May 2022

He Karapa Raraunga: Ōhanga Māori i Tāmaki Makaurau

Data Snapshot:
Tāmaki Makaurau Māori Economy

1. Contents

2. Foreword

Kapohia te hau o Tāwhirimātea hei whakarere i taku manu aute.

Ka rere ki ngā whenua onamata, tirohia ngā puke, ngā maunga nō tuawhakarere.

Taku manu aute rere ake nei, āmiomio ki runga i ngā awa, ngā moana, ngā wai o Hua.

Tāmaki Makaurau, Tāmaki Herenga waka, Tāmaki Herenga Tangata.

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Grasp the winds of Tāwhirimātea (god of the winds) to lift my kite.

It flies above traditional lands looking upon the hills and mountains of ancient times.

My kite sails and spirals above the rivers, seas and waters of Hua.

Tāmaki Makaurau (Auckland), the gathering place of many waka (vessels), the gathering place of many people.

Discussions about the Māori economy in these uncertain times need to pay particular attention to Tāmaki Makaurau. More Māori live here than any other place in the world, and we know that Māori have borne the brunt of every recession in Aotearoa's modern economy. Meanwhile, Tāmaki Makaurau is considered the economic powerhouse of Aotearoa, but has been most heavily impacted by Covid-19 over the past two years.

This Data Snapshot provides some of the latest Māori business data available, so we can begin to piece together how Covid-19 has impacted Māori in Tāmaki Makaurau.

While we won't have a full picture of Covid-19's true impacts until further data from 2021-2022 is released, given what we know about rising inflation, crises for the supply chain, labour supply and housing, and the potential looming threat of stagflation, we must ensure we seize every opportunity to lift prosperity for Māori to ride out this wave and sail into calmer waters.

Kahurangi Malcolm
Intrapreneur Māori Outcomes
The Southern Initiative

3. About the Community & Social Innovation team

Our mission is to support South & West Auckland to become prosperous, resilient places where tamariki and whānau thrive.

We are not in the business of BAU—our job is to demonstrate that a just, inclusive, circular and regenerative economy, where prosperity is equitably shared, is not just desirable but also possible. We do this through groundup innovations, learning what it takes to achieve real and enduring socioeconomic transformation and using our practice-based evidence to influence systems change and shape new markets.

You can find out more about us and our work on the new economy at www.tsi.nz

4. Acknowledgements

This snapshot is based on Tāmaki Makaurau-level and national-level IDI data kindly provided to TSI Māori Outcomes by Te Puni Kōkiri (TPK), as part of their analysis for the report series Te Matapaeroa and forthcoming data explorer on Māori enterprise. We also refer to 2018 Census data on Tāmaki Makaurau Māori and non-Māori business owners by industry, and related Tāmaki Makaurau-level estimates of assets held by those businesses. This data was provided to CSI by BERL, as part of their Te Ohanga Māori i Tāmaki Makaurau (2021) report analysis.

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The authors acknowledge the input and helpful suggestions provided by by Avril McFarlane of Te Puni Kōkiri, Tori Van Loenhout of Nicholson Group, and Ross Wilson of the Auckland Council Research & Evaluation Unit (RIMU). For questions about this snapshot, please contact kahurangi.malcom@auckland.council.govt.nz about Māori Outcomes work, or tzeming.mok@aucklandcouncil.govt.nz about the data analysis.

Statistics NZ disclaimer

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the author, not Stats NZ or individual data suppliers. These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit https://www.stats.govt.nz/integrated-data/. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

5. Technical Notes

Data Sources and Definitions

Unless otherwise specified, all data analysed and presented in this snapshot is from Integrated Data Infrastructure (IDI) sources analysed by Te Puni Kōkiri (TPK) as part of their regular Te Matapaeroa report (forthcoming) into Māori enterprise.

- Different research has defined and identified Māori businesses in different ways, and they are often not directly comparable. TPK analysis has used a Māori indicator that includes both self-defined ethnic group and Māori descent. This is different from other approaches that typically use self-defined Māori ethnic group only. Additionally, businesses are classified geographically by TPK according to the location of the majority of employees.
- Businesses in the TPK IDI data are classified as Māori-owned if 50% of the shareholder wages paid have gone to individuals of Māori descent or ethnic group. This has been reduced from 51% in the 2019 TPK analysis to 50% for their latest report, to bring Te Matapaeroa more closely in line with social procurement definitions. Reference to 'Māori business' in this report refers only to businesses with employees, excluding sole traders except where specified.
- The TPK definition of 'Māori' means that TPK counts may be higher than if using standard self-defined ethnic group alone. We use in this snapshot the 2018 Census data on Māori descent and Māori ethnic group to estimate the rate of Māori by both 'descent and ethnic group' in the working age population for 2018 in Tāmaki Makaurau (12.8%) and the rest of Aotearoa (18.4%), to provide some rough guides to under- or over-representation in places.

