

Industry insights

Westpac

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Māori in the NZ Economy

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Summary

Māori are facing a period of incredible opportunity for economic growth.

Māori account for 15% of New Zealanders, but that share is growing, and is expected to reach nearly 20% by 2038. And because the Māori population is much younger than the overall New Zealand population, it will form an increasingly important share of New Zealand's working age population.

At the same time, treaty settlements and the growing Māori asset base, already worth upwards of \$43 billion, create potential to boost Māori economic success. About 30% of this asset base is held by Māori collectives, with the rest held by Māori employers and self-employed (largely in small and medium enterprises or SMEs).

What economic growth means for Māori

Māori see economic growth as far more than just financial benefits accruing to an individual or small group of individuals. In fact, one could argue that Māori understand economic returns in the original sense of growing economic benefits, rather than what it has often come to mean. Economic benefit means anything that improves the well-being of the individual or the group. Another way to put this is that economic growth is a means to the end of providing the cultural, social and environmental benefits that Māori seek collectively and individually.

In this context, any attempt to monetise benefits from Māori land or other assets needs to acknowledge that there is intrinsic economic utility in connection to the land, and that individual success is part of ensuring collective success.

A changing world that aligns with Māori values

Even as the role of Māori in the New Zealand economy grows, changes in global consumer preferences mean an improved fit with Māori cultural values. There is increasing emphasis among consumers on responsible investment, provenance of where products come from, sustainable harvesting, and understanding the authentic culture behind a product.

Māori see themselves as *kaitiaki* or guardians of the land and water, which they see as *taonga* or treasures to be protected. As a result, sustainable development of land and other resources matters. This is a huge opportunity for Māori as in many ways, they have been doing for generations what many consumers around the world are now coming to appreciate.

Identifying opportunities and how to get there

Plenty has been written on the socio-economic and health challenges, among others, facing Māori. Instead, the focus of this report is largely on the opportunities for Māori economic growth, and the roles that Māori collectives, SMEs, corporates, education providers

and government can play in getting there. The Māori education and income shortfall is discussed only as a means to showing the opportunities to grow Māori individual and collective well-being.

And data only goes so far. The true value of this report comes from the discussions we had with almost two dozen Māori sector leaders on what they see as the biggest opportunities for Māori and what is holding back economic growth. These leaders included representatives of Māori collectives, education providers, and individuals who are successful in their own right with Māori heritage.

The first two chapters of the report highlight Māori assets – both the people as well as material assets in the form of land and finances. This sets the context for the final chapters, which discuss the three avenues of opportunity at hand:

- growing the workforce of the future
- maximising economic value from collectives
- building stronger SMEs.

Key opportunities

Discussions with sector leaders unearthed a number of key opportunities that are explored in this report, including:

- increasing awareness and aspiration among students at secondary and tertiary level of the career opportunities available to them, providing a clear pathway to get there, and introducing role models who have gone before
- boosting Māori participation at higher levels of study by acknowledging the challenges facing students who are first to tertiary, providing guidance and academic support to transition to tertiary learning, and using student data better to customise student interaction and support
- growing internship, cadetship and graduate programmes, helping businesses to overcome unconscious bias and giving students a better feel for the workplace
- focusing more on training for the jobs of the future such as information and communications technology (ICT), trades, engineering and high-end business services
- improving the extent to which boards of Māori collectives reflect the demographics of the people they represent, and have the right levels of skills to make good economic decisions
- evaluating the range of potential uses for collectively-owned land to maximise economic benefits
- collaborating more to generate the scale required to make substantial investments (such as exercising the right of first refusal) and to learn from those further down the collective governance track
- providing more mentoring and networking opportunities for Māori SMEs to boost capability and access to new markets.

David Norman - Industry Economist

A young and growing population

- Māori account for 15% of New Zealanders, but that share is growing as Māori are younger and have higher birth rates.
- Māori tend to have lower qualifications and lower incomes.
- They are well-represented in primary, manufacturing and construction businesses, with little representation in higher-end service sectors.
- But Māori will provide a much bigger share of the workforce in future, which means a huge opportunity exists to increase qualifications levels, prepare Māori for the jobs of the future in higher-end services, and to boost individual and collective financial outcomes.

The workforce of the future

Nationwide, Māori made up around 15% of the population as of 2013. The proportion varied between 7.4% and 49%, depending on the region.

The largest share of the Māori population is in the *Te Puku o Te Ika* (Waikato / Bay of Plenty) area, where one quarter of all people identifying as Māori live. A further quarter live in *Tāmaki Makaurau* (Auckland) although this is largely because of the size of the city's population overall. Māori are in fact only around 11% of the Auckland population. One in six Māori live in the *Aotea/Takitimu* (the Lower North Island excluding Wellington) area.

However, the Māori population is far younger than the New Zealand population overall. As a result, the percentage of under-15s who are Māori in each of New Zealand's regions is much higher than the share of Māori overall. In Gisborne, which has the highest concentration of Māori (nearly 50% of all residents), 65% of under-15s are Māori. Even in Otago, where just 7.4% of all residents are Māori, 14% of under-15s are Māori.

When we consider the composition of the Māori population by

age group compared with all New Zealanders, the differences are clear. Just 2.1% of New Zealand's population was aged under 15 at the 2013 census, but 34% of Māori were under 15. At the other end of the spectrum, 14% of all New Zealanders were 65 or older, compared to just 5.3% of Māori. This is in part due to poorer health outcomes for Māori, meaning shorter lifespans, but is also the mathematical result of a rapidly growing population with lots of young people.

Statistics New Zealand's middle-of-the-road population projections estimate that the share of the population identifying as Māori will rise to 19.5% by 2038, given the younger age profile of Māori and higher birth rates.

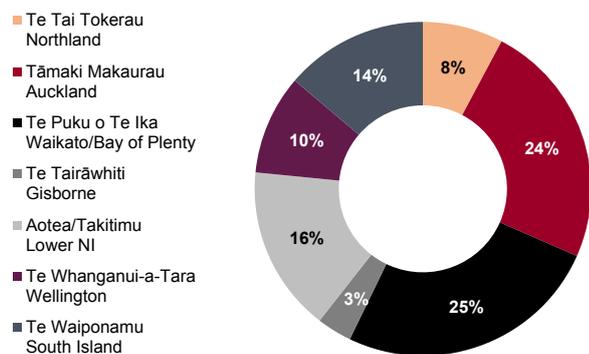
This means that in years to come, Māori will provide a far larger share of the working age population, and the Māori share of the overall population is expected to rise sharply. This presents a huge opportunity as well as challenges. Māori will play a more active role in the workforce with the earning potential that offers, but as a nation we will need to ensure training is provided for the jobs of the future, which will increasingly be in service industries.

Current skills mix is skewed away from future jobs

At present, Māori are under-represented in the higher-end services sector. In the employment concentration chart overleaf, a score below 1.0 means Māori are less likely to be employed in a particular sector as New Zealanders overall (i.e. under-represented). A score above 1.0 suggests that they are over-represented.

