

THE AUCKLAND MĀORI ECONOMY NZIER Report – July 2015

Introduction by Independent Māori Statutory Board

As part of its function the Independent Māori Statutory Board (Board) promotes economic issues of significance for Māori in Auckland, which is where the largest Māori population lives. The Board's work focusses on outcomes where Māori are empowered, enabled, respected and recognised as being a critical and active part in the economic development of Auckland. Creating a more productive, high value economy inclusive of Māori is for the benefit of Auckland and New Zealand.

The Board commissioned the New Zealand Institute of Economic Research to produce this report which provides a current snapshot of Auckland's Māori economy and identifies key opportunities for growing that economy.

With an asset base of \$23 billion, Auckland's Māori entities and businesses hold **over half** the asset base of the national Māori economy. Currently Auckland's Māori economy is 5% or \$4 billion of Auckland's total economy but, as the report identifies, there are significant opportunities to grow it further. The key opportunities are:

- partnership/investment opportunities presented by Treaty settlements (in particular, around return of land and first right of refusal of Crown land) to substantially increase the asset base in the near future and beyond;
- unlocking and increasing the economic potential of Māori entrepreneurs;
- investing in Māori youth - a large, young cohort which represents a significant proportion of Auckland's future workforce;
- investing in fit-for-purpose interventions in South and West Auckland (Manurewa, Henderson-Massey, Papakura, Otara-Papatoetoe and Mangere-Otahuhu) where half of Auckland's Māori live which are also economically disadvantaged areas; and
- leveraging Auckland's unique Māori identity (both visibly around the city and as a key part of Auckland's 'brand') to provide a comparative advantage for all businesses.

Improving Auckland's Māori participation in study, work and entrepreneurship means significant economic benefits for Auckland. For example, raising Auckland's Māori employment rate to that of non-Māori could result in 12,000 more employed Māori and an increase in total personal incomes of around \$1 billion per year.

Auckland's Economic Development Strategy talks about creating a Māori/Iwi economic powerhouse and the Auckland Plan notes our Māori identity as our point of difference in the world. Yet opportunities are being missed to support and grow the Auckland Māori economy. This report is a starting point which the Board hopes will pave the way for better understanding, assessment, collaboration and direction so that Māori, Auckland Council, Council Controlled Organisations, central government and the private sector can build a higher value Auckland economy inclusive of Māori for the benefit of all.

David Taipari



Chairman
Independent Māori Statutory Board





The Auckland Māori economy

Size, issues and opportunities

NZIER report to the Independent Māori Statutory Board

July 2015

About NZIER

NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice to clients in the public and private sectors, throughout New Zealand and Australia, and further afield.

NZIER is also known for its long-established Quarterly Survey of Business Opinion and Quarterly Predictions.

Our aim is to be the premier centre of applied economic research in New Zealand. We pride ourselves on our reputation for independence and delivering quality analysis in the right form, and at the right time, for our clients. We ensure quality through teamwork on individual projects, critical review at internal seminars, and by peer review at various stages through a project by a senior staff member otherwise not involved in the project.

Each year NZIER devotes resources to undertake and make freely available economic research and thinking aimed at promoting a better understanding of New Zealand's important economic challenges.

NZIER was established in 1958.

Authorship

This paper was prepared at NZIER by Shamubeel Eaqub and Mark Dean.

It was quality approved by John Ballingall.

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Ma whero ma pango ka oti ai te mahi, *with red and black the work will be complete* (Māori proverb). This refers to co-operation where if everyone does their part, the work will be complete. The colours refer to the traditional kowhaiwhai patterns on the inside of the meeting houses.

Key points

The Auckland Māori economy is substantial, at \$3-4 billion of GDP and \$23 billion of assets

The Auckland Māori economy accounts for 4%-5% of the Auckland economy, and 26%-27% of the national Māori economy.

Auckland Māori entities and businesses had assets of around \$23 billion in 2013. This accounts for 3% of Auckland's estimated total business asset base and almost 55% of the national Māori asset base of \$43 billion.

The Auckland Māori economy is smaller than might be expected, given the Māori population accounts for 10% of Aucklanders. Māori GDP per capita is also 55%-65% lower than the regional average. However, this is not surprising when looking more closely at attributes of the Auckland Māori population e.g. a younger population (a third under 15 years), lower market participation and lower incomes. This represents challenges as well as significant opportunities (as set out below).

Demographics, education and disengagement are challenges...

A number of factors are currently limiting Auckland Māori economic contribution:

- **A youthful population:** The Māori population is very young, with around a third not yet of working age and thus not able to generate income or asset returns. This however also represents significant future opportunity for Auckland.
- **An under-educated population:** Māori are more likely to have no qualifications or qualifications below a Diploma or equivalent level. This causes:
 - Fewer employment opportunities, leading to relatively high unemployment;
 - Employment in lower paid occupations and industries.
- **A disengaged population:** As well as having lower employment rates, Māori are also less engaged than other groups in other economic linkages:
 - **Youth:** Auckland Māori youth are far more likely to be counted in NEET (not in employment, education or training).
 - **Entrepreneurship:** Māori are less likely to be in business.

Our measure of Māori economic contribution may be under-reported in two areas:

- Ownership of assets by non-Auckland Iwi. Māori may be beneficiaries of these assets, some of which may be located in Auckland; and
- The contribution of Māori culture, which is difficult to define and measure (as it relates to Māori tourism and the value of cultural affinity to building relationships, etc.).

...but also opportunities for change, delivering large potential gains

Improving Auckland Māori participation in study, work and entrepreneurship will deliver significant economic benefits. For example, if Auckland Māori employment rates were raised to the same level as that of European employment patterns, employment would increase by 19% - this would mean 12,000 more Auckland Māori in work and unemployment would be 67% lower (6,000 fewer unemployed Auckland Māori).

