

# The Maori Economy



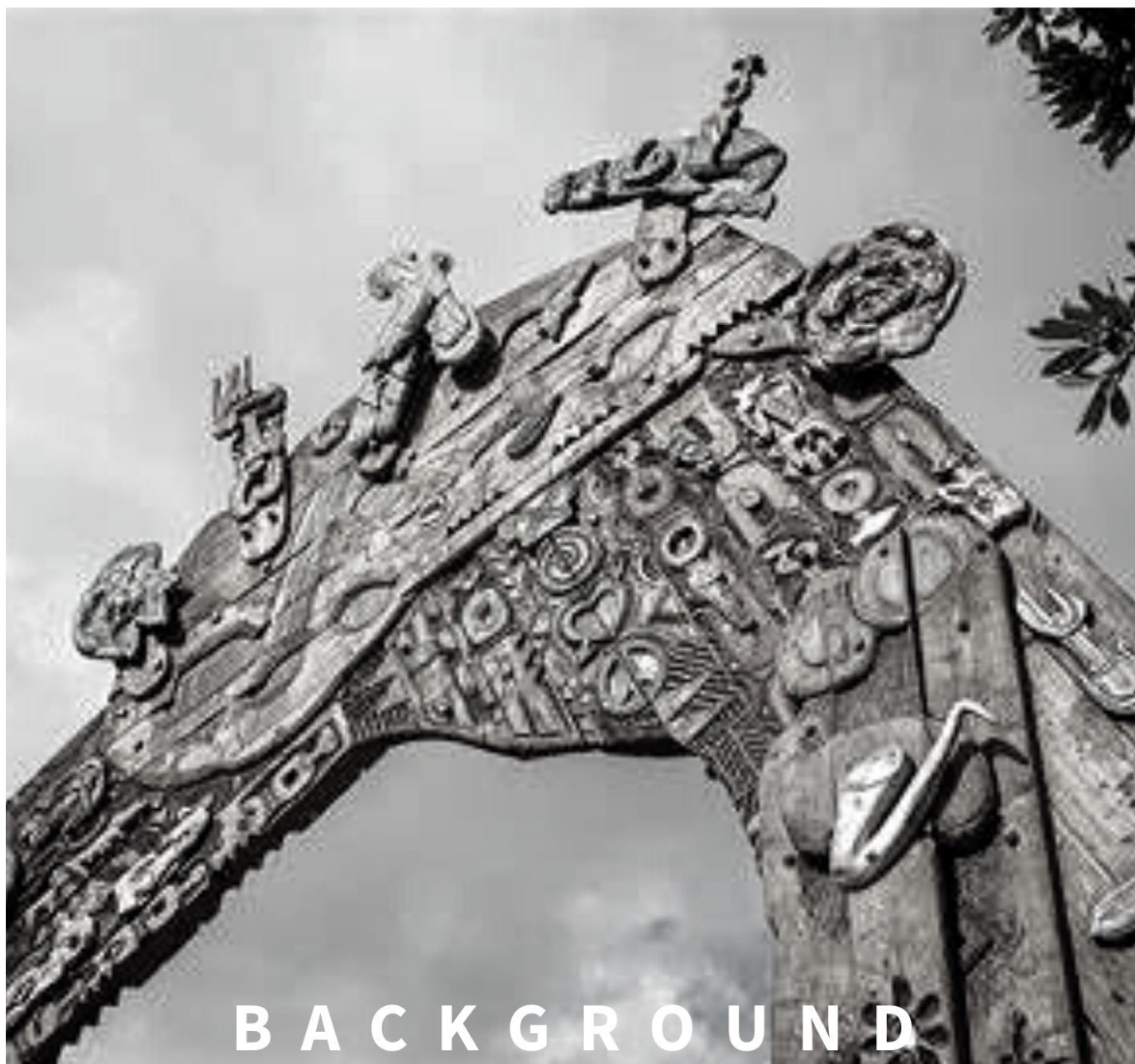
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**Paper: The Maori Economy Post  
COVID19**



**B A C K G R O U N D**

# The future of the Māori economy – using COVID 19 to diversify, invest in growth and build back stronger.

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## Context

This brief paper has been developed as a result of a meeting between me and Anaru Mill in relation to a piece of work looking at “Frontier Firms” on behalf of the New Zealand Productivity Commission. This briefing paper outlines some things that the consultative process might consider: Key points from the draft around insights include:

## About the Maori Economy

The Māori economy comprises a range of organisational forms, structured under various legal frameworks. Māori business activity has grown and diversified significantly in recent decades.

