsening financial situation over time.
- Increase efforts to build financial capability among Pacific people.
- Financial education must be delivered in a way that is supportive, and within a cultural framework that is mutually shared, serving to strengthen rather than compromise the cultural perspectives in which the teaching is grounded.
- Explore what government can do to support churches to assist congregation in developing financial capability and understanding financial products.
- Research is required to better understand the impact of different sources of debt on Pacific peoples.



From the perspective of finance service providers there are several areas to consider:

- The lower use of current and savings accounts suggests lower familiarity with banks and banking products, or an inability to access banking facilities. Financial service providers including banks need to consider how they can better serve New Zealand's Pacific community.
- Given the number and nature of loans held by Pacific participants, financial providers need to ensure that their Pacific customers understand the terms and conditions, how interest impacts on total cost of a product, how to avoid of high-interest loans, and the importance of debt repayment.
- Financial providers should ensure information is easy to understand, shows the full cost of loans, and uses plain-language contracts.

The sample size of Pacific participants was relatively small (n=187). Future research should ensure sample sizes are large enough that generational and NZ born / new migrant differences can be examined, as well as examining different nationalities within the Pacific.



Findings in Detail

Finding 1

Ensuring Pacific people have equitable access to financial knowledge and resources can convert into greater financial wellbeing outcomes compared to non-Pacific people

The Pacific participants in this survey score significantly lower on *financial wellbeing overall*, and on *meeting commitments and resilience for future*. (Table 4). This also translates into lower scores on several financial wellbeing components that feed into the overall measure and outcomes. An ethnic income gap between Pacific people and non-Pacific people is apparent, where the median weekly income (before tax) for Pacific people is \$669, compared to \$770 overall (StatsNZ, 2021). Like women in general, Pacific women earn significantly less than Pacific men (\$486 compared to \$840 respectively).

However, personal and household incomes have a significant association with financial wellbeing and outcomes (see technical report for further detail [here](#)), as do a number of other related areas, such as employment status, source of income, the presence of children under 18 in the household, health issues and homeownership. When these factors are controlled for (among other factors) Pacific ethnicity is no longer associated with lower overall wellbeing⁴ (Table 5).

There are two financial wellbeing outcomes where Pacific ethnicity is positively associated once other socioeconomic factors such as income are controlled for: *feeling financially comfortable* and self-reported *preparedness for retirement*. This suggests that all things being equal, Pacific people can convert the same level of knowledge and resources (e.g. income, housing, education) into greater perceived financial wellbeing compared to non-Pacific people in these areas. Specific aspects within these two financial wellbeing outcomes will be examined later in this report but point to a difference in worldview between Pacific people and non-Pacific people, rather than necessarily being better prepared in strictly monetary terms.

Table 4

Mean financial capability and wellbeing scores by Pacific and non-Pacific ethnicity

	Pacific people	Non-Pacific	Pacific people - non-Pacific	Is the difference statistically significant (p<0.05)?
Overall wellbeing	54	61	-7	Yes
Meeting commitments	62	73	-12	Yes
Financially comfortable	56	59	-3	No
Resilience for the future	46	56	-10	Yes
Preparedness for retirement	43	43	0	No
Base	187	2588		

³ StatsNZ data was used for income levels because there were too many missing responses in the survey for the income question from Pacific respondents. StatsNZ / Tauranga Aotearoa (accessed 19 October 2021); Income by region, sex, age groups and ethnic groups (stats.govt.nz)

⁴ The Pacific participants in this study were comparatively disinclined to reveal household or personal income. Univariate regression was used to isolate the individual association of a number of variables with each scale. Variables included a range of socio-economic factors (e.g., age, gender, ethnicity, education, household income, employment status, source of income, relationship status, home-ownership status, children under 18 and access to informal financial support) and the financial wellbeing components.

Table 5

Contribution to financial wellbeing outcomes for Pacific ethnicity

	B Co-efficient ⁵	Significant after controlling for socio-economic / fin cap factors?
Overall wellbeing	1.788	No
Meeting commitments	-1.566	No
Financially comfortable	3.378	Yes
Resilience for the future	1.501	No
Preparedness for retirement	5.062	Yes

Finding 2**Pacific ethnicity contributes positively to perceptions of financial comfort and preparedness for retirement**

In terms of the statements that feed into the *financial comfort* component, Pacific ethnicity is positively associated with the statement 'my finances allow me to do the things I want and enjoy life'. This is the case even after personal income (which is strongly associated) is controlled for. Pacific men and women give similar scores on this statement.

