



## The Context for Maori Economic Development

Barbara Annesley

© The Treasury

## Background to Hui Taumata 2005

- Hui Taumata in 1984
- 21 years on – what's been achieved?
- Setting goals and pathways for the next 20 years
- 3 themes: people, assets & enterprises
- Hui preparing formal report (April release)

© The Treasury

## Treasury's role

- Invited by Steering Committee to prepare a background paper which
  - explains concepts and theory
  - Provides a framework
  - Provides contextual information
- Paper does not provide recommendations or proposals
- Aimed at the lay reader
- **Process:** internal reference group; several contributors; external review

© The Treasury

## What we said.....

- **Economic development**
  - Understanding, measuring
  - Role of institutions
  - Maori and NZ economic development
- **Three themes** (people, enterprises and assets)
  - Role in economic development
  - Current position of Maori
  - Key messages
- **Key considerations in developing an agenda**

© The Treasury

## Economic Development

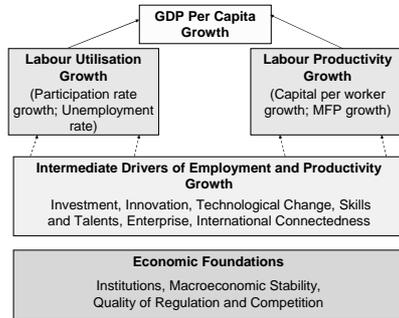
© The Treasury

## Understanding and measuring economic development

- Economic development occurs as a result of the actions of individuals
- Role of institutions (organise individual action, create incentives)
- Means for improving wellbeing. "Development as freedom" (Sen).
- Measured via growth in GDP per capita
- May need other measures of Maori economic development

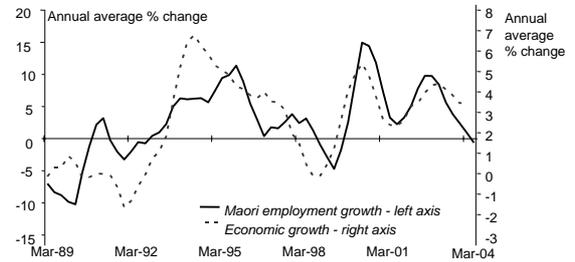
© The Treasury

## Components of economic development



© The Treasury

## Economic growth and Maori employment



© The Treasury

## Developing People

© The Treasury

## Developing people

- Focus on three key ways people contribute to economic development
  - Skills and qualifications
  - Labour force participation
  - Demographics

© The Treasury

## Developing People: Skills and Qualifications

- **Role in economic development**
  - Influence labour market participation  
*(positive relationship between qualifications, employment and earnings)*
  - Influence labour productivity  
*(key skills - entrepreneurial; managerial; technical)*
  - Other effects on wellbeing  
*(e.g. health; resilience; intergenerational effects)*

© The Treasury

## Developing People: Skills and Qualifications

- **Evidence**
  - Gap between Maori and non-Maori earnings reduces as qualifications rise
  - Returns to qualifications higher for Maori than non-Maori
- **Current Status**
  - 30% school leavers with no quals (12% overall)
  - 20% participation in tertiary education (13.4% overall)
  - Under-represented in degree-level+ tertiary ed
  - Literacy levels of those in workplace compare poorly

© The Treasury

## Developing People: Labour market participation

- **Role in economic development**
  - Labour utilisation growth one of key routes to GDP growth
  - Employment key contributor to individual economic wellbeing (income, social connectedness)
- **Evidence**
  - Individual characteristics important determinant of LF status (education; parenthood; age)
  - Institutions play key role in labour market participation (e.g. tax and benefits systems)

© The Treasury

## Developing People: Labour market participation

- **Current status**
  - Maori participation slightly lower than general popn (64% compared to 67%)
  - Lowest unemployment since 1986; still much higher than general popn (8.3% vs. 3.6%)
  - Employment growth strongest in highly skilled occupations
  - Maori wages & salaries the biggest element of Maori economic activity (\$4.2b in 1996)

© The Treasury

## Developing People: Demographics

- **Role in economic development**
  - Size of potential workforce and dependency ratio
- **Key trends for Maori over next 20 years**
  - Increase from 14% to 16% of the working age popn
  - 62% increase in the 40 - 64 age group (compared to 19% for 15-39 year olds)
  - Largest increase in 15 - 25 year olds will occur before 2011
  - Children will decrease from 37% to 30% of Maori population
  - Median age of 27 in 2021 (43 for non-Maori)

