South Wairarapa economic prosperity index

– methodology notes

January 2018

Economic prosperity indices

Economic prosperity indices can help policy and decision makers to identify relative strengths and weaknesses in each part of their region or district. They therefore provide an objective evidence base to help inform effective policy interventions in each community.

Economic prosperity indices are an increasingly common tool for assessing living standards, and are being used as a complementary indicator to GDP growth. The Infometrics framework is similar to that in use at the New Zealand Treasury (http://www.treasury.govt.nz/abouttreasury/higherlivingstandards).

Indices can be estimated at a regional, territorial authority, or detailed area unit level. The indicators are not merely one-off snapshots. Annual updates can be made so that progress can be monitored through time.

About the index for South Wairarapa

The domains used

We have looked at the district's economy and households' prosperity across five domains:

Domain	Examples of prosperity under that domain
Skills & Labour Force	The workforce holds or is acquiring the qualifications and skills to take advantage of high skilled and high paid job opportunities.
Connectedness	Individuals have access to infrastructure to take advantage of education, employment and business opportunities in the local area and further afield.
Demography	The area has a sustainably growing population that will ensure that the working age population can support the non-working age population.
Economic Quality	The economy offers plentiful jobs which are highly skilled and in knowledge intensive industries. The economy is diverse and prospects for future job growth are good.
Household Prosperity	Households can access affordable accommodation and there is a high rate of home ownership.

The indicators in each domain

Each domain contains several indicators, which have been given a weighting towards a score in each domain. The indicators are:

Domain	Indicators
Skills & Labour Force	1. % of 25-34 year olds with NCEA level 4+ qualification 2. % of working age population that are highly skilled
Connectedness	1. Average commute time to Wellington (minutes) 2. Average commute time to Masterton (minutes) 3. Proportion of people with home access to internet
Demography	1. Current population growth 2017 2. Current dependency ratio (non-working age population divided by working age population) 3. Projected dependency ratio in 10 years' time
Economic Quality	1. % employed in knowledge intensive industries 2. Self-employment rate 3. % employed in declining industries

Household Prosperity	1. Annual household income
	2. Unemployment rate
	3. % of population that are beneficiaries
	4. Home ownership rate
	5. Rental affordability

Definitions

Highly skilled jobs are defined as jobs with skill level 1 in the Australian New Zealand Standard Classification of Occupations.

Knowledge-intensive industries are industries that satisfy two criteria: at least 25 per cent of the workforce must be qualified to degree level and at least 30 per cent of the workforce must be employed in professional, managerial, as well as scientific and technical occupations.

Declining industries are defined as industries in which employment in South Wairarapa is forecast to decline by more than 5% between 2016 and 2021.

Scoring system

Each domain contains several indicators which draw on a wide range of data sources and have different units of measurement. Therefore, to reach comparable scores across the five domains, the value of each indicator has been 'normalised' so that the values range from 0 to 10. A score of 10 indicates a strong outcome and 0 a weak outcome. By giving each indicator equal weighting, we estimate an overall score (from 0 to 10) in each domain for each town in the South Wairarapa district.

The overall score for each town is an equally-weighted average of the individual scores for each of the five domains. A town with a higher score is considered to have greater economic prosperity.

Infometrics