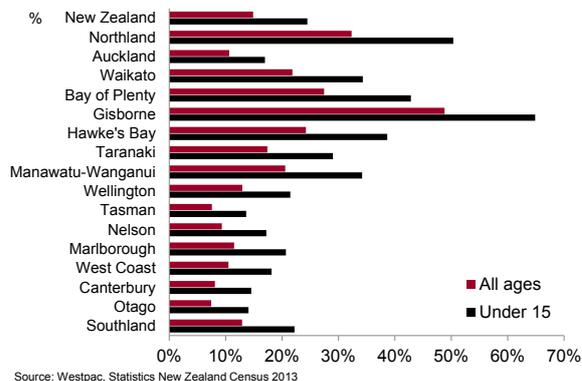
Māori account for a larger share of agriculture, mining, manufacturing, utilities and construction workers than their share of the labour force would suggest. But they are not as well represented in retail, ICT, finance and insurance, property services, and professional services. ICT and professional services in particular are high growth areas, offering relatively well-paid jobs to skilled workers, and thus a major opportunity exists for Māori who are able to enter these industries.

The largest Māori populations



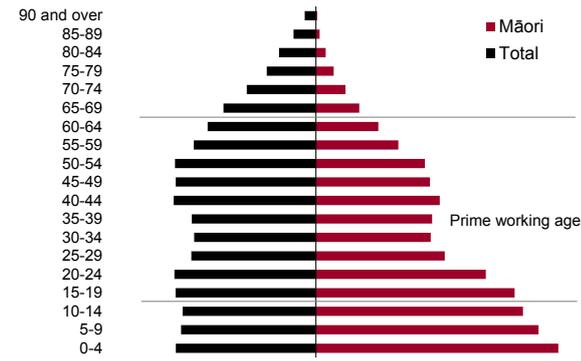
Source: Westpac, Statistics New Zealand Census 2013

Share of population, all ages and under 15



Source: Westpac, Statistics New Zealand Census 2013

Population structure, Māori and total



Outside of mining and utilities (which employ small numbers of workers), the best incomes are in finance and insurance, government, and ICT. The median hourly wage in New Zealand in 2015 was \$22.92, but median earnings in finance and insurance are as high as \$30.69, or 34% higher. Earnings in ICT are 21% higher than the overall median wage. There would be substantial economic benefits for Māori from increased representation in these industries.

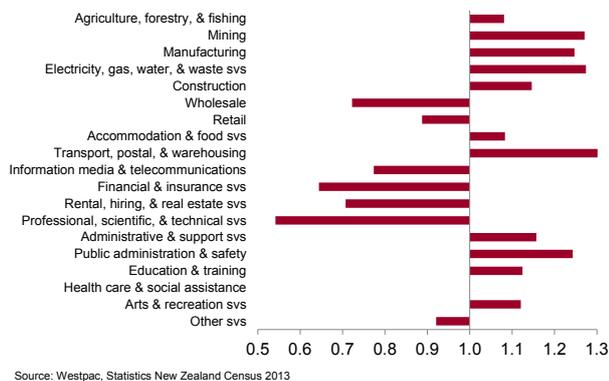
Earnings are lower than the national average

Partly because of the mix of industries in which Māori workers are employed, personal incomes for Māori are lower than for New Zealanders as a whole. Most notably, the proportion of working-age Māori on very low incomes (under \$5,000 a year) is higher than for all New Zealanders, and the proportion on incomes above \$50,000 is lower.

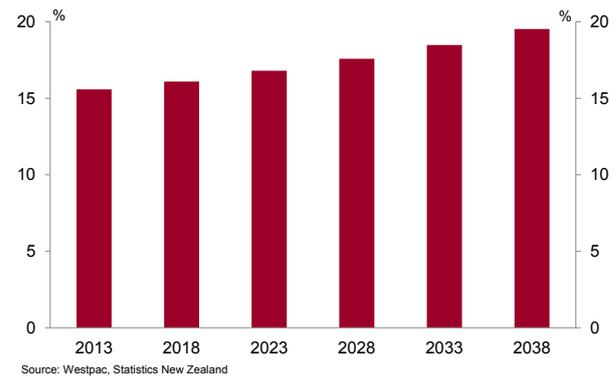
A further factor resulting in low personal incomes is the higher unemployment rate among Māori. In recent years, the Māori unemployment rate has averaged around double the national average. As at June 2016, the unemployment rate for Māori was 11%, compared to 4.9% for all New Zealanders in seasonally-unadjusted figures.

Much of the widening gap (currently 6.2 percentage points when four-quarter averages are compared) between Māori and New Zealand rates overall came directly from the fallout of the Global Financial Crisis (GFC). The GFC primarily hit industries in which Māori were over-represented – manufacturing, construction and

Industry employment concentration, 2013



Māori share of New Zealand population



tourism. As a result, unemployment rates rose faster than for other New Zealanders.

Since the New Zealand economy returned to a more even keel, unemployment rates have come down. From a four-quarter average peak of 6.4%, overall unemployment rates have dipped to around 5.2%. For Māori, the rate has fallen from 13.8% to 11.4% today. Still, these rates are far higher than the lows of around 8% among Māori seen before the GFC hit.

Strengthening levels of education enrolment

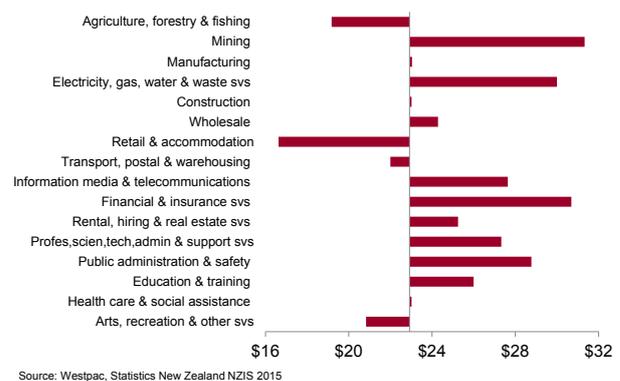
As of the 2013 census, 66% of Māori had a Level 1 or higher qualification. This compared to 72% of all New Zealanders having qualifications of Level 1 or above. This gap appears to be closing.

Even adjusting for the fact that the Māori population is younger (and therefore more likely to be in education, all else held equal), current rates of participation in education are higher than for non-Māori.

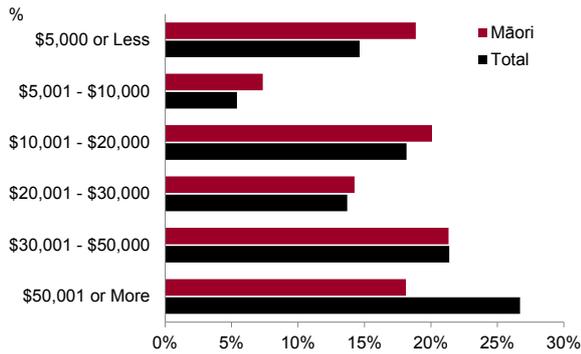
Age-standardised participation rates for Māori are around 7% in Level 1 to 3 certificates, 5.4% in Level 4 to 7 certificates, and 3.1% in Bachelor's degrees. Participation rates in the lower-level certificate programmes are much higher than for the New Zealand population overall, and participation in Bachelor's degrees is approaching that of all New Zealanders.