If the Auckland Māori income distribution mirrored this lift, total personal incomes of Māori could increase by 16% or around \$1 billion per year.

Interventions require co-ordination

Making these changes require interventions in many different areas and co-ordination of many different institutions. The key opportunities are:

- **Māori assets:** Treaty settlements, return of land, and first right of refusal to Crown land present opportunities to further build the asset base that can be used for the benefit of Māori.
- **Entrepreneurship:** Awareness, capability and access to capital are likely to be the main barriers to Māori entrepreneurship. Awareness and training programmes, and investment partnerships can be good pathways to unlocking this economic potential.
- **Invest in youth:** Significant investment is required in education, training and career pathways to leverage this large and young cohort.
- **Invest locally:** Nearly half of Auckland Māori live in five local board areas (Manurewa, Henderson-Massey, Papakura, Otara-Papatoetoe and Mangere-Otahuhu) which are also economically disadvantaged. Māori interventions need to be fit for purpose and concentrated in these localities.
- **Leverage unique Māori identity:** The Māori identity is unique, noted in the Auckland Plan as being Auckland’s “point of difference in the world”. But it is not yet well leveraged to create a comparative advantage. This aspect is likely to be a key component of the strategy to expand the Māori economy but is not counted in our analysis because it is difficult to quantify. In 2014 the Independent Māori Statutory Board (IMSB) identified opportunities and developed businesses cases for leveraging this identity.

Recommendations

In addition to existing broader central government initiatives, Auckland Council (and the IMSB) can help to inform and co-ordinate central government policy, and use their own policy levers to effect change. Some possible actions are:

Table 1 Actions towards change for Auckland Māori

What?	Why?
Develop a life-stages plan	To uplift Māori economic performance at each stage of life. This will clearly identify the current weaknesses, the necessary interventions required, and the relevant agencies to design, implement and monitor policies.
Advocacy with central government	Highlight the challenges facing Māori in Auckland, especially where existing policies on social welfare, health, justice, education, career pathways and entrepreneurship are not as effective as they should be.
Advocacy with non-Auckland Iwi	Reconnecting Māori to their Iwi and coordinating Iwi interventions to benefit Māori in Auckland.
Coordinating housing & transport initiatives with central government	For example, the current efforts on housing identify the needs of Māori and opportunities. There is an opportunity to create better housing pathways by coordinating investments by Māori entities with other agencies.
Geographical targeting of spending	Prioritising spending and investment initiatives to target geographic areas of economic underperformance, where Māori are over-represented.
Place Māori within the context of the Southern Initiative	The programme needs to focus on skills, employability and retraining away from industries in decline or low pay – which will benefit Māori.
Affirm and boost Māori culture in Auckland	Continue to develop agreed programmes that support cultural and economic development for Auckland Māori.

Source: NZIER

Contents

1.	Size of the Auckland Māori economy	5
2.	People and labour market	7
2.1.	Disengaged youthful population	9
2.2.	Lower participation in work	10
2.3.	Lower incomes	11
2.4.	Participating in lower skilled segments	12
3.	Assets & entrepreneurship	14
3.1.	Assets of the Māori economy	14
3.2.	Entrepreneurship	14
4.	Options for change	16
4.1.	Opportunities for change	16
4.2.	Recommendations	17

Appendices

Appendix A - Māori GDP estimation method	19
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Figures

Figure 1 Māori economy GDP estimates	5
Figure 2 Stylised representation of the economy	6
Figure 3 Māori in Auckland	7
Figure 4 Auckland Māori population	7
Figure 5 Auckland Māori population locations	8
Figure 6 Māori population concentrations and median incomes	9
Figure 7 Population by age group	10
Figure 8 Family size	10
Figure 9 Māori NEET by age group	10
Figure 11 Key employment indicators by ethnicity in Auckland	11
Figure 11 Type of unemployment by ethnicity in Auckland	11
Figure 12 Personal income	12
Figure 13 Average income by source	12
Figure 14 Source of income	12
Figure 15 Highest qualifications	13
Figure 16 Occupation by ethnicity in Auckland	13
Figure 17 Industry by ethnicity in Auckland	13
Figure 18 Middle income by middle age	17

1. Size of the Auckland Māori economy

The IMSB commissioned NZIER to provide a snapshot of the Auckland Māori economy and to identify where future key challenges and opportunities are likely to lie for further growing this economy. Key measures are summarised in Figure 1 and the method is detailed in Appendix A.

A difficult concept to capture quantitatively is the role of Māori culture, which creates its own economic opportunities. This is typically most easily identifiable in the tourism sector, which tends to relate to experiences that leverage Māori culture.

But the role of Māori in broader economic connections can also be large. For example, cultural affinity can ease international relations (anecdotally, Chinese and Māori culture have sufficient commonality to make partnerships easier) or large long term investors like Iwi entities can be important partners in investments that cannot be met by other local investors.

This aspect of the Māori economy, which is enabled by Māori culture, is not counted in our analysis because it is difficult to quantify. However, it is likely to be a key component of the strategy to expand the Māori economy, as it is a key differentiation point.

The Auckland Māori economy was around \$3b-\$4b in the March 2013 year or 4%-5% of the regional economy (\$75b). The Auckland Māori economy accounts for 26%-27% of the national Māori economy (\$12b-\$14b).