Pacific ethnicity is also positive associated with higher scores on three of the statements that feed into the *preparedness for retirement* component (Table 6). Again, Pacific men and women score similarly on these statements.

Given that Pacific ethnicity contributes positively to these statements, independent of other socio-economic factors, it appears that Pacific people may view both financial comfort and preparedness for retirement differently to non-Pacific people. Possible reasons for the difference in how income is converted into subjective wellbeing include different expectations, access to non-financial sources of wellbeing, or using debt to increase consumption (the survey did not inquire which of these possible reasons apply in this case).

Table 6

Contribution of Pacific ethnicity to financial wellbeing sub-statements

	B Co-efficient	Significant after controlling for socio-economic / fin cap factors?
My finances allow me to do the things I want and enjoy life	0.255	yes
I will/have sufficient income for my needs without needing to continue to work after I retire	0.325	yes
Even without NZ Super or working I will have sufficient income	0.314	yes
Without working to what extent will/do you rely on NZ Super to provide you with an income? (high score = lower reliance)	0.193	yes

⁵ The beta coefficient is the degree of change in the outcome variable for every 1-unit of change in the predictor variable. If the beta coefficient is positive, it means that for every 1-unit increase in the predictor variable, the outcome variable will increase by the beta coefficient value. If the beta coefficient is negative, it means that for every 1-unit increase in the predictor variable, the outcome variable will decrease by the beta coefficient value.



Finding 3

Nearly half (48%) of Pacific women who aren't contributing to KiwiSaver say they are a stay-at-home parent.

The Pacific participants in this study undertook similar types of activities to prepare for retirement as non-Pacific participants. For instance, they are just as likely as non-Pacific participants to say they are in KiwiSaver either contributing (55% compared to 51% of non-Pacific participants) or non-contributing (24% compared to 19%).

- However, those who don't currently contribute are more likely to say it is because they are a stay-at-home parent (38% compared to 18% of non-Pacific participants), or they are a student (16%, compared to 7% of non-Pacific participants).
- Nearly half (48%) of Pacific women who don't contribute say they are a stay-at-home parent (compared to 23% of Pacific men).

Pacific participants are similar to non-Pacific participants in terms of KiwiSaver contribution rates and expectations for weekly income. However, 29% of Pacific participants are unsure of what type of fund they are in (compared to 17% of non-Pacific participants), and 34% don't know if they have received the Government contribution (compared to 16%).

Finding 4

Pacific ethnicity is associated with lower scores for experience and knowledge of money management

Compared to non-Pacific participants, experience of money management scores for Pacific people are lower. For instance, Pacific people are significantly more likely to say they rely at least to some extent on other people for day-to-day money management activities compared to non-Pacific (Figure 1). These activities include planning how household money is spent, ensuring expenses are paid, and making financial decisions for the household. This is an area where Pacific ethnicity is negatively associated even when other socio-economic factors such as income are controlled for (Table 7).

The comparatively lower involvement may relate to a more communal process of decision making compared to non-Pacific processes. The wording of the survey question does not allow for 'shared' decision making or community-based lifestyles (rather the option is 'I mainly rely on someone else'), and as such may not adequately reflect Pacific peoples' reality in this respect.

Regardless, in real terms there is still a proportion of Pacific participants who say they play a significant role in these activities (Figure 1). Pacific women are more likely to play a significant role in day-day money management (planning, 78%; and paying expenses, 74%), but Pacific men and women are roughly equal when it comes to playing a significant role in making financial decisions.