Several sector leaders commented on the fact that most Māori qualifications are at the lower end; while a large proportion of Māori are in education, they tend to be at the lower end of the

Median hourly earnings by industry, 2015



Personal income bands, Māori and total, 2013



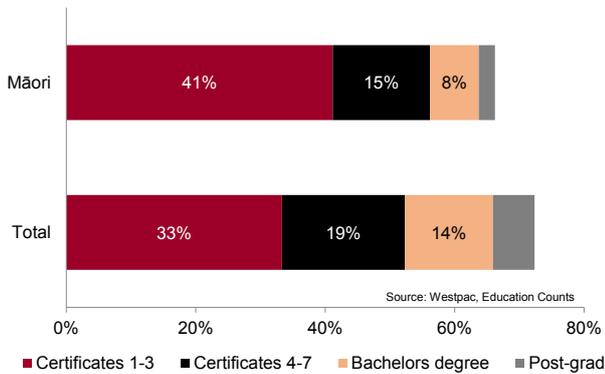
Source: Westpac, Statistics New Zealand Census 2013

spectrum and staircasing into higher-end qualifications is limited. But there have been recent rises in the proportion of Māori in Bachelor's degrees and higher level qualifications, even while participation rates remain flat for the rest of the population.

One challenge for Māori in undertaking higher level study is the result of where they live. With large populations in Northland, Bay of Plenty and Gisborne, where there are no universities, Māori are inevitably going to gravitate toward polytechs and wānanga, which tend to have more complete coverage across New Zealand, but which may offer a more limited number of courses.

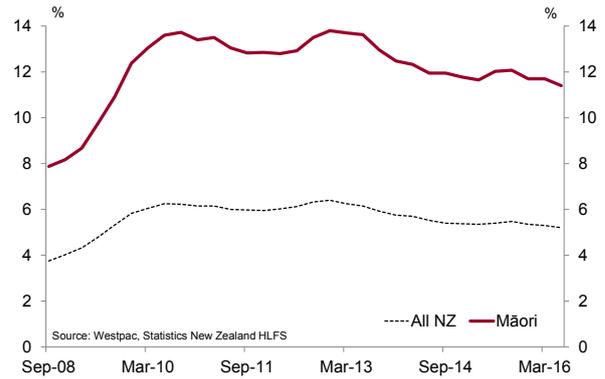
The bulk of Māori tertiary students study at polytechs and Institutes of Technology, as well as wānanga. Universities account for around one-fifth of Māori students, as do private training establishments (PTEs).

Qualifications among over-15s, 2013



Source: Westpac, Education Counts

Unemployment rate, 4-quarter running average



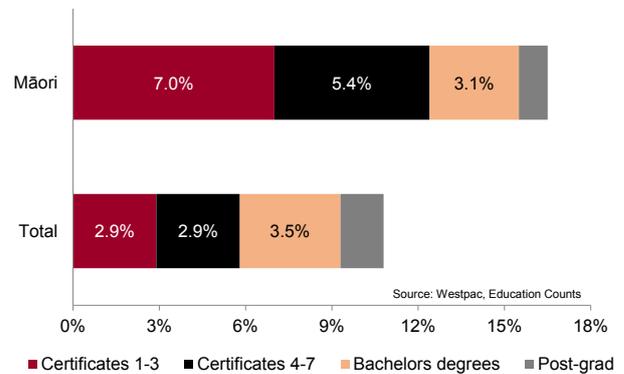
Source: Westpac, Statistics New Zealand HLFS

Where to from here?

Māori are younger and will provide a bigger share of the future workforce, but currently have lower skills and incomes than New Zealanders overall. The opportunity is for Māori to be staircased into higher-level qualifications, to provide links from education to jobs, and to enter the higher-paying jobs of the future to increase individual financial success.

We explore these opportunities in greater detail in the chapters on growing the future workforce, maximising economic value from collectives, and building stronger SMEs.

Share of population participating in tertiary education, age-standardised, 2015



Source: Westpac, Education Counts

Land and other assets

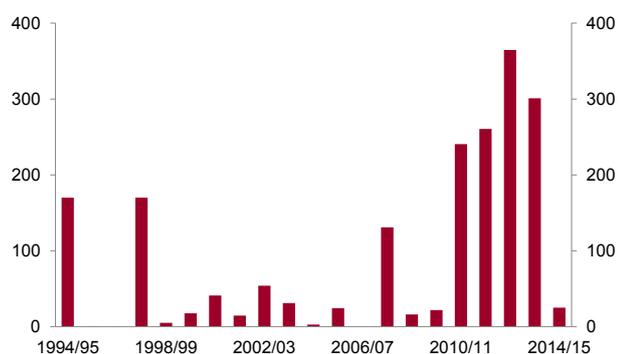
- Many sector leaders emphasised the importance of the land and water to Māori, who see these as *taonga*, or treasures to be protected. Māori see themselves as *kaitiaki* (or guardians) of this *taonga*.
- Partly as a result of the Treaty of Waitangi settlements process restoring land ownership to Māori, they have significant land holdings of 14,200 km².
- Financial redress for confiscation of land is thus far valued at around \$1.9 billion, while the Māori business asset base is estimated at about 6.1% of New Zealand's asset base, or \$42.6 billion in 2013, 70% of which is held privately rather than through collectives.
- The opportunity arising for Māori, both collectively and as individual business owners and employees, is to maximise economic returns on these assets.

Treaty of Waitangi redress

Beginning with the allocation of fisheries quotas in 1992/93, the Waitangi Tribunal treaty settlement process has sought to redress some of the harm associated with, among other things, confiscation of Māori land after the Treaty of Waitangi. Since the 1990s, individual iwi, and sometimes iwi collectives, have entered negotiations with the Crown, seeking cultural and financial redress.

Settlement values (in nominal dollars) total approximately \$1.9 billion, according to the Office of Treaty Settlements, excluding the \$170 million in fishing quotas apportioned prior to the Waikato-Tainui Raupatu settlement of 1994/5.

Treaty settlements, financial redress



Source: Westpac, Office of Treaty Settlements

Some of the largest financial settlements have been with Waikato-Tainui Raupatu (\$170 million), Ngāi Tahu (\$170 million),

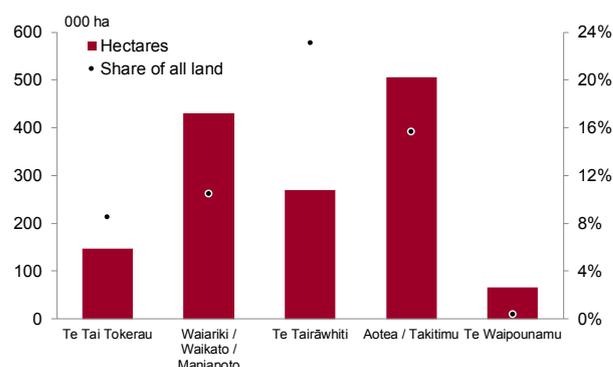
¹ This asset value comprises assets owned by Māori businesses and collectives.