Figure 1 Māori economy GDP estimates

Estimates for 2013 (NZIER) and comparison with 2010 published estimates (BERL)

Measure	2013 GDP (\$m)		Population	GDP/capita	
	Production	Expenditure		Production	Expenditure
Auckland	74,746	74,746	1,493,200	50,058	50,058
Auckland Māori	3,276	3,840	169,800	19,295	22,615
Māori as %	4.4%	5.1%	11.4%	38.5%	45.2%
NZ	212,682	215,735	4,442,100	47,879	48,566
NZ Māori	12,733	14,235	692,300	18,392	20,562
Māori as %	6.0%	6.6%	15.6%	38.4%	42.3%
BERL 2010 estimates					
NZ	187,302				
NZ Māori	10,255				
Māori as %	5.5%				

Source: Statistics NZ, NZIER

We estimated the Auckland GDP measures following the same methodology as those in previous reports commissioned by Te Puni Kokiri¹. The estimates are based on partial data and require assumptions and approximations. As such, the data should be considered indicative.

An economy can be considered in different ways. Conceptually the income measure is best to illustrate the different components (Figure 2). We leave out the ancillary items like taxes and subsidies in this illustration.

Income can be derived from returns to labour (from work) or capital (ownership of assets and businesses).

- The income of employees through work is a significant source of economic activity

¹ <http://www.tpk.govt.nz/en/a-matou-mohiotanga/business-and-economics/>

- Sole operators contribute to economic activity through their labour income as well as the business profits
- Enterprises like Māori authorities and Māori businesses also contribute to the economy.

Figure 2 Stylised representation of the economy

Simplified illustration of sources of economic income

GDP		
Income from work		Income from capital
Employees	Sole operator	Enterprise

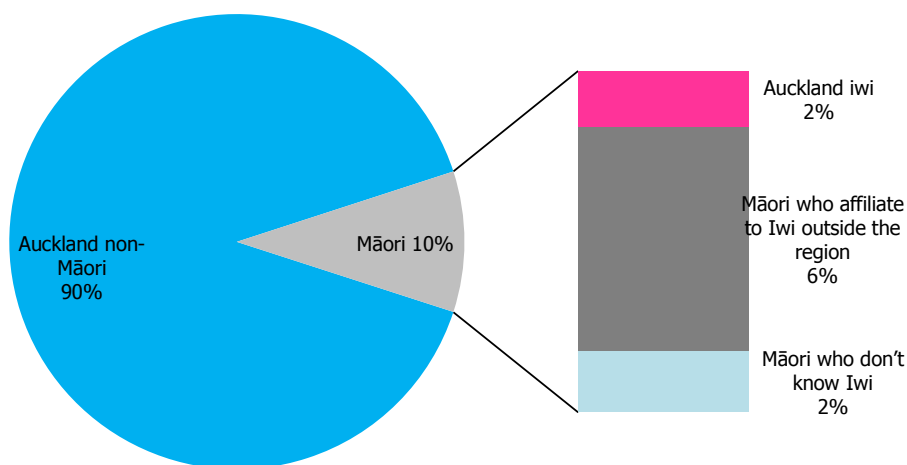
Source: NZIER

2. People and labour market

Māori contribution to the economy (4%-5%) is smaller than its population share (10%). This reflects a number of factors, including a younger population, lower labour market participation and lower incomes (through participation in lower skilled industries and occupations). These factors are also reflected in where Māori live in Auckland – disproportionately in lower income areas.

Figure 3 Māori in Auckland

2013 usually resident population



Source: Statistics NZ, NZIER

Figure 4 Auckland Māori population

Number of people, 2013

	Auckland	RoNZ	NZ
Auckland tribal groupings	26,721	46,188	72,909
Ngati Wai	1,902	3,765	5,667
Ngati Whatua	7,353	7,431	14,784
Te Kawerau	93	57	150
Te Uri-o-Hau	462	795	1,257
Ngati Paoa	1,440	2,016	3,456
Patukirikiri	9	36	45
Ngati Maru (Marutuahu)	1,227	2,541	3,768
Ngai Tai (Hauraki)	312	186	498
Ngati Tamatera	618	1,959	2,577
Ngati Whanaunga	294	330	624
Waikato	13,011	27,072	40,083
Auckland Maori (other iwi)	107,973	487,842	595,815
Auckland Maori (Don't know Iwi)	29,226	81,702	110,928
Total	163,920	504,804	668,724
Total all ethnicity	1,415,550	2,826,498	4,242,048
Share of Auckland Maori:	In Auckland	Of NZ	
Auckland tribal groupings	16%	37%	
Other Iwi	66%	18%	
Don't know Iwi	18%	26%	
Total Maori	100%	25%	

Source: Statistics NZ, IMSB, NZIER

Māori live in concentrated parts of Auckland. The top five local board areas account for nearly half (48%) of the Auckland Māori population (Figure 5):

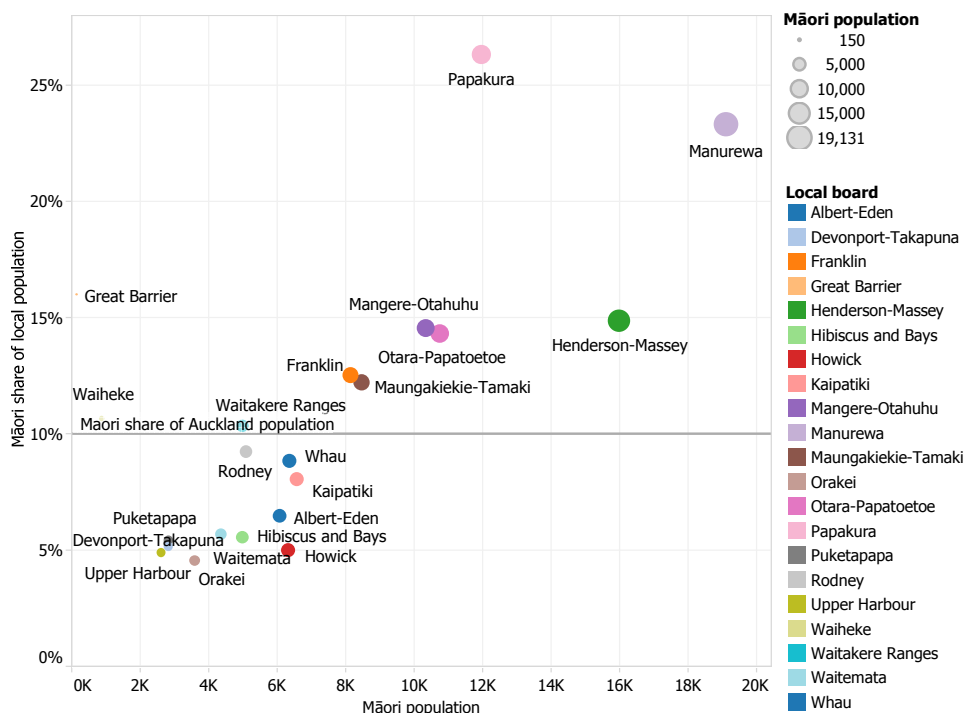
- Manurewa
- Henderson-Massey
- Papakura
- Otara-Papatoetoe
- Mangere-Otahuhu