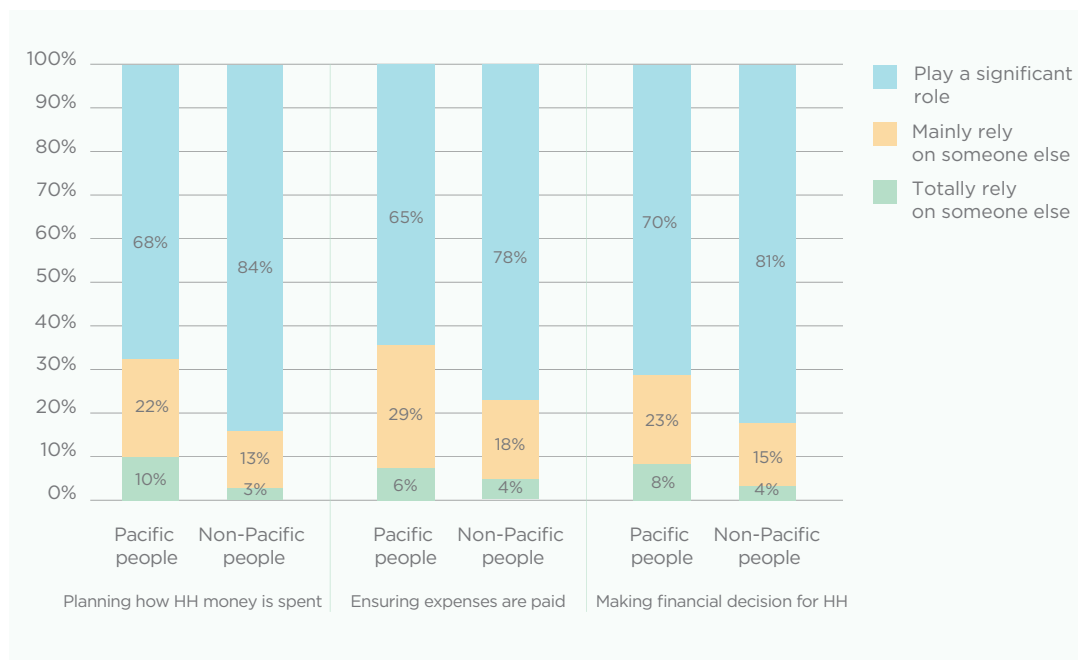
Table 7

Association of Pacific ethnicity to financial wellbeing components

	B Co-efficient	Significant after controlling for socio-economic / fin cap factors?
Spending restraint	-0.390	No
Active saving	3.049	Yes
Not borrowing for daily expenses	-4.293	Yes
Restrained consumer credit use	-1.285	No
Informed financial decision making	2.304	No
Informed product choice	-1.030	No
Planning income use	-1.294	No
Keeping track of money	0.289	No
Knowledge of money management	-2.479	Yes
Knowledge how to compare financial products	-1.239	No
Experience of money management	-6.266	Yes
Financial inclusion	-1.764	No
Understanding of risk	-3.503	Yes
Attitudes to saving, spending and borrowing	-1.584	No
Financial confidence	-3.443	No
Long-term thinking	0.839	No
Impulsivity control	1.445	No
Lack of concern about social status	4.710	Yes
Self control	1.859	No
Locus of control	1.129	No
Action orientation	2.944	No