- Quantitative analysis of a sample of Māori firms found that they perform similarly to non-Māori firms. The best-performing Māori firms have strong capacity across a range of organisational factors, including the right management, relationships, HR processes and cultural capital. Māori frontier firms are able to combine and leverage these factors to gain success over their competitors.
- High-quality data and analytics are important for informing Māori business innovation and development. The Government should invest further in qualitative and quantitative research to better understand Māori firm performance and productivity.
- Many of the features and characteristics of Māori firms present both challenges and opportunities. Examples of leading Māori firms show that these entities have been able to turn challenges or barriers into strengths and opportunities, as they find ways to work around them or use them to their advantage. The successes of Māori frontier firms build the confidence and ambition of these firms, and can help light the way for other Māori businesses.
- Māori firms operate within a unique Māori business ecosystem. Challenges arise from having to navigate the complexity of governance structures, relationships and other dimensions. However, common values and features help bring Māori businesses together around shared goals. Formal and

informal networks among Māori businesses are important for diffusing knowledge, exploring innovations and enabling collaboration.

- The governors of Māori businesses managing collectively owned assets are accountable to multiple owners and shareholders. Governors of these entities do not necessarily see multiple ownership as detrimental to the strategy, objectives or innovation in their business. In fact, it can be seen as a strength in that it drives transparency around decision making and the impact of decisions.
- The desire to serve multiple objectives (“multiple bottom lines”) can be a strong driver of ambition, which can also flow through to expectations on suppliers. High shareholder ambition can also spur innovation and experimentation, providing the underlying assets are not put at risk. This appetite for innovation is reflected in statistics which show that rates of innovation and R&D are higher for Māori businesses, compared to all New Zealand businesses.
- Māori cultural values such as kaitiakitanga, kōtahitanga and whanaungatanga help differentiate Māori goods and services and provide added brand value overseas. They also closely align with growing global consumer demand for products with strong environmental and social credentials. This presents growth opportunities for kaupapa Māori firms and collectives.
- There is a small talent pool of Māori with the skills and experience to govern and manage Māori frontier firms. The demands on this talent pool are increasing, due to the growing number of Māori commercial entities and competing demand from non-Māori firms for Māori business skills.
- Existing and prospective Māori land-based businesses face constraints from the land tenure and compliance requirements of Te Ture Whenua Māori Act 1993. Resolving the long-standing dilemma of balancing land retention, with effective governance and management to raise productivity and returns for Māori land owners, is challenging but important. Options available to the Government include continued improvement of services to Māori business and further reform of the legislation.

## Changing our views

The Maori economy is much more diverse than just the traditional view of assets held by Iwi or settlement entities and much larger than the traditional sectors of primary industry, forestry and agriculture. In actual fact the opportunity ahead, in respect to the economic headwinds of COVID19 is not just about “building back better” its very much about how we leverage the opportunity to grow our share of the domestic, regional and international marketplace in new, innovative and pre-existing industries ranging from arts and craft right through to digital technology.

In addition to this we need to change our view of what makes up the Maori economy and add in social enterprise and the social services sector as well. I would estimate more than a billion dollars a year from health to education, from children’s services to social development flow into Maori service providers, often not Iwi entities alone. Asking the question of what more we could be doing, how could we be doing it more efficiently, what more opportunities can we resource or scale up towards and what potential could this be to lift employment, lift skills and lift wage growth – all levers for poverty reduction.

Having a look at how we can confront other challenges such as working to seed more Maori into small business post fifty years of age or how we can take an innovative approach to creating job and business opportunities for those coming into the community who may be turned down because of their incarceration history. On those two fronts if we are able to transition whanau over the age of fifty into forms of small business, they both have the potential to be net employers but also reduce the economic cost or risk of them being long term unemployed right through to National Super – the same for those who are incarcerated. If we know they are less likely to be employed, then also seeding them into a small business that might be trades related also potentially lowers the risk of reoffending but the early evidence from Australia in the Transition to Work and Employment space within the Federal Prison system indicates those who are released and go onto start their own business are more likely to employ those who had similar circumstances they had.