© The Treasury

## Developing People: Key messages

- Most of the difference in economic outcomes explained by factors other than ethnicity
- Technological developments are increasing the importance of skills
- Important gains made in recent years, but still outstanding areas of concern
- Need to consider stock as well as flows of HK, especially given demographics
- **Improving skills and qualifications is key to Maori economic development**

© The Treasury

## Developing Enterprises

© The Treasury

## Developing enterprises

- **Role in economic development:**
  - Increased productivity = increased goods and services = increased GDP
  - increased demand for labour can result in higher wages
- Three ways firms contribute to growth (entry and exit; expansion and contraction; **productivity gains within existing firms**)
- Seven drivers of workplace productivity (*Workplace Productivity Working Group*)

© The Treasury

## Developing enterprises: **Capital investment**

- Access to finance often identified as issue for Maori enterprises
- Recent increase in current liabilities of some Maori trusts signals improved access to finance?
- Maori businesses have relatively high operating surpluses

© The Treasury

## Developing enterprises: **Innovation and technology**

- Limited evidence on Maori innovation
  - FORST funding to Maori-centred research has increased from \$2.8m in '99 to \$20m in '04
  - Maori enterprises concentrated in export-oriented industries, which are more likely to be innovative
- Challenge for Maori – translate ideas into commercial success

© The Treasury

## Developing enterprises: **People and skills**

- Majority of Maori not employed in Maori-owned businesses
- Maori have same incidence of employer-provided training as Pakeha
- Maori enterprises draw on same pool of labour as other NZ firms. Face same challenges and decisions
- Skills shortages point to need to invest in upskilling, re-skilling and other ways of improving productivity

© The Treasury

## Developing enterprises: **Leadership and management**

- Major determinants of firm performance
- Governance
  - More important for entities with multiple shareholders
  - Some broad principles apply, but range of possible models can be adopted
  - Maori entities face particular challenges
  - Government defines governance structures of some Maori entities (e.g. Maori trusts & incorporations; post-settlement entities)
- **Key message:** get structures right; take a skills-based and dynamic approach to governance and management

© The Treasury

## Developing enterprises: **Key messages**

- What matters for Maori enterprises is the same as others – effective leadership, innovation etc
- Question, review and adapt institutions at all levels – legislation; local runanga and trust boards

© The Treasury

## Developing Assets

© The Treasury

## Developing assets

- Focused on physical assets, particularly land
- Natural resources not a pre-condition for economic development
- Maori commercial asset base worth \$9b in 2001
  - 63% owned by individual Maori (mainly tertiary sector industries)
  - 36% owned by Maori collectives (mainly primary sector industries)
- Treaty settlements (\$715m at Sept 2004) providing significant assets for some iwi
- 20% of Maori have no tribal affiliation

© The Treasury

## Developing assets: **Collective ownership**

- Property rights affect ability to utilise assets for economic benefit
- Collective ownership poses challenges
  - Increased transaction costs
  - Presumption against alienation of land
  - Difficulty in using as security for finance
- ...but not an insurmountable barrier
  - Can develop or lease land but still retain
  - Can delineate land with spiritual and cultural value
  - Can diversify assets

© The Treasury

## Developing assets: **Key messages**

- Most Maori commercial assets not in collective ownership
- Iwi-based economic development will not meet the needs of all Maori
- Optimising returns on Treaty settlement assets requires effective business skills

© The Treasury

## Maori economic development: **Key considerations for an agenda**

© The Treasury

## Maori economic development: **Key considerations for an agenda**

- Drivers of economic development the same for all
- NZ & Maori economic development inextricably linked
- Maori economic activity mostly by private individuals
- Collective ownership not a barrier to business success
- Development requires evolution of Maori institutions
- Growing the collectively-held asset base not **the** key
- **Improving education and skills (stock & flow) is the most significant factor across all fronts**

© The Treasury

## Post-script: Some key findings of Hui Taumata 2005

- Promote entrepreneurship
- Maori venture capital fund
- Greater investment in R&D
- Build alliances, partnerships, collaboration
- Diversify commercial activities
- Separate corporate and governance activities (wealth creation / distribution)
- Improve quality of governance of collective entities
- Improve access to training
- Improve lifelong learning and adult, work-based education
- Encourage broad choice of formal education subjects / transferable skills
- Grow future leaders
- Focus on excellence across all sectors and activities

© The Treasury