Ngāi Tūhoe (\$169 million), Ngāti Porou (\$90 million) and Te Āti Awa (\$87 million). In recent years, the scale and regularity of settlements has increased as the Crown looks to complete the process. Two-thirds of settlement value (in nominal terms) was agreed in the five years from 2010 to 2015.

Collective Māori land holdings

The Māori Land Court keeps records of Māori freehold land holdings. As of 2015, it estimates that Māori freehold land covers approximately 1.42 million hectares, or 14,200 km². This land is held in more than 27,000 titles, for an average of 52 hectares per title.

Māori freehold land holdings



Source: Westpac, Māori Land Court

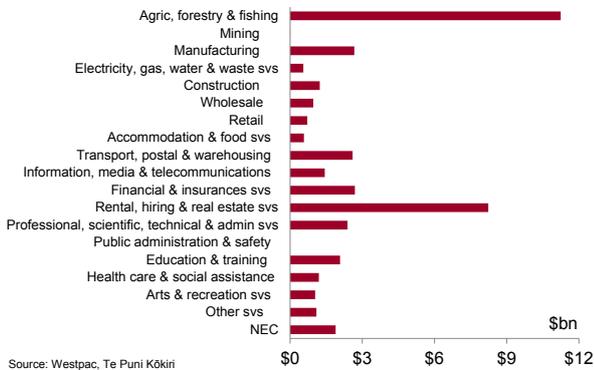
The largest share of land holdings is in *Aotea / Tākitimu* (Lower North Island), with more than 500 thousand hectares, which equates to one-sixth of all land in the area. In percentage terms, the largest holdings are in *Te Tairāwhiti* (East Coast of the North Island), where 23% is held as Māori freehold land. The South Island, where Māori are just 3% of the population, has a relatively small land holding.

The Māori asset base

In 2013, Te Puni Kōkiri (the Ministry of Māori Development or TPK) estimated the size of the Māori economy at \$42.6 billion, or 6.1% of the New Zealand total.¹ This asset base is spread across Māori trusts and incorporations, Māori employers, and Māori self-employed workers. The study pointed out that the Māori asset base is spread across a number of industries as one would expect given Māori play a role across the economy. Still, some of the highest asset concentrations were in agriculture, forestry and fishing. The large asset value in rental, hiring and real estate services is predominantly the result of property ownership.

Of this asset base, a key point is that the vast bulk – around 70% – is held by Māori who are employers or are self-employed, with only 30% held by collectives.

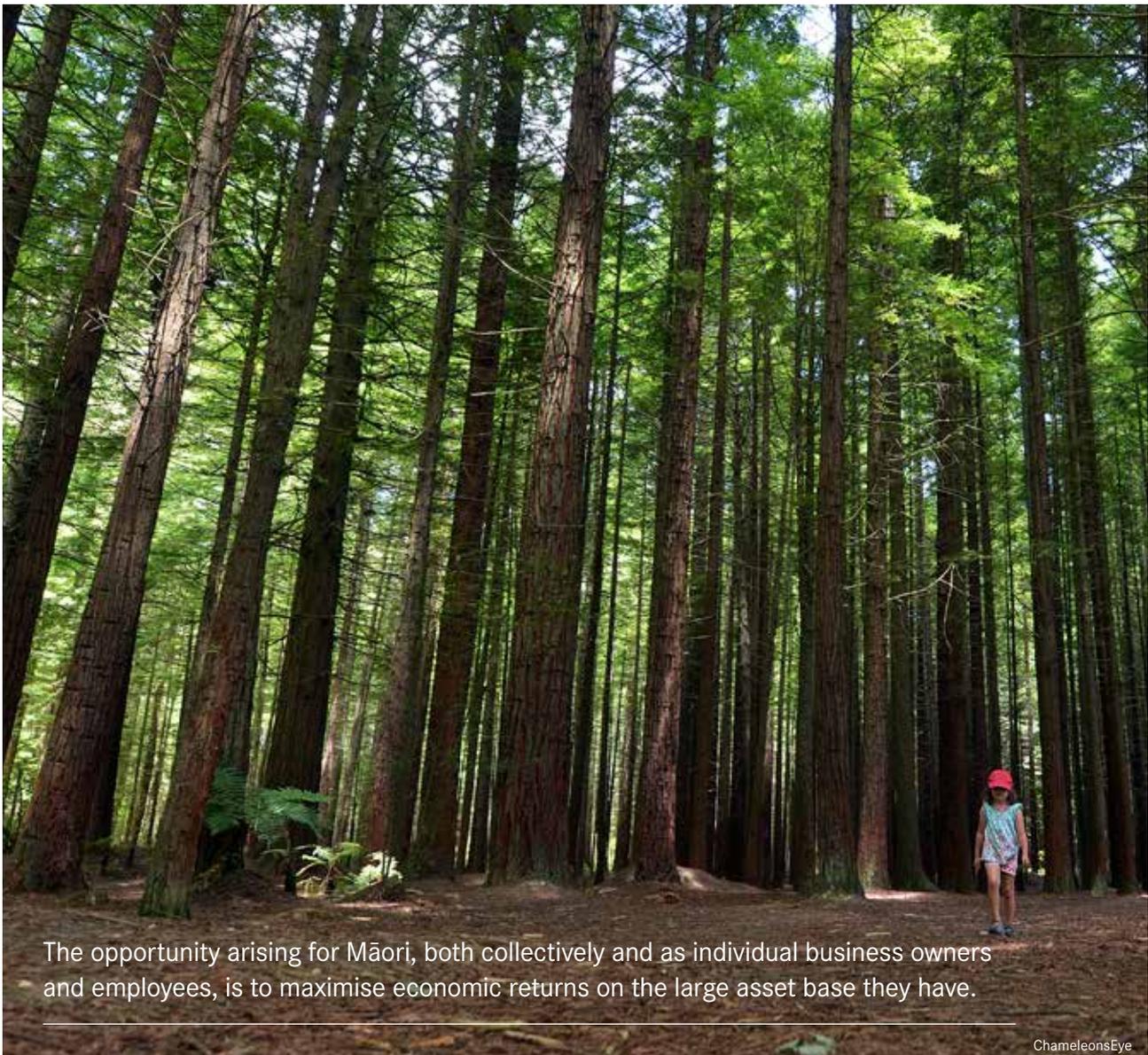
Māori asset base, 2013\$bn



The same TPK report estimated that GDP generated by Māori that year was approximately \$11 billion, or 5.6% of national GDP. Compared to the 6.1% share of assets held by Māori, this implies a roughly proportionate level of return on assets by Māori asset owners as for the economy overall.