The local boards where Māori tend to live also tend to be low income areas (Figure 6). For example, in the top five local boards where Māori live, the median personal income² is \$24,000 per year, 25% lower than the remaining 16 local boards and 19% lower than the Auckland total.

Concentrations of Māori in certain low economic performance locations means that any investment in lifting Māori economic outcomes need to be geographically focussed. Doing nothing perpetuates the poverty trap.

Figure 5 Auckland Māori population locations

Population in 2013, horizontal scale; Māori share of local population, vertical scale

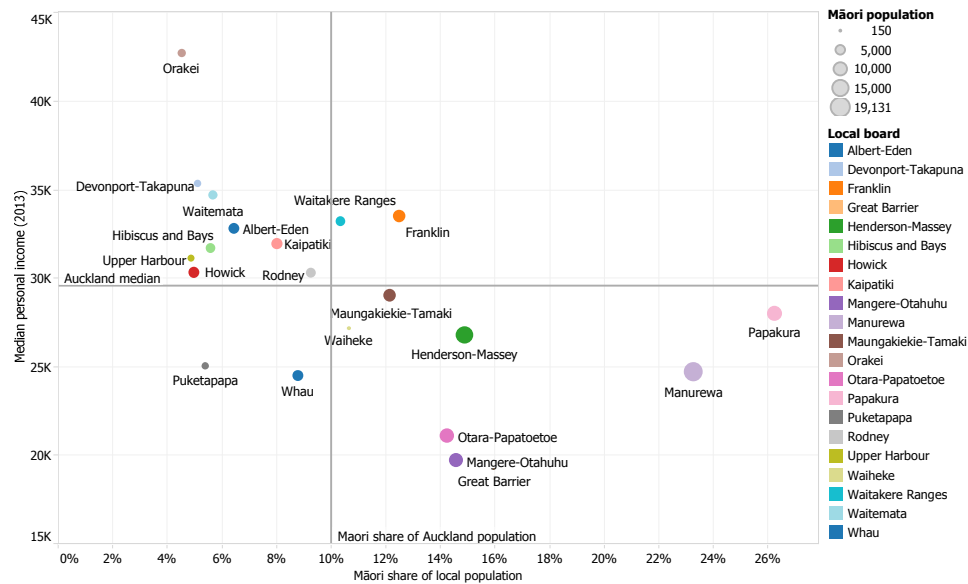


Source: Statistics NZ

² Population weighted average, calculated from 2013 Census figures

Figure 6 Māori population concentrations and median incomes

Māori share of local population (2013), horizontal scale; Median personal income in local board area (2013), vertical scale



Source: Statistics NZ, NZIER

2.1. Disengaged youthful population

The Māori population is very young. A large proportion of Māori are not yet in the labour force: 34% of Māori under 15 years old, compared to 21% for the Auckland population.

The population is heavily skewed towards a younger population (Figure 7). This in part reflects a population mix that is more likely to be in family-forming life stages and also has higher fertility rates. Māori women are more likely than other Aucklanders to have larger families, but less likely than Māori elsewhere in New Zealand (Figure 8).

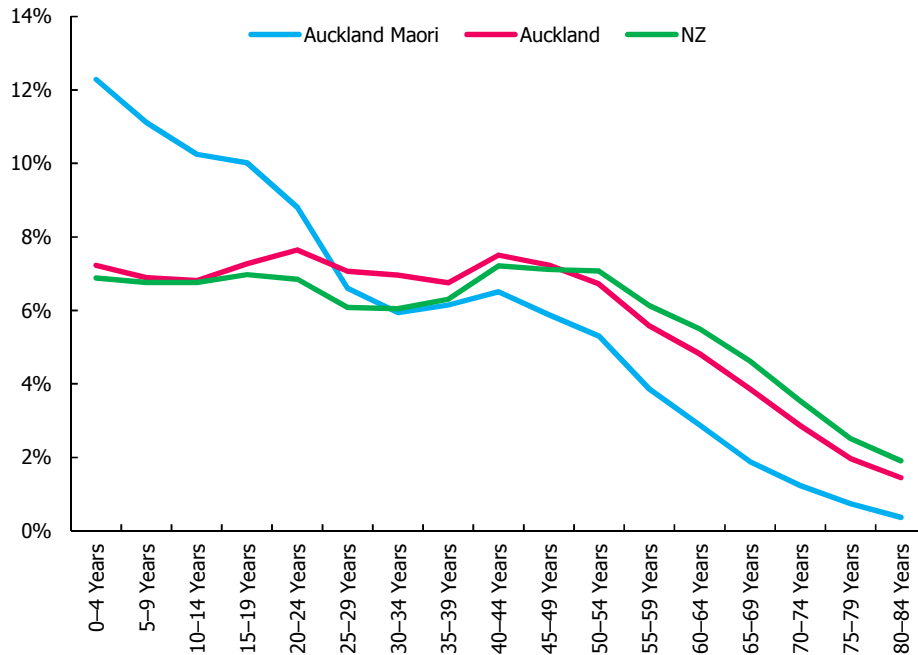
Auckland has a large Māori youth population, but they are disengaged. Around 30% of Māori leave school with less than NCEA Level 1³. While the trend has been improving over time, Māori education achievement is well below the Auckland total – around 12% of all Aucklanders leave school with less than NCEA Level 1.