- TPK has estimated a proxy variable for general profitability in Te Matapaeroa which they refer to in their reporting as 'indicative margins'. This was derived from total sales less total purchases according to GST filings, which does not take into account expenditure on wages and salaries. This is close to the standard economic concept of 'value added' or 'GDP contribution', and these terms are used in this snapshot.
- Other than excluding sole traders and Iwi trusts, there is no minimum or maximum employee cut-off for businesses in this analysis.
- There appear to be errors affecting 2015 for ethnic classification of Māori businesses and their employees in Tāmaki Makaurau in the source IDI data tables, resulting in anomalies in 2015 time series charts.
- To access the Te Matapaeroa technical appendix or dataset, contact insights@tpk.govt.nz

Explainer: 'Value added' GDP Contribution

Te Puni Kōkiri's Te Matapaeroa report and data explorer (forthcoming) refers to 'indicative margins' as a measure of general business performance, which is a measure they derive from total sales less purchases in GST filing. This does not take spending on wages and salaries into account (see technical notes).

Total business revenue minus non-labour expenditure, is generally referred to as 'value added' or GDP contribution. It includes the actual net business profit plus the contribution to the economy of spending on wages and salaries.

Given TPK's broad methodology using GST data, the measure may not be the exact 'value added' amount, but it is a reasonable proxy or estimate for the purpose of this snapshot. It is not technically something we can calculate net profit or profit margins from but we may view it as a very broad indicator of profitability and business health, especially as a rate of business income.

Contact insights@tpk.govt.nz for the full Te Matapaeroa technical report or dataset.

6. Summary

Good news about Māori business in Tāmaki Makaurau

- **Tāmaki Makaurau Māori businesses are punching above their weight.**
- **In 2020 Māori businesses that had a known regional council area contributed an estimated $6bn as 'value added' to national GDP,** in terms of business profits and paying workers.[1]
- Tāmaki Makaurau Māori businesses contributed 26% of this, although were only 22% of the businesses.[2]
- Tāmaki Makaurau Māori business GDP contribution as a percentage of their income was outperforming non-Māori businesses in seven industries in 2020, including areas with strong Māori-owner presence such as construction, healthcare and social assistance, electricity, water, gas & waste, and transport, postal & warehousing.
- Tāmaki Makaurau accessed the Covid-19 wage subsidy at the same rate as non-Māori businesses.
- Riding out the post-GFC period may have resulted in the surviving Māori businesses in Tāmaki Makaurau becoming more resilient than before.

Warnings For Tāmaki Makaurau

- Māori business in Tāmaki Makaurau are still particularly vulnerable to looming recession or economic shocks.
- Māori businesses have suffered disproportionately from recessions and economic crises in the past.
- The Global Financial Crisis hit Māori businesses hard, and since then Māori business growth has stalled.
- **The gap between Māori and non Māori businesses in Tāmaki Makaurau is widening.**
- **There are only 5.5% more Māori businesses in Tāmaki Makaurau than there were in 2010,** compared to 25% for non Māori.
- **Māori businesses in Tāmaki Makaurau are employing 11% fewer workers than they were in 2010, compared with 42% more for non-Māori.**
- We can expect that many Māori businesses in industries that were doing well in 2020 will have taken hits from Covid-19, such as the previously high-performing accommodation and hospitality industry. There are also likely grim times ahead for many industries due to the supply chain crisis, housing market correction, labour shortages, and skills shortages.
- Key **supports during the Covid-19 response period excluded the big urban centres,** meaning that struggling Māori business in Tāmaki Makaurau missed out. We cannot afford to repeat this pattern.

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[1] When including businesses that could not be assigned a region in Te Matapaeroa data, Māori businesses contributed $7.3bn in value added GDP contribution in 2020.

[2] 22% of all Māori businesses that could be assigned to a regional council area in the data.

What We Need To Do

- **Invest in training, entrepreneurship and recruitment pipelines:** This will help maximise Māori business opportunities and the Māori talent pool in high-value sunrise sectors and the green economy.

- **Improve business support delivery:** Better coordination of fragmented services is needed so that Māori businesses, especially small ones, have one 'front door' to access support.

- **Make business investment fair:** We need data-driven targets or quotas so that Māori businesses have equitable access to business support funding, such as the Regional Business Partner grants. We also need to make sure that Māori businesses in Tāmaki Makaurau are adequately prioritised for business support, and not overlooked by regionally-targeted funding.

- **Leverage social procurement:** Supplier diversity and workforce procurement targets are a big new development for Māori business. But for the majority of Māori businesses to make the most of these business-to-business opportunities, there needs to be more coordination and funding of **small business support** across diverse sectors, so they can engage with procurement processes, including registering with Amotai, the national supplier diversity intermediary.

7. The local context: Māori business in Tāmaki Makaurau

Māori business in Tāmaki Makaurau punches above its weight for the Māori economy.