Figure 1

Differences in household money management between Pacific and non-Pacific people

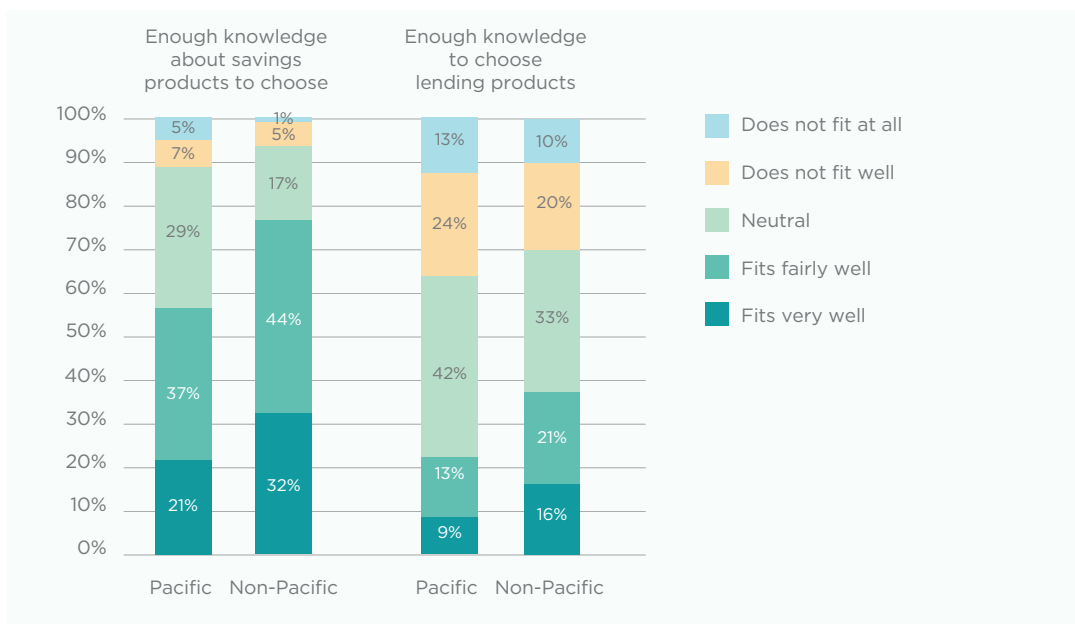


Pacific participants in this study also had lower knowledge of money management scores, once other factors were controlled for.

- For instance, Pacific participants gave lower scores in terms of having enough knowledge about savings products to choose, and in terms of knowing how to plan spending against their income (Figure 2).
- The lower scores are consistent with the lower levels of ‘significant’ decision-making roles observed for day-day money management.
- Pacific ethnicity is also associated with lower confidence in terms of managing money day-day. There are no differences for gender.

Figure 2

Knowledge of financial products by Pacific and non-Pacific ethnicity



Finding 5

Pacific participants hold far fewer financial products compared to non-Pacific participants

While Pacific ethnicity had no significant impact on the overall *financial inclusion* component, there are in fact large differences in the number of financial products held by Pacific participants compared to non-Pacific participants (Figure 3). Far fewer Pacific participants hold savings or current bank accounts, and half as many have general insurance compared to non-Pacific participants (Figure 4). This leaves Pacific people vulnerable to unexpected circumstances such as health issues or car accidents/breakdowns. No significant differences were observed between Pacific men and women, with the exception of 'other credit' (e.g., loans from bank, credit unions, moneylenders, hire purchase, credit cards, overdrafts) where Pacific women were more likely to have these (31% compared to 15% for Pacific men).