The disengagement is also seen in wider measures like the NEET rate (not in employment, education or training share of the population). The Māori NEET rate is much higher than the Auckland and New Zealand rate (Figure 9).

³ Ministry of education, www.educationcounts.govt.nz

Figure 7 Population by age group

% of total population in group, 2013 Census



Source: Statistics NZ, NZIER

Figure 8 Family size

Number of Children for women over 15 (2013)

Ethnicity: Region:	Māori	All	Māori	All	Auckland Māori vs-		
	Auckland	Auckland	NZ	NZ	Auckland	NZ Māori	NZ
No Children	36%	35%	32%	31%			
One Child	14%	14%	14%	13%			
Two Children	18%	26%	19%	27%			
Three Children	13%	14%	15%	17%			
Four Children	9%	6%	10%	8%			
Five Children	4%	2%	5%	3%			
Six+ Children	5%	2%	6%	2%			

Source: Statistics NZ, NZIER

Figure 9 Māori NEET by age group

NEET rate and comparison with other groups (2014)

	NEET Rate				Māori NEET Rate vs-		
	Auckland Māori	Auckland	NZ Māori	NZ	Auckland total	NZ Māori	All NZ
15-19 Years	26	10	18	10			
15-24 Years	26	12	22	13			
20-24 Years	25	14	27	16			

Source: Statistics NZ, Auckland Council

2.2. Lower participation in work

Māori are less likely to be in employment and more likely to be unemployed (Figure 10). Fewer Māori of working age are in employment (57%) compared to the Auckland total (64%).

Māori are more likely to be unemployed, at nearly 13% of the labour force. This is nearly **twice** the rate of the Auckland total (7%). The unemployed are also more likely to be discouraged or unavailable for work (43% of the unemployed, compared to 37% for all Aucklanders).

Figure 10 Key employment indicators by ethnicity in Auckland

% of working age population (WAP); % of labour force (2014); dotted line shows Auckland average

	Employment rate	Unemployment rate
1 European	69%	5%
2 Māori	57%	13%
3 Pacific Peoples	50%	14%
4 Asian	63%	8%
MELAA/Other	65%	7%
Total	64%	7%

Source: Statistics NZ, Auckland Council, NZIER (MELAA is Middle Eastern, Latin American, African)

Figure 11 Type of unemployment by ethnicity in Auckland

% of unemployed (2014)

	Official unemployed	Discouraged/Unavailable
1 European	69%	31%
2 Māori	57%	43%
3 Pacific Peoples	58%	42%
4 Asian	63%	37%
MELAA/Other	60%	40%
Total	63%	37%

Source: Statistics NZ, Auckland Council, NZIER

2.3. Lower incomes

The Māori population accounts for 10% of the Auckland population, but total personal income was 7.6% of all income earned in Auckland in 2013. The difference is due to lower Māori average incomes (17% lower compared to the Auckland average).

Figure 12 shows the distribution of income by decile. Māori are more likely to earn less than \$50,000 a year compared to other Aucklanders, and less likely to earn more than \$50,000 a year.

These income differences are conflated by differences in both sources of income and income from each source (Figure 13 and Figure 14):

- Māori earn less from work than others, reflecting **employment in low paying occupations and industries**
- Māori are less likely to be in self-employment and earn less from self-employment. **Entrepreneurship is under-developed** compared to other Aucklanders
- Māori are more likely to **rely on government transfers**.

Figure 12 Personal income

Share of people in each income band (2013)

Ethnicity: Region:	Māori	Māori	All	All	Auckland Māori vs-		
	Auckland	NZ	Auckland	NZ	Auckland	NZ Māori	NZ
Loss	1%	1%	1%	1%			
Zero income	12%	11%	11%	8%			
\$1-\$5,000	8%	8%	7%	6%			
\$5,001- \$10,000	7%	7%	6%	5%			
\$10,001- \$15,000	9%	11%	8%	9%			
\$15,001- \$20,000	8%	10%	8%	9%			
\$20,001- \$25,000	6%	7%	6%	7%			
\$25,001- \$30,000	6%	7%	5%	6%			
\$30,001- \$35,000	5%	6%	5%	6%			
\$35,001- \$40,000	6%	7%	6%	6%			
\$40,001- \$50,000	10%	9%	9%	10%			
\$50,001- \$70,000	12%	11%	13%	13%			
\$70,001- \$100,000	6%	5%	9%	8%			
\$100,001+	4%	3%	7%	6%			
Median	24,500	22,500	29,600	28,500	-17%	9%	-14%

Source: Statistics NZ, NZIER

Figure 13 Average income by source

Weekly income, \$ (2013)

Region: Ethnicity:	Akl	Akl	NZ	NZ	Auckland Maori vs-		
	Māori	All	Māori	All	Auckland	NZ Māori	NZ
Wage and Salary Income	\$934	\$1,036	\$845	\$962			
Self-employment Income	\$611	\$913	\$669	\$885			
Government Transfer Income	\$324	\$284	\$306	\$288			
Investment Income	\$71	\$146	\$48	\$118			

Source: Statistics NZ, NZIER

Figure 14 Source of income

Share of total and comparison with groups (2013)

Region: Ethnicity:	Akl	Akl	NZ	NZ	Auckland Maori vs-		
	Maori	All	Maori	All	Auckland	NZ Maori	NZ
Wage and Salary Income	44%	44%	47%	42%			
Self-employment Income	4%	8%	4%	7%			
Government Transfer Income	38%	26%	37%	27%			
Investment Income	13%	23%	12%	24%			

Source: Statistics NZ, NZIER

2.4. Participating in lower skilled segments

Māori are participating in lower skilled segments of the economy and are having difficulty in engaging with the economy because of lower levels of education attainment.