In any event the opportunity to respond to the headwinds of economic uncertainty bought on by COVID19 and looking to also have an impact on social determinants and factors should be seized. In order to get the conversation going there are some things we might consider doing:

## Establishing a central procurement market – create efficiencies and lift investment

Look at establishing the concept of a Supply Nation model to leverage opportunities in the Government procurement space. Since 2009, Supply Nation has worked with Aboriginal and Torres Strait Islander businesses along with procurement teams from government and corporate Australia to help shape today's emerging and rapidly evolving Indigenous business sector. That has seen billions of dollars of spend go into Indigenous business. This is based on building partnerships to create supplier networks not just with Government agencies but also business and industry – this centralised and coordinated approach makes it easier for Indigenous business to be engaged while at the same time providing a central repository for networking, knowledge and information sharing. For Government and business, it means the process of engagement is more efficient and effective instead of working to develop something in silo's or in isolation to other actors in the marketplace. Governed and operated by Indigenous peoples the model in New Zealand could be slightly different by first starting as a joint Maori / Crown partnership to get it established and underway – a period of forming with a future plan to onboard New Zealand business and industry and their procurement spends.

## Consolidation of various funds from across Government Agencies into a singularly managed fund

Now there is a lot of money sitting in various funds right across a multitude of government agencies and departments from MBIE and TPK to ACC, Education, Health and MSD. Each of these funds require individual administrative back ends, have inefficient procurement policies, have vastly differing criteria that could be consistent and, in some cases, remain hidden from public view or are difficult to access. It would be valuable to at least undertake an exercise of identifying where all the funds are and what they have been established to do or invest in. At the minimum this creates an eco-map and shared knowledge bank. What we should challenge ourselves to do is look at ways of consolidating these funds with a series of investment principles that seek to grow and further diversify the Maori economy – this doesn't lessen the ability to target industry or sector groups such as innovation, infrastructure, digital technology and platforms. It could also have a focus on capacity and capability building and work as an incubator alongside a coordinated approach to procurement. Importantly investment-based reports are on outcomes achieved which makes the reporting and acquittal much more focussed. Ultimately the aim is to create efficiencies in the system while also lifting potential.

## Exploring access to international markets

Work is currently underway to negotiate free trade agreements with the EU and the UK while the free trade agreement between New Zealand and China has recently been upgraded. It is a useful reminder to explore how Maori business and industry can expand into offshore market by better utilisation and understanding of what these agreements entail. Anecdotally people believe that the lion's share of the focus of New Zealand Trade and Enterprise falls into support targeting larger industries or businesses – this has the potential to miss emerging industries and growth into larger consumer and retail markets. This does not preclude ensuring Maori interests and rights are protected such as the work being conducted by claimants in the TPPA claim with the Ministry of Foreign and Affairs and Trade – also being conscious of resource based claims and their potential opportunities such as Radio Spectrum and Water, 262 and intellectual property rights as they expand into things such as flora and fauna. Having a clear understanding of what drives resource based claims could be of huge benefit to the economy and Maori more generally.

## Re-establishment of a Maori Bank

See the following article in relation to views on the re-establishment of a Maori bank concept:

<https://www.nzherald.co.nz/nz/calls-for-a-maori-bank-to-put-more-maori-in-homes-develop-land-and-keep-profits-in-new-zealand/PMAX7SKOBKKZCJGRONTIBV437E/>

While the Government had announced policies to support Māori home ownership, none addressed the root causes of access to credit and finance. The council's newly-formed working group on housing affordability was calling for a Māori bank, open to all New Zealanders, with less restrictive lending criteria and that would keep profits in New Zealand. There is hundreds of millions of dollars in post-settlement money, some of which is in these Australian-owned banks taking profits overseas. There is no reason why a Māori bank could not follow the same formula, but keep the money here. Between 1986 and 2013 Māori home ownership dropped 20 per cent, while the proportion renting went from 41 to 77 per cent. The Māori home ownership rate was 43 per cent compared to 63 per cent for the general population, and Māori were five times more likely to be homeless than Pākehā.

Māori are more likely not to own a home and be stuck in the rental trap, at the same time many are either on minimum wage or just above and not keeping pace with the cost of living. Māori also struggled to develop collectively-owned land. No bank is going to give you a mortgage to put a house on Māori land because of the risk profile. Which is why we need to look at a different ways and means of doing it ourselves. The same is the case for access to finance for small business – the truth is Maori are less likely to obtain finance by traditional means so instead having a look at addressing one problem why don we have a look at create opportunities covering multiple problems

Other considerations:

1. Hold a hui with key influencers and Maori business champions
2. Consider looking at a stream of work that creates efficiencies in the system that both cut red tape and ease access
3. Look at a piece of work to be understand the potential of the social services sectors