Figure 3

Number of financial products held by Pacific and non-Pacific people

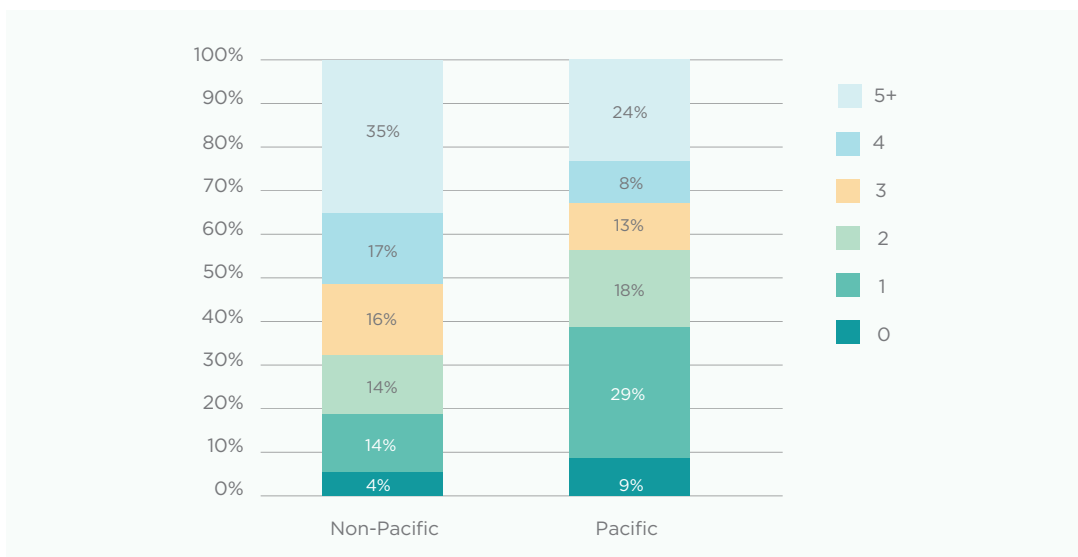
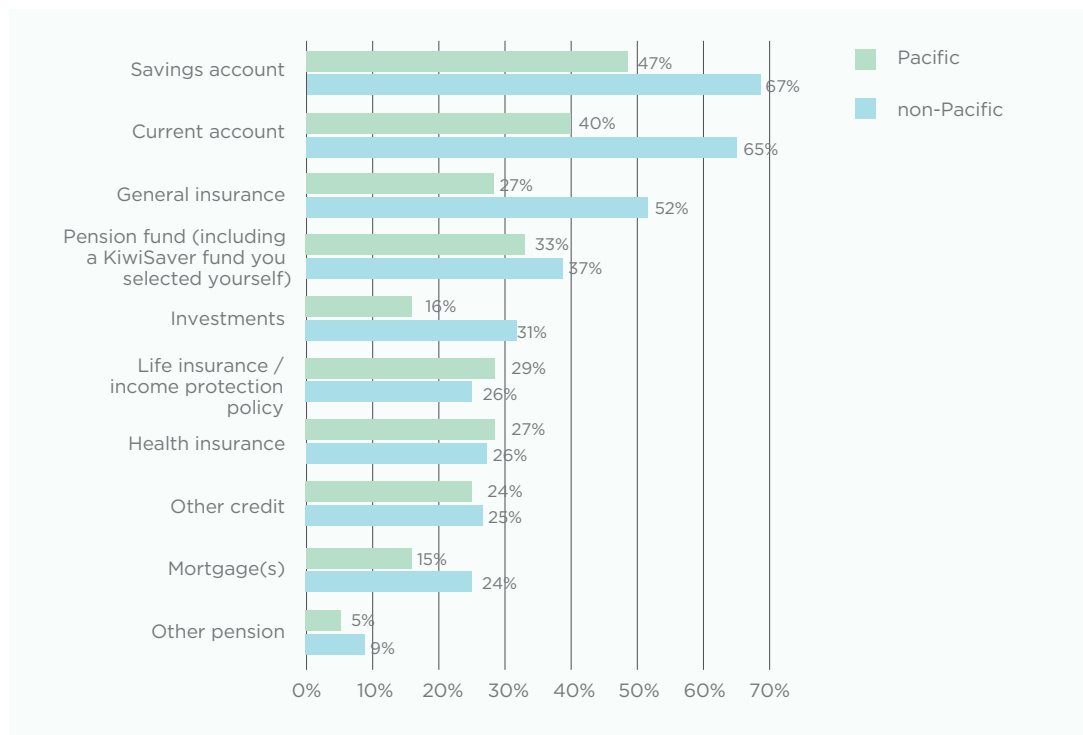


Figure 4

Financial products held by Pacific and non-Pacific participants



Pacific ethnicity is positively associated with active saving (Table 7), and this stems primarily from the statement 'how often do you save money so that you could cover major unexpected expenses or fall in income?', where Pacific participants say they do this more often (56% at least 'every now and then') than non-Pacific participants (50%), once other factors are controlled for. Given the low proportion of Pacific participants with current or savings accounts, this could suggest that savings are either kept as cash or placed in bank accounts that are shared between family members or friends.

Finding 6

Outgoing funds often exceed incoming funds for Pacific participants, resulting in greater levels of debt