The highest qualifications (Figure 15 - as recorded in the 2013 Census) show that Māori are far more likely to have no qualifications (31% compared to 17% for all Aucklanders) and are over-represented in qualifications lower than a Diploma.

Lower qualifications make it **difficult to find work** – as reflected in relatively high unemployment. High NEET rates suggest this problem will continue and exacerbate (because of a large young population) unless education achievements improve.

Lower skills mean that Māori are more likely to be **employed in lower paid occupations and industries**. Māori are more likely to be employed in semi-skilled jobs such as machinery operators and drivers, but less likely to be managers, professionals, technicians or trades workers (Figure 16). Māori are more likely to be employed in lower paid industries such as hospitality, health and social care, and manufacturing (Figure 17).

Figure 15 Highest qualifications

% of population (2013)

Ethnicity: Region:	Māori	Māori	All	All	Auckland Māori vs-		
	Auckland	NZ	Auckland	NZ	Auckland	NZ Māori	NZ
No qualification	31%	33%	17%	21%			
Level 1 Certificate	16%	17%	11%	13%			
Level 2 Certificate	13%	13%	10%	11%			
Level 3 Certificate	13%	11%	11%	10%			
Level 4 Certificate	8%	9%	8%	10%			
Level 5 or Level 6 Diploma	7%	6%	9%	9%			
Bachelor's Degree & Level 7	9%	8%	17%	14%			
Post-Graduate & Honours Degrees	1%	1%	3%	3%			
Master's Degree	1%	1%	4%	3%			
Doctorate Degree	0%	0%	1%	1%			
O/seas Secondary School	1%	0%	11%	7%			

Source: Statistics NZ, NZIER

Figure 16 Occupation by ethnicity in Auckland

Difference in share of ethnicity employment in occupation from Auckland total (2013)

Occupation (ANZSCO 1-digit)	1 European	2 Māori	3 Pacific Peoples	4 Asian	MELAA/Other
1 Managers					
2 Professionals					
3 Technicians and Trades Workers					
4 Community and Personal Service Workers					
5 Clerical and Administrative Workers					
6 Sales Workers					
7 Machinery Operators and Drivers					
8 Labourers					

Source: Statistics NZ, NZIER

Figure 17 Industry by ethnicity in Auckland

Difference in share of ethnicity employment in occupation from Auckland total (2013)

Industry (ANZSIC06)	1 European	2 Māori	3 Pacific Peoples	4 Asian	MELAA/Other
H Accommodation and Food Services					
L M N Other Business Services					
Q Health Care and Social Assistance					
C Manufacturing					
O R S Other Services					
F G Wholesale and Retail					
K Financial and Insurance Services					
J Information Media and Telecommunications					
P Education and Training					
A B Agriculture and Mining					
D E Utilities and Construction					
I Transport, Postal and Warehousing					

Source: Statistics NZ, NZIER

3. Assets & entrepreneurship

3.1. Assets of the Māori economy

Māori entities and businesses had assets of around \$23b in 2013, or 3% of Auckland's estimated total business asset base of \$760b. Nationally Māori assets total \$43b⁴, 2% of the total national asset base of \$1,899b.

Māori authorities' assets are concentrated in Real Estate, Financial and Insurance Services, and ICT. But ownership is under-represented in Retail, Construction, Wholesale, Hospitality, Manufacturing, Logistics and other services.

The Auckland Māori entity asset base refers to those Iwi who are wholly or partly in Auckland. However, the majority of Auckland Māori are either from Iwi outside the region or do not know their Iwi. Such Māori may be beneficiaries to assets that are not counted in this analysis. This is a potential weakness of the analysis, as it does not fully capture the potential ownership base of assets of all Māori living in Auckland.

Nationally, 29% of the Māori assets are held by Māori Trusts, incorporations or similar formal organisations⁴. The majority of the assets are in fact held by entrepreneurs (55% business owners with employees and 16% by self-employed Māori). This pattern is also visible in the Auckland Māori entrepreneurship patterns.

3.2. Entrepreneurship

Entrepreneurship is an important channel of economic connection, through the asset base. But Māori are far less likely to be business owners (whether a sole trader or a larger business) than the rest of the population. While Māori account for 10% of the Auckland population, Māori only account for 4% and 5% of employers and sole-traders respectively.

Like employment, business ownership also tends to focus on lower paid industries like construction, utilities and logistics. But even in these industries entrepreneurship rates are low.

Entrepreneurship and entrepreneurs are important sources of innovation, growth and employment. Māori are missing out.

The Organisation for Economic Co-operation and Development (**OECD**)⁵ finds that across countries, having a suitable business idea and securing the necessary finance are the two most important considerations for starting-up, or taking over, a business. The presence of entrepreneurial role models can also be an important driver, although not uniformly across all the countries surveyed by the OECD. Job dissatisfaction is an important element, although typically the least significant consideration.