Where to from here?

The estimate of the Māori asset base is well-known. Many sector leaders we spoke to could quote its approximate dollar value as per the TPK report. But the opportunity that presents itself is to maximise economic returns from these assets. As several sector leaders pointed out, economic returns in the purest sense mean not only financial returns on investment, but also opportunities to develop human capital while providing the cultural, social and environmental benefits that Māori derive particularly from their association with the land. Māori tend to view economic development from the perspective of how it benefits the collective group rather than one individual. We explore these opportunities in greater detail in the following three chapters.



The opportunity arising for Māori, both collectively and as individual business owners and employees, is to maximise economic returns on the large asset base they have.

ChameleonsEye

Opportunity One:

Growing the future workforce

- Māori will form a bigger share of the future workforce than they do today.
- Many future jobs will be in well-paid ICT, services, trades and engineering roles, presenting a huge opportunity for Māori economic well-being.
- But many Māori today don't have the finances or exposure to career opportunities that many other New Zealanders have, and are often first in the family to tertiary study.
- Technology makes it easier for students of different levels and geographic locations to access education, especially in ICT, helping to overcome some of these limitations.
- Role models from within the Māori community and other ways of inspiring Māori students about future work opportunities will help close the education and employment gap.
- New Zealand businesses need to better appreciate the importance of Māori as part of an innovative, diverse workforce. Internships and graduate programmes will help businesses learn about and appreciate Māori students, while giving students practical experience of the workplace.

Māori are younger and will provide a bigger share of the future workforce, but currently have lower skills and incomes. Whether they are to be employees, self-employed, or employers, and to work in the private, public or Māori collective sectors, Māori will need the skills to work in collectives, or in small and medium enterprises (SMEs) in the future world of work.

This is not a challenge unique to Māori. However, as many sector leaders pointed out, the over-representation of Māori in lower income neighbourhoods and schools means the gap between current and required education and skills levels is larger for Māori than for many New Zealanders.

Discussions with sector leaders yielded a number of insights as to the challenges to overcome, and how we might go about this, to ensure Māori are ready and able to fill the jobs of the future.

Increasing variety and awareness of subject and career options

Sector leaders pointed out that because many Māori don't have the same financial resources as some other New Zealanders, many come from lower decile schools, where certain subjects like accounting, ICT or economics are less likely to be taught. As a result, they have little knowledge of some subjects within the services world, making them less likely to study these subjects.

However, much of the growth in jobs in future will likely be in higher-end services, and this report has already pointed out the earnings premium in financial services and ICT for instance. These types of jobs often require higher-level formal education although ICT in particular is one area where the requirement for a degree education is being hotly debated, a topic we return to later.

There are at least two ways in which sector leaders are working to overcome the gap in awareness and access to different career options although a lot remains to be done:

- **Introducing role models** of success at school, university and employment level: Students need to see examples of people who had a similar start in life to them, who have been successful at school, university, or in the workplace. An opportunity exists for corporates, Māori collectives, tertiary providers and individual Māori to take a more active role in schools and tertiary education environments to introduce role models, and to help students understand how these role models got to where they are today.

Role models, education providers and businesses need to help Māori students understand the wide range of career options.

- **Bridging gaps in aspirations and transition:** Strongly tied to the need for role models, several sector leaders suggested that because many Māori are not aware of what employment opportunities are available, they don't have the aspiration to pursue careers in certain fields. Beyond awareness, many students don't have the support in choosing a career direction or understanding the pathway to tertiary study and employment success. Helping Māori students understand the wide range of career options open to them requires input from education providers, role models within the Māori community, corporates and Māori collectives.

Boosting success at secondary and tertiary level

This report has already highlighted signs that Māori are increasingly participating in higher level study. Between 2008 and 2015, the proportion of Māori studying Bachelor's degrees or more advanced qualifications increased from 3.5% to 4.1% while for New Zealanders overall it remained flat at 5%. But there is still a gap to close.

Sector leaders highlighted a number of ways to raise the proportion of Māori succeeding at higher level qualifications, some of which are already at least partly in train.

- **Staircasing pathways into higher level qualifications and employment:** Linked to the need to boost awareness of career options at the school level, clear pathways into tertiary study

and into employment are needed. This includes schools, Māori collectives and tertiary providers working together to ensure school students are better-prepared for entry into tertiary study. It also includes employers working with tertiary providers on internships and graduate programmes to ensure that students are well-prepared for the transition into the workplace.

- **Providing guidance and academic support:** Māori students are more likely to be first to tertiary study in their families than many other New Zealanders. As a result, they are less likely to have family or friends who can advise them on what subjects to take, or how to approach assignments. Thus the right guidance and academic support is essential. Some tertiary education providers are better at this than others, but this support is crucial in helping all learners (including the large number of Māori) who come from learning environments where they are less likely to have the support required to succeed.
- **Customising student interaction and guidance using targeted student data:** Technology is making it far easier to keep accurate records on every student at primary, secondary and tertiary level. This data could be better evaluated to identify learning challenges for individual students in a timely manner. This would require a simple-to-use technology solution, and may require oversight from the Ministry of Education rather than individual schools adopting their own approach. A national system like this would allow teaching and guidance staff to take action earlier to provide the necessary support. This could massively improve learning outcomes and the likelihood of students going on to tertiary study and successful careers.
- **Making teaching interactive and hands-on:** There has been a big drive to improve how students are taught to ensure it is more hands-on, particularly at the secondary level in recent years. However, some sector leaders believed that tertiary institutions in particular had not taken a sufficiently vocational and interactive approach to learning and to working with businesses to help students get real world experience before completing their education. Huge opportunities exist in trades and ICT, for instance, but will be best served by a hands-on education approach being adopted at primary, secondary and tertiary levels.
- **Mirroring students more closely:** Along the same lines as comments by several sector leaders that role models need to come from the Māori community, was the view that often secondary and tertiary level teaching staff were not Māori, making it harder for students and teachers to identify with each other. The education shortfall among Māori means there is no quick way to fix this. But as Māori qualification levels rise, sector leaders thought a natural benefit would be teaching staff that could be role models for Māori and also provide advice and teaching support from a Māori perspective.

Transitioning from education to work

Previous points have already touched upon the need for clearer pathways from study to work and in particular, career options. Related to this, many sector leaders emphasised the importance of having a concrete plan in place to help all students, but particularly those moving into careers very different from what their parents may have done.

A number of sector leaders indicated that many Māori who earned higher-level qualifications ended up working in the not-for-profit

sector, perhaps after spending some time at large corporates, as they felt they did not fit the culture at the corporates or that their cultural values aligned better with the not-for-profit sector. This suggests that perhaps some corporates are not valuing the different views that a more diverse workforce brings to a business.

There are at least two ways in which tertiary institutions and businesses can work together to make the transition into work more straightforward, while reaping the benefits of a more diverse workforce.