23,364 Māori businesses nationwide

5,140 Māori businesses in Tāmaki Makaurau.

22% of all Māori businesses are in Tāmaki Makaurau

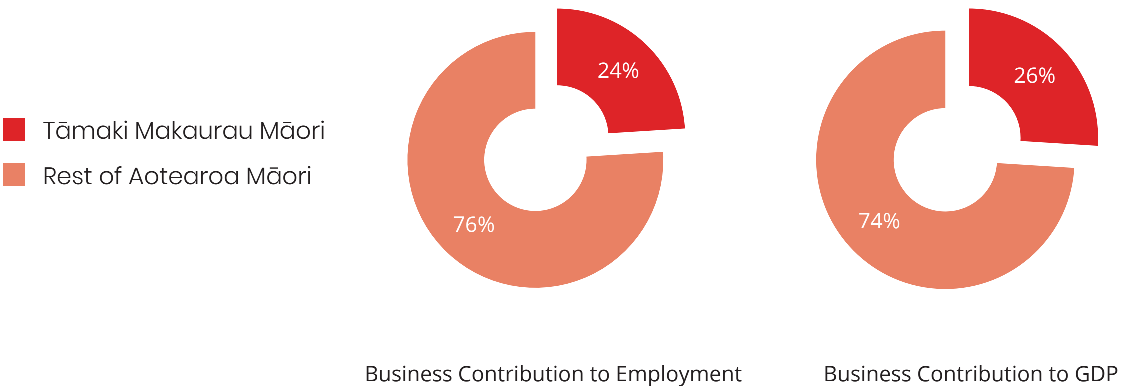
38,280 Māori Sole Traders nationwide

11,484 Māori Sole Traders in Tāmaki Makaurau.

30% of all Māori Sole Traders are in Tāmaki Makaurau

- Māori businesses with known regional locations contributed $6bn to GDP in Aotearoa in 2020.
- Tāmaki Makaurau Māori businesses made up 26% of this contribution but only 22% of Māori businesses nationally.
- 30% of all Māori sole traders in the country were in Tāmaki Makaurau.
- Tāmaki Makaurau businesses overall have a higher GDP contribution rate as percentage of income, than those in the rest of the country, indicating that they are likely generating more profits as a whole. This is true for Māori businesses in Tāmaki Makaurau too.

Figure 1. Tāmaki Makaurau Māori business compared with Māori business nationally.

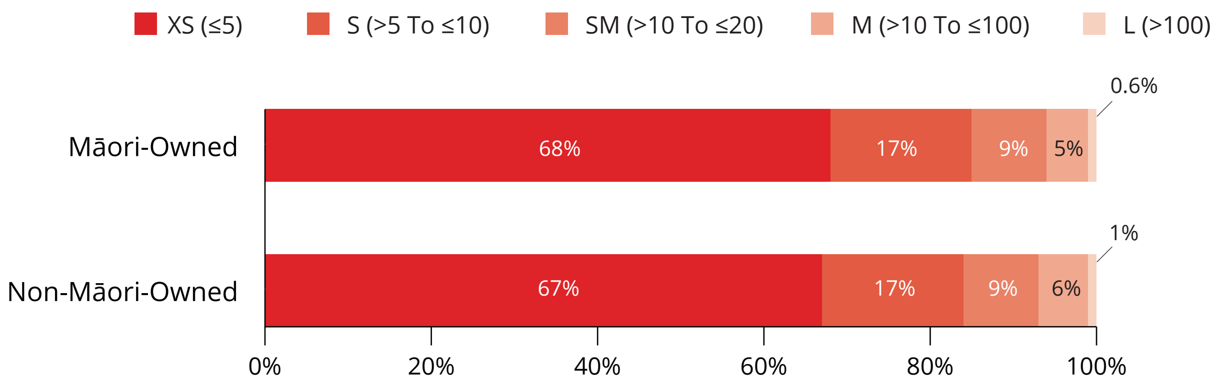


Māori are underrepresented as business owners in Tāmaki Makaurau, but there is not a huge gap in terms of business performance

- **There are about half as many Māori business owners as there should be in Tāmaki Makaurau.** The 2020 rate of Māori owned business in Tāmaki Makaurau in Te Matapaeroa data (6.5%) is about half of the rate of working age Māori (by descent and ethnic group) in the city's population (12.8%). The proportions are very similar when we compare rates for Māori ethnic group business owners from the 2018 Census, despite the measures being different (5.8% of business owners, 10.7% working age population).[3]
- Tāmaki Makaurau Māori businesses were smaller than non-Māori businesses, with an average 7.7 employees compared with 9.3 for non-Māori businesses, and have smaller GDP contribution per business.
- But GDP contribution was 42.8% of the total income of Tamaki Makaurau Māori businesses, less than two percentage points behind non-Māori business on 44.7%.

8. Business Size