⁴ Page 24, "Māori asset base up \$6b", Kokiri, Putanga 31m Hautanguru 2015, accessed 23 March 2015 from <http://www.tpk.govt.nz/en/mo-te-puni-kokiri/kokiri-magazine/kokiri-31-2015>

⁵ OECD (2014), Entrepreneurship at a Glance 2014, OECD Publishing.
http://dx.doi.org/10.1787/entrepreneur_aag-2014-en

Before a policy intervention it is critical to establish why entrepreneurship rates are low. Based on the OECD work, the sources are likely to be:

- Suitable business idea
- Access to capital
- Entrepreneurial role models
- Job dissatisfaction

Each aspect requires a different approach. Lack of suitable business ideas may be linked to education, training and awareness. Capital constraints may be linked to better connections with credit institutions, post-settlement Māori entities, and possibly micro-finance institutions. Entrepreneurial role models may be better highlighted and celebrated, by leveraging existing business and entrepreneurship competitions and awards, by including or expanding a Māori category. These successes need to be communicated and dispersed through established channels.

The opportunity lies in a young Māori population. Literature⁶ shows young people are more likely to be entrepreneurs and if entrepreneurial engagements are not taken early enough in life they may well never be taken.

⁶ Roy Thurik & Jolanda Hessels & Isabel Grilo & Peter van der Zwan, 2009. "Entrepreneurial exit and entrepreneurial engagement," Scales Research Reports H200910, EIM Business and Policy Research.

4. Options for change

4.1. Opportunities for change

The challenges discussed and quantified above are also **opportunities**, as improving study, work and entrepreneurship will deliver significant economic gains for Māori and Auckland.

The Auckland Māori economy should be double what it is today, based on population share. Making these changes will not be easy. They require interventions in many different areas and co-ordination of many different institutions. The key opportunities are:

- **Māori assets:** Treaty settlements, return of land, and first right of refusal to Crown land present opportunities to build an asset base that is used for the benefit of Māori. Investments straddle important objectives: to create long term financial viability (endowment); grow the Māori economy; catalyse Māori entrepreneurship; and deliver benefits for the current generation. Māori assets need to be invested carefully to balance these, sometimes competing, needs.
- **Entrepreneurship:** Māori are under-represented in entrepreneurship statistics. Awareness, capability and access to capital are likely to be the main barriers to this. Awareness and training programmes, and investment partnerships can be good pathways to unlocking this economic potential.
- **Invest in youth:** Māori youth is a large but disengaged population. Significant investment is required in education, training and career pathways to leverage this cohort.
- **Invest locally:** Nearly half of Auckland Māori live in five local boards (Manurewa, Henderson-Massey, Papakura, Otara-Papatoetoe and Mangere-Otahuhu) which are also economically disadvantaged (median personal incomes 19% lower than the Auckland total). Māori interventions need to be fit for purpose and concentrated in these localities.
- **Leverage unique Māori identity:** The Māori identity is unique. But it is not yet well leveraged to create a comparative advantage. The IMSB has identified opportunities and developed business cases for a major Māori event and increasing the visibility of the Māori identity in Auckland.
- **Leverage Auckland:** Māori in Auckland are generally faring better than Māori in other parts of New Zealand, benefitting from the economic rise of Auckland. The local economy needs to better leverage the unique Auckland offerings.

The key operators are likely to span a broad range of institutions, which will include central government (education, social welfare, health, and justice for example), local government, Iwi, other Māori organisations and businesses (e.g. AA and its push for improving driver license acquisition, Fletcher Building and its Māori cadet positions).

4.2. Recommendations

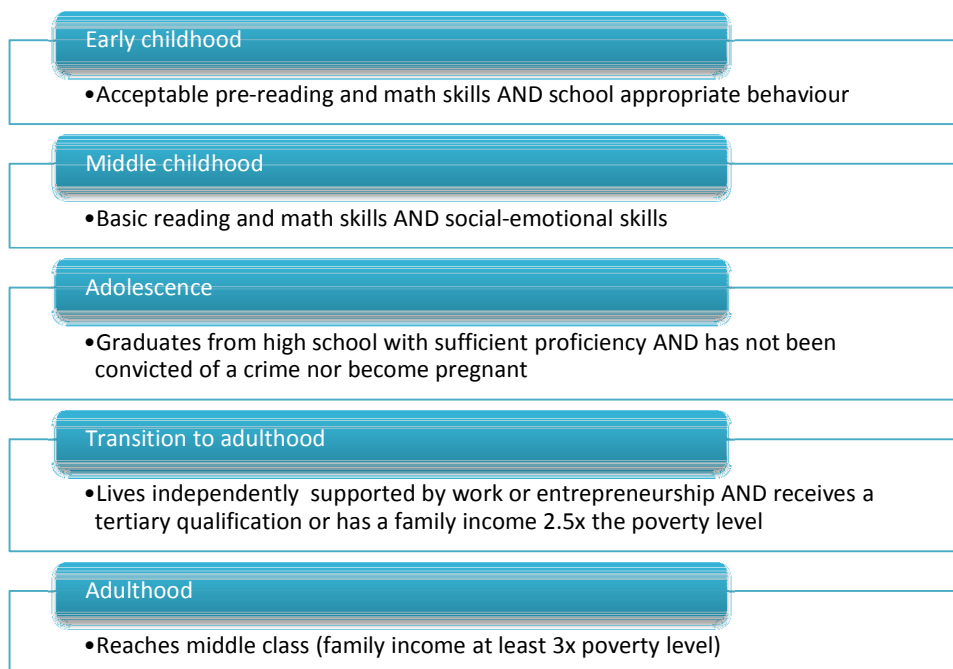
Māori have the potential to be a much larger economic power in Auckland. Increasing the participation of Māori is unlikely to compete for existing resources and thus displace existing economic activity. Instead it is likely to lead to a more successful overall Auckland economy.