- **Growing internship programmes:** Some tertiary education providers already have internships as a mandatory part of their training programme. These need to be encouraged, but will only be successful if the right type and quantity of businesses open their doors to support these programmes. In addition to the valuable real-world work experience this would offer students, it would expose businesses more to Māori students, allowing them to see the value they can add to the organisation. A successful internship programme may lead directly to an employment offer, reducing recruitment costs and uncertainty about new hires, so there are clear benefits to the business as well. Sector leaders would like to see more businesses across the spectrum taking the lead on these programmes.

Businesses across the economy need to cultivate an appreciation of the values and diverse thinking that Māori can bring to their businesses.

- **Growing graduate and cadetship programmes:** Similarly, a shift in view among businesses such that they place more value on differing views and approaches needs to be further cultivated. Bias, unconscious or otherwise, whereby Māori are seen as different and not a “good fit” remains. This needs to be overcome, and an opportunity exists for corporates to take the lead in actively recruiting a diverse range of people including Māori graduates and Māori for cadetship programmes.

Matching curricula and career paths with future jobs

A final area that sector leaders highlighted in terms of training workers, including Māori, for future jobs, was the need for school and tertiary curricula to better match the jobs of the future. In the specific case of Māori, who will form a bigger share of that workforce, this means teaching in a way that takes advantage of Māori perspectives. It also means using technology to remove the tyranny of distance given that Māori are more likely to live in rural areas that are less accessible, such as the East Coast or Far North, than New Zealanders overall.

Several specific actions that are beginning to be taken, but that need to be built upon, were highlighted.

- **Making teaching interactive and hands-on:** This has already been highlighted, but was also raised in the context of training students the right way for future jobs. Several sector leaders commented that Māori are tactile, practical learners. The teaching environment at primary, secondary and tertiary level needs to acknowledge this, and increasingly will need to change in this way anyway, given the types of jobs we expect to see emerge in years to come.

- **Using technology as a means and an end:** Technology has made it easier for businesses to operate from any number of locations around New Zealand and the world. Similarly, technology opens the door to education and work possibilities in parts of New Zealand that previously offered few opportunities. Some Māori collectives have already seen the value of this and have begun to develop tech hubs far from major urban centres or universities, such as the one in the Ruapehu District. But the rise of ICT opportunities abounds for all New Zealanders, including Māori, and the technology available would allow Māori to “leapfrog” up the education chain to take a leading role in New Zealand’s growing ICT sector. A lot more needs to be done in this area.

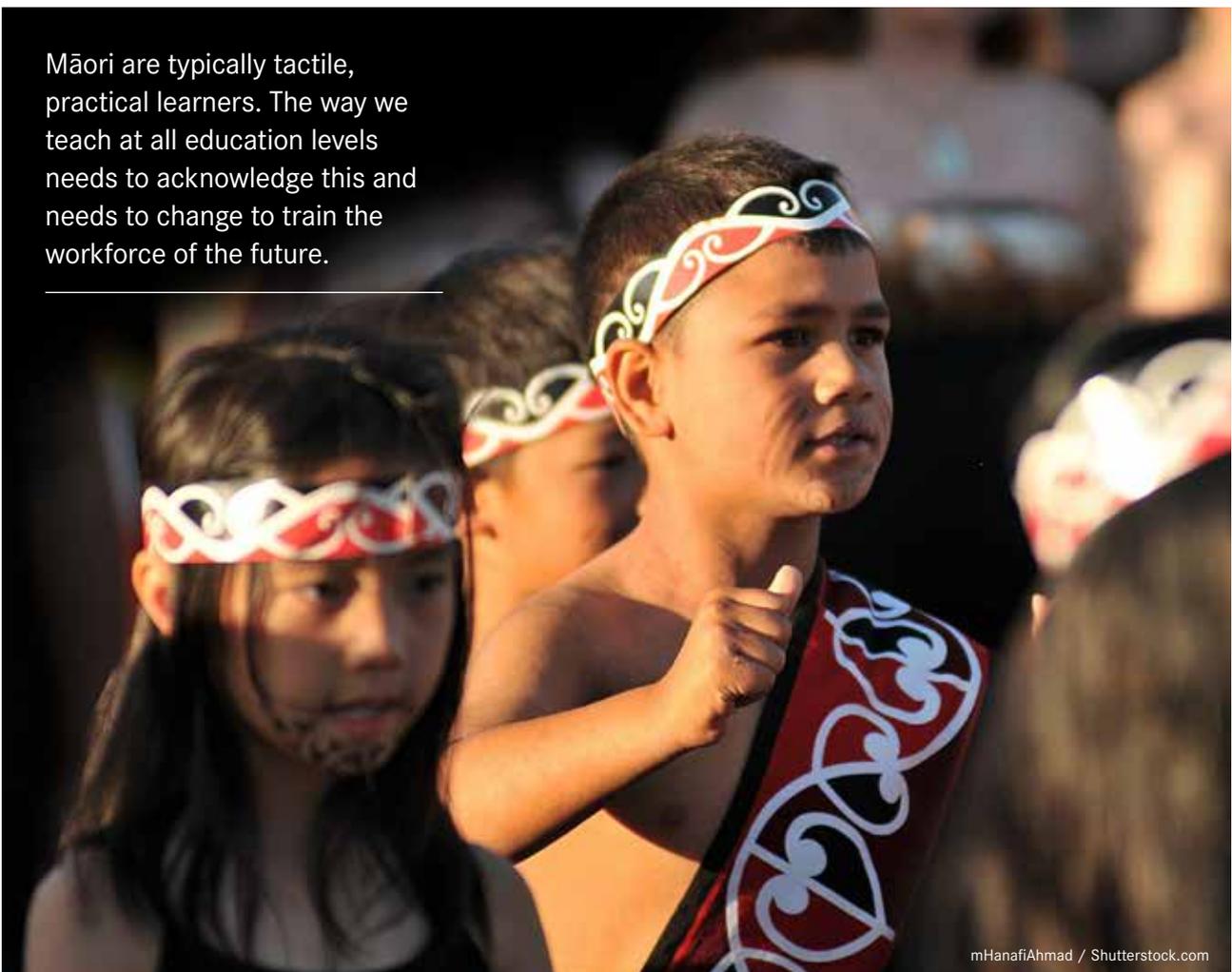
Many companies, particularly in ICT and technology consulting, are beginning to evaluate workers based on aptitude tests and a portfolio of projects rather than on a university education. Thus, while more Māori with university education in the professions are required, opportunities for high-paying jobs may exist even without that level of education, as long as practical, hands-on training is provided. This training needs to begin at school level, however, and not wait until tertiary level.

A specific example of opportunities within ICT was highlighted

in Westpac’s recent Industry Insights report on the Media and ICT sector.² Forbes estimates that an additional five million cyber-security jobs will be required over the next three years worldwide. New Zealand currently has one specialist cyber-security programme that trains around 30 students a year. Māori collectives, corporates and education providers could work together to provide training for hundreds of Māori students in a sector that pays well and allows people to work from near their homes, staying in the communities to which they have strong ties.