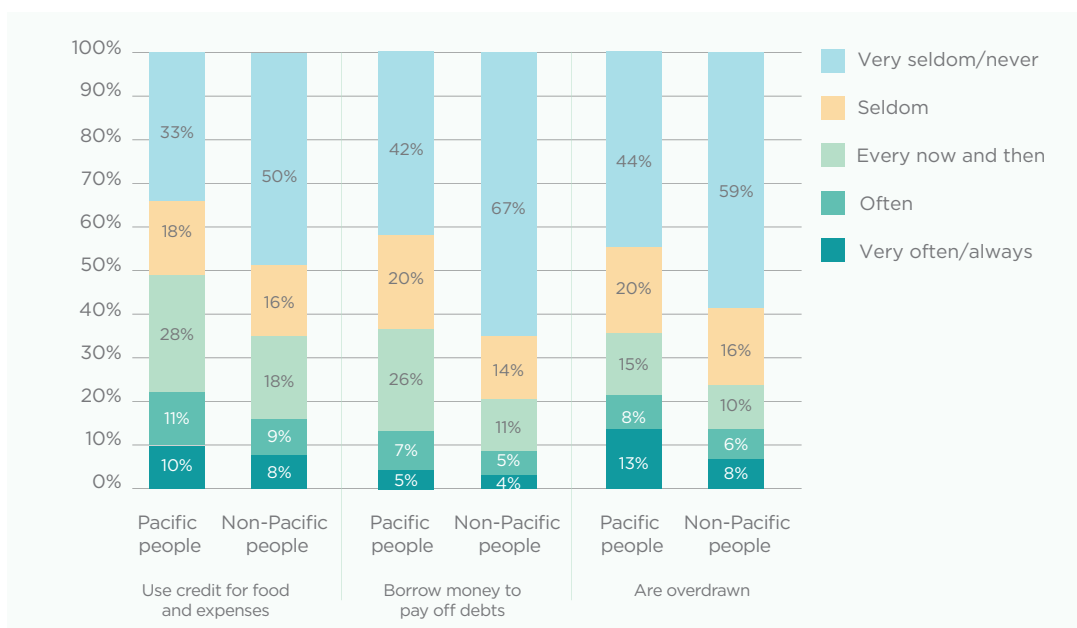
Pacific participants are more likely to say they run short of money for food or other regular expenses at least 'every now and then' (58%) compared to non-Pacific participants (36%).

Consistent with this, the results of the survey show that Pacific ethnicity contributes positively to borrowing for daily expenses. For instance, 38% of Pacific participants borrow money to pay off debts at least 'every now and then' (compared to 20% of non-Pacific participants), and 35% are overdrawn at least 'every now and then' (compared to 25%) (Figure 5).



Figure 5

Differences in borrowing frequency between Pacific and non-Pacific people



Additionally, Pacific participants have a greater number of personal/joint consumer loans or credit commitments (such as car finance, hire-purchase, or buy now, pay later products) than non-Pacific participants (58% have at least one, compared to 37%, Figure 6). Nearly half (47%) of Pacific people with 'other credit' also have at least 2 other forms of loan/credit commitments (Table 8), much higher than the 26% of non-Pacific participants.

However, debts among those with personal/joint consumer loans or credit commitments is similar for Pacific and non-Pacific people.

Additionally, there are no differences between men and women in this study (increasing the sample size may reveal significant differences).



Figure 6

Number of credit cards and unsecured loans held by Pacific and non-Pacific people