Weaknesses are the flipside of opportunities. The areas where Māori 'underperform' in the wider Auckland economy are exactly the areas of opportunity. By converging to the 'norm' for other ethnicities, we can significantly boost economic outcomes for all.

A simple simulation shows the potential gains. If Māori were to converge to European ethnicity labour market outcomes, employment would increase by 19% (12,000 more Māori in work) and unemployment would be 67% lower (6,000 fewer unemployed Māori). If Māori mirrored the European ethnicity income distribution in Auckland as well as employment outcomes, total personal incomes of Māori would increase by 16% or around \$1b per year.

To lift Māori outcomes, there needs to be a concerted effort across a range of areas. In particular, policy makers need to take a lifetime investment approach. For example, if our aim is to achieve middle income by middle age for Māori, we need to deliver sequential successes across life stages. An illustrative approach is depicted in the following figure which summarises the key markers for lifetime 'success' at early childhood, middle childhood, adolescence and transition to adulthood.

Figure 18 Middle income by middle age



Source: NZIER adaptation from Sawhill, Winship, and Grannis (2012) "Pathways to the Middle Class", Brookings

Many of these fall under the gambit of central government, especially as they tend to refer to investment in social welfare, health, justice, education, career pathways and entrepreneurship. However, the statistics show that Māori are underperforming other groups in Auckland, requiring targeted and long term investment.

The Auckland Council (and the IMSB) can help to inform and co-ordinate central government policy, and use their own policy levers to effect change. Some possible actions are:

- **Develop a life-stages plan** to uplift Māori economic performance at each stage of life. This will clearly identify the current weaknesses, the necessary interventions required, and the relevant agencies to design, implement and monitor policies.
- An **advocacy** role with central government to highlight the challenges facing Māori in Auckland, especially where existing policies on social welfare, health, justice, education, career pathways and entrepreneurship are not as effective as they should be.
- An **advocacy** role with Iwi outside of Auckland. A majority of Auckland Māori are from outside the region – reconnecting them to their Iwi and coordinating Iwi interventions to benefit Māori in Auckland.
- **Coordinating council-led initiatives** (on land, infrastructure and transport) with central government efforts to ensure maximum effect. For example, the current Special Housing Areas and Housing Accord keep Māori within the context of these policies. Māori have very low levels of home ownership and high reliance on social housing. There is an opportunity to create better housing pathways by coordinating investments by Māori entities with other agencies.
- **Prioritising spending and investment** initiatives to target geographic areas of economic underperformance, where Māori are over-represented.
- Place Māori within the context of the **Southern Initiative**. The programme needs to focus on skills, employability and retraining away from industries in decline or low pay – which will benefit Māori.
- Continue to develop agreed programmes that **affirm and boost Māori culture** in Auckland.

Appendix A - Māori GDP estimation method

A.1 Method

New Zealand's Gross Domestic Product (GDP) can be measured in three ways:

- Production or value added
- Income earned by labour and capital
- Expenditure on goods and services (net of exports and imports).

Statistics NZ (SNZ) measures production and income jointly, so in this report we will look at only two measures, income and expenditure.

SNZ has data for regional GDP up to 2013 and regional GDP by industry up to 2011. NZIER have estimated 2013 GDP for each industry in the Auckland region by:

- weighting each industry according to its average share of regional GDP over the 2007 to 2011 period, and then
- multiplying these weightings by the 2013 Auckland GDP.

A.2 Production approach

The value added by enterprises in the Auckland region can be broken down into:

- compensation paid to employees (labour income)
- gross operating surplus (capital income)
- taxes paid less subsidies received.

These components are combined to produce the total income based regional GDP. The contribution of Māori enterprises to regional GDP has been estimated using Census and business demographic surveys in combination with the regional GDP estimates. NZIER have used the following formula to estimate the Māori contribution to an income based GDP for Auckland:

$$\begin{aligned} \text{GDP}_{e=M,r,i} &= (\text{GDP}_{r,i} / \text{EnterpriseEmployees}_{r,i}) * \text{MāoriEnterpriseEmployees}_{r,i} \\ &+ \\ &(\text{GDP}_{r,i} / \text{EnterpriseEmployees}_{r,i}) * \\ &(\text{EnterpriseEmployees}_{r,i} - \text{MāoriEnterpriseEmployees}_{r,i}) / \\ &(\text{EnterprisesNotSE}_{r,i} - \text{MāoriEnterprises}_{r,i}) * \\ &\text{Employers}_{e=M,r,i} * \\ &(\text{EmployerSelfIncome}_{e=M,r,i} / \text{EmployerSelfIncome}_{e=ALL,r,i}) \\ &+ \\ &(\text{GDP}_{r,i} / \text{EnterpriseEmployees}_{r,i}) * 1 * \\ &\text{EmployersSelf}_{e=M,r,i} * \\ &(\text{EmployerSelfIncome}_{e=M,r,i} / \text{EmployerSelfIncome}_{e=ALL,r,i}) \end{aligned}$$

Where e= ethnicity (Māori or All)

r = region (Auckland or NZ)

i = industry

and

$$\text{GDP}_{e=M,r} = \sum_i \text{GDP}_{e=M,r,i}$$

Enterprise data is collected by SNZ from the Inland Revenue Department (IRD). They must have turnover of more than \$30,000 and pay GST.

- *EnterprisesNotSE* are enterprises that employ one or more people (ie. excludes self-employed enterprises).
- *MāoriEnterprisesEmployees* are those classified as a Māori authority (or owned by an authority) according to IRD criteria
- *Employers* are the number of people who classify themselves as an employer in the 2013 Census. *EmployersSelf* are the number of people who classify themselves as self-employed in the 2013 Census.
- *EmployerSelfIncome* is the median income of self-employed people (NZ Income Survey). The ratio of the Māori to ALL income is used as a proxy for the relative size of Māori businesses.