- **Growing trades, engineering, and business skills:** Many sector leaders emphasised the current shortfall of Māori with business, engineering, management and higher-level trade skills. New Zealand is in the midst of a construction boom, with a resultant trades and engineering shortfall that is expected to last a decade or more as we build housing and work spaces for a rapidly growing population. And as the following chapter highlights, governance, management and commercial skills are essential for successful governance of Māori collectives. The challenge for schools, guidance counsellors, tertiary providers and Māori leaders is to clarify that these are opportunities available to Māori, and to provide the pathways into these jobs of the future.

Māori are typically tactile, practical learners. The way we teach at all education levels needs to acknowledge this and needs to change to train the workforce of the future.



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² See <http://www.westpac.co.nz/assets/Business/Economic-Updates/2016/Bulletins-2016/Industry-Insights-Media-and-ICT-May-2016.pdf>

Opportunity Two:

Maximising economic value from collectives

- With an asset base worth \$12 billion, Māori collectives have an opportunity to maximise well-being through better financial, social, cultural and environmental outcomes for Māori.
- The potential economic benefits for Māori from collectives using their unique position are large. Changing world views of the value of stewardship and provenance of natural resources align well with Māori cultural values, and the ability to move up the value chain that comes with scale is significant.
- To some extent, the ability of collectives to do this is hindered by fragmented land ownership, restrictive covenants and the associated challenge of accessing capital.
- Boosting the economic returns from collectives will require an evaluation of the best uses of land, increased governance and management capability on collective boards, and more collaboration among collectives.

Māori have significant collective land and financial holdings, raising the question of how these assets can be used to maximise economic returns. Sector leaders emphasised the point that for Māori, economic returns are about far more than the individual. Individual success is part of ensuring collective success in the purest economic sense – maximising well-being through better financial, social, cultural and environmental outcomes. Another way to put this is that economic development is a means to an end and any attempt to monetise benefits from Māori land needs to acknowledge that there is intrinsic economic utility in connection to the land as well as in profiting from it.

Many of the opportunities for Māori to maximise economic benefits will stem from individual collectives looking to the needs of their people, and through collectives collaborating together for scale and to pool leadership and experience. Achieving the best economic outcomes at the collective and grouped collective level is founded on a number of factors. Some of these have been pointed out in other reports, such as the Office of the Attorney General's (OAG) report on Māori land, published as early as 2004.³

Overcoming fragmented land ownership, covenants and access to capital

Individual clusters of titled Māori land tend to be owned by large numbers of people. As part-owners of the land die, and their land passes on to their descendants, the number of owners of the land increases, further fragmenting ownership of the land.

This ever-growing number of owners carries challenges:

- It hugely increases the administrative costs for owners of Māori land because of the work that goes into maintaining an accurate register of owners.
- It makes decision-making on how to use the land for the benefit of all its owners more difficult.

Some argue that this latter point shouldn't be the case. Typically, Māori trust boards oversee the iwi's assets. Trustees should not need to get the individual approval of the thousands of part-owners in many cases to decide on the use of the land. But others argue that for Māori, getting that direct input from land owners is particularly important, and thus boards can be slow to act because they are trying to ensure that the majority of owners are consulted and approve of the recommended land use.

Other sector leaders suggest that sometimes boards prefer to get the input of the part-owners of the land because they don't have the confidence to take decisive action on use of the land. This scenario comes back to the challenge of the large number of boards, and at times a lack of sufficient capability of board members to make the business decisions required.

As it is, the law, including the Te Ture Whenua Māori Bill introduced in April 2016, requires 75% of land owners to agree to significant changes in ownership or use of land, a particularly high threshold in the eyes of many.⁴

Even when fragmented ownership challenges can be addressed, legal restrictions on how Māori land can be used pose further problems. For instance, Māori land cannot be used as collateral that can be forfeited in payment of liabilities. This can deter financial institutions from providing the capital needed to develop land as these funders effectively have no access to assets in the event that the land owners are unable to repay their debt. This affects collectives who received settlements consisting predominantly of land more than recent settlements that have had a higher proportion of cash.

Sector leaders also cited settlement provisions that limited what could be done with land, or whether it could be sold to purchase other assets or fund development, for instance, as artificial hindrances to development. Some went so far as to call it paternalistic that such limits were put in place as to how Māori could use their land.

The challenge of fragmented land ownership and restrictive covenants may require legislative and other reform. The legal framework as well as the governance models of individual collectives need to balance the need to protect the interests of multiple owners with the need for the collective's leaders to make decisions in the interests of achieving the best outcomes for the people they represent.

³ See <http://www.oag.govt.nz/2004/maori-land-court/docs/maori-land-court.pdf>

⁴ See file: <http://www.legislation.govt.nz/bill/government/2016/0126/26.0/whole.html>

Evaluating quality and development potential of Māori land

The OAG also estimated that 600,000 hectares of Māori Land (40%) are under-developed, and that 80% of Māori Land is in the poorer quality land classes, seen from a primary production perspective. Further, some parcels are landlocked, creating access challenges. Thus while Māori may own a large proportion of land in some parts of the country, its usability from an economic development perspective may be limited at times by lack of scale, access and development potential.

Sector leaders highlighted ways that collectives could work to maximise economic outcomes from land they hold.

- **Determining best use of the land:** The current use of the land – typically forestry, dairy or other primary production – may not be maximising the potential of the land. Te Tumu Paeroa (the Māori Trustee) has an ongoing model development project that aims to help owners of the 100,000 hectares of Māori land it administers better understand how their land could be used to boost economic returns. But this is around 1/14th of Māori collectively-owned land, suggesting there is a lot of scope to further develop models so owners of Māori land can evaluate potential land uses.

We need to understand the best economic use of specific parcels of Māori land.

- **Innovating with land use:** Closely tied to considering the best use of the land, is the opportunity to use land in ways not previously considered. Māori land assets have typically been used in primary production, and for the foreseeable future will play a big role in forestry, farming and aquaculture. However, some sector leaders suggested collectives need to look at other potential uses of land, particularly where proximity to urban centres allows non-primary production uses of land.

Growing governance and management capability

Sector leaders almost all echoed the point that Māori collective boards typically include people who are passionate about protecting the land and other assets that the collective owns, but sometimes lack the governance and management capability to make the best economic decisions. There is also an emphasis on geographic representation for iwi with a large land base, which means that boards can be large or that places at the table for people with specialist skills may be limited.

Because Māori are not as well-represented in terms of commercial and governance education and experience, populating boards with suitably qualified people is a challenge. As a result, often the same group of people are involved on multiple boards. This is not necessarily a weakness; it may well support opportunities for collaboration between collectives, a point covered later. However, the lack of a larger pool of people with the right skills acts as a handbrake on maximising economic returns from the collective asset base.

Collectives determined to adopt best practice management and governance models are forced to look to non-Māori candidates because of the limited pool of suitably qualified Māori, but this has its own challenges. Finding candidates with good management

and governance skills and who are still committed to Māori values and aspirations is hard.