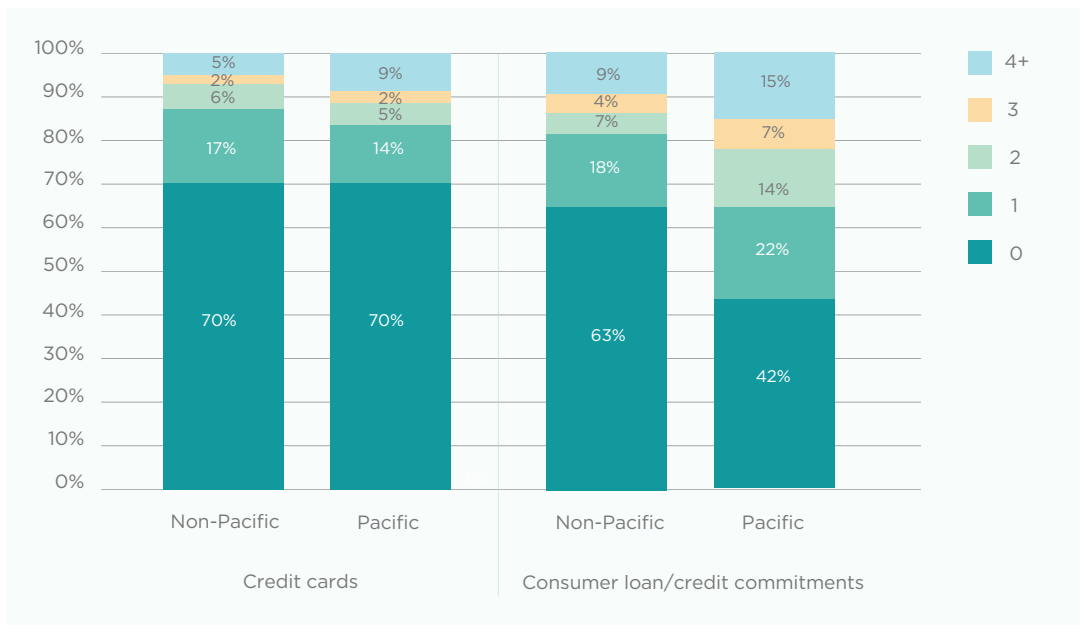


Table 8

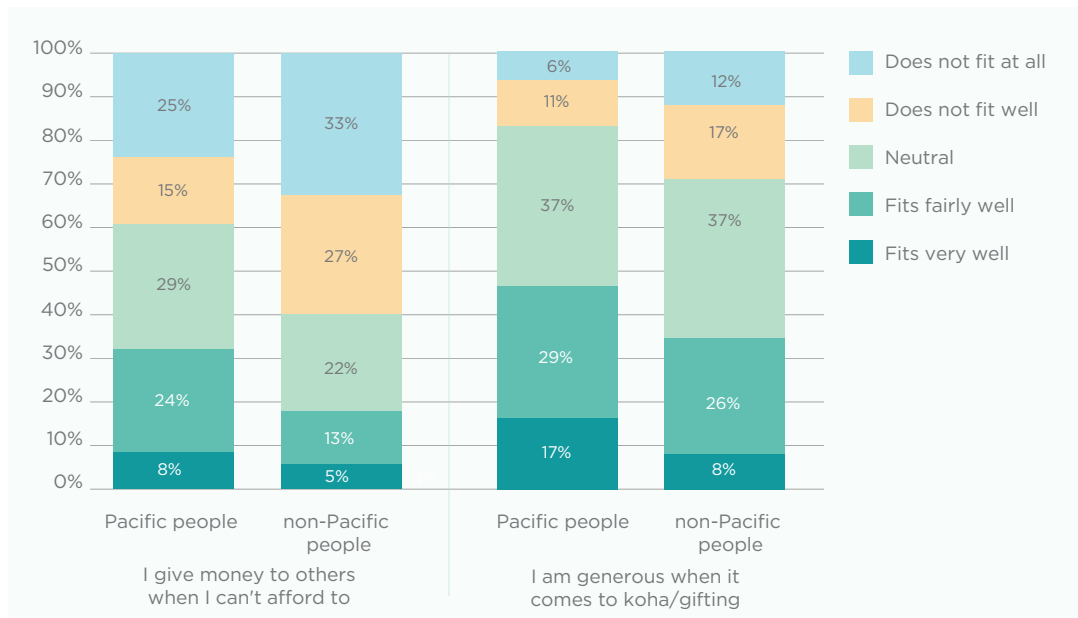
Number of personal/joint consumer loans or credit commitments by 'other credit' use for Pacific and non-Pacific ethnicity

		Non-Pacific	Pacific	Non-Pacific	Pacific
		No 'other credit'		Has 'other credit'	
Total number of loans / credit commitments	0	68%	44%	48%	34%
	1	15%	23%	26%	19%
	2	5%	10%	13%	26%
	More than two	13%	23%	13%	21%



Pacific ethnicity is strongly associated when it comes to gifting. Nearly half (46%) believe the statement 'I am generous when it comes to koha / gifting' fits them personally (compared to 34% of non-Pacific participants). However, they also agree that 'I give money to others when I can't afford to' (32% compared to 18% of non-Pacific participants), likely exacerbating the levels of debt that many appear to experience (Figure 7).

Figure 7
Differences in koha/gifting for Pacific and non-Pacific participants



The role that cultural influences and expectations play in exacerbating debt (priorities, collective responsibility, supporting extended families, donations to churches, contributing to community events) is documented in past research (e.g., Families Commission, 2012) and shows that Pacific people continue to need support to develop an approach to financial capability that balances community obligations with the wellbeing of their aiga and themselves.

6 Families Commission (2012). Pacific families and problem debt. Retrieved from <https://thehub.swa.govt.nz/assets/documents/pacific-families-problem-debt.pdf>