There are encouraging signs. The pool of suitably qualified and experienced Māori leaders is growing rapidly. Some sector leaders held the view that it was simply a matter of time. Some of the most successful iwi, such as Ngāi Tahu and Waikato-Tainui, were among the first to settle with the Crown, meaning they had had 20 years to develop and grow management and governance capability. And with the growth in the number of Māori now achieving higher qualifications, there would certainly be even more capable people in future to fill leadership roles from among Māori.

A further challenge of limited governance experience is strong risk-aversion. Boards generally have a strong sense of the need to protect Māori assets as stewards of those assets. Some sector leaders suggested that this can result in particularly conservative investment strategies, which reduces the potential return on assets. Skilled people who are able to evaluate risks and manage risk across a portfolio are needed to improve economic returns while protecting the asset base.

Sector leaders pointed to a number of ways that help grow good management and governance capability, particularly at the board level.

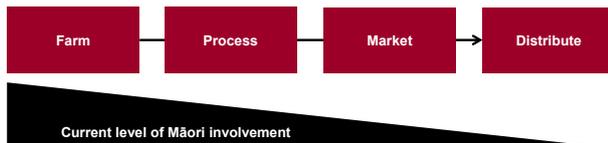
- **Representing the collective's demographics:** Boards tend to reflect the geographic coverage of the iwi represented, but some sector leaders suggested that they needed to better represent the age, education level and more urbanised demographics of many iwi today. One sector leader pointed out that it was ironic that Māori were having land returned to them largely in rural areas, growing asset bases there, at a time when Māori were ever more likely to be living in urban areas. This could exacerbate the gap between boards that tended to be predominantly people who lived in the area where the land holdings were, and the younger members of the iwi who had moved to urban centres. Māori collectives need to work with their shareholders to ensure that boards are more representative of the skills required and the people they represent.
- **Creating independence:** A further challenge of current governance models was independence of decision-making. Because boards tended to have representatives with local interests at heart across the land base of the collective, they tended to focus on the specific interests of their local area rather than what might benefit the collective more broadly. Several sector leaders thought it would be a good idea for collectives to actively look to include more independent board members.
- **Learning from others:** Some collectives are a lot further down the management and governance track than others. This creates opportunities for iwi currently or recently finalising the settlements process to engage with other collectives who have been successful for advice and guidance on the appropriate governance structures and management approaches.
- **Growing capability:** Many collectives are already supporting promising students through tertiary education. This should be continued and promoted, as it allows the development of capability within the iwi and for those skills to be applied to the management of governance of the collective's assets in years to come.

Collaborating together

The topic of collaboration among collectives came up repeatedly in discussions with sector leaders. Working together was seen as crucial to create the scale required, to learn from each other, and to be seen as a collective force for improving economic outcomes for Māori.

One sector leader highlighted the opportunities presented by scale as being able to move from farming and processing to marketing and distributing, thus being able to capture the full value chain.

Capturing value across the supply chain



Māori are already major players in “farming” – whether that be dairy, sheep and beef, aquaculture or forestry. They play a significant, but smaller, role in processing of primary products. However, at the higher end of the value chain – marketing and distribution – Māori tend to be quite under-represented. This challenge could only be overcome with substantial investment, which would likely need to come from collectives working together.

Other benefits of greater collaboration among collectives included:

- **Exercising the right of first refusal:** Many treaty settlements include options for collectives to exercise the right of first refusal should specific assets be put up for sale. Where insufficient capital prevented the collective with right of first refusal from exercising that right, they could partner with one or more other collectives to purchase the asset in question, potentially opening up a number of other development opportunities.
- **Emphasising mana and Māori values:** Changing views around the world with regard to stewardship and provenance of natural resources are increasingly aligned with Māori cultural, social and environmental values. This presents huge opportunities for Māori to work together to both influence views of the wider business community and to benefit their people through uniquely Māori business opportunities.

Within this, provenance was an emerging opportunity that came up repeatedly in discussions. Consumers across the globe are more interested in where products came from, how they were grown or made, working conditions of workers and sustainability of business models. Māori collectives are well-placed to take advantage of this export opportunity given how it fits with their cultural values.



Changing views around the world with regard to stewardship and provenance of natural resources are increasingly aligned with Māori cultural, social and environmental values. This presents an immense opportunity for collectives.

Opportunity Three: Building stronger SMEs

- Māori collectives account for around 30% of the Māori asset base, but the bulk of Māori assets and incomes are in the hands of Māori employers and self-employed, most of which are SMEs.
- The potential for these businesses to grow, providing economic benefits at the household, whanau and community level is huge.
- Ways to measure success, to mentor and provide connections for Māori SMEs are key.

Sector leaders were split on their views as to whether collectives or Māori-owned businesses in the wider economy offered the greatest opportunities for growth. The potential for collectives has already been discussed, while factors that are crucial to success of Māori SMEs are discussed in this chapter.

Visualising success

Several sector leaders suggested that more could be done to help identify what success for Māori businesses looks like.

- **Measuring success:** Little information is available on how Māori businesses fared relative to businesses in the same industries run by other New Zealanders. There was also currently no empirical way to track which businesses were succeeding and on which metrics those successful businesses differed from others. This made it difficult to identify key indicators of success and to replicate them across businesses.
- **Profiling success:** At the same time, many felt that in recent years a lot had been done to profile successful Māori businesses and business people, to provide role models and ideas that others could replicate for success. Sector leaders felt even more could be done to tell the stories of success and provide insights to other Māori businesses about how to get where they want to go.

Mentoring and networking

Some sector leaders believed that Māori are at a disadvantage in knowing how to “use the system”. They suggested that there was an important role for mentoring and networking.

- **Mentoring:** Opportunities for Māori individuals or businesses to mentor new start-ups and entrepreneurs are substantial. This mentoring would include helping them to navigate the processes of establishing and growing a business.
- **Networking:** Several sector leaders mentioned the value they had gained from programmes like Te Hono Māori Bootcamps to Stanford. The programme brought together leaders to discuss and learn about opportunities for innovation and collaboration to grow their businesses and better outcomes for New Zealand. More programmes like this across sectors would provide the links Māori businesses could use to grow.

Boosting international exposure

The challenge for SMEs is always about how their small scale limits growth. For many businesses, being their own boss is about the “beach, the bach and the boat” as one sector leader put it. But for many others, their aspirations of being a bigger player may be limited by a number of factors.

Some of these have been highlighted already. Lack of scale and capital can make it hard to break into exports. A lack of networks or collaborative arrangements may also hinder access to international markets. But the changes in consumer preferences around the world – the desire for authentic, responsibly sourced products and services, offer an opportunity for Māori SMEs to grow as these preferences fit well with Māori cultural values.

At the same time, technology is making it easier for small businesses in far-flung New Zealand to access world markets. As highlighted in the chapter on growing the future workforce, the value of understanding and harnessing technology for the individual and Māori business cannot be overstated.



Mentoring, networking and understanding what makes Māori SMEs successful offers the potential to grow scale and profitability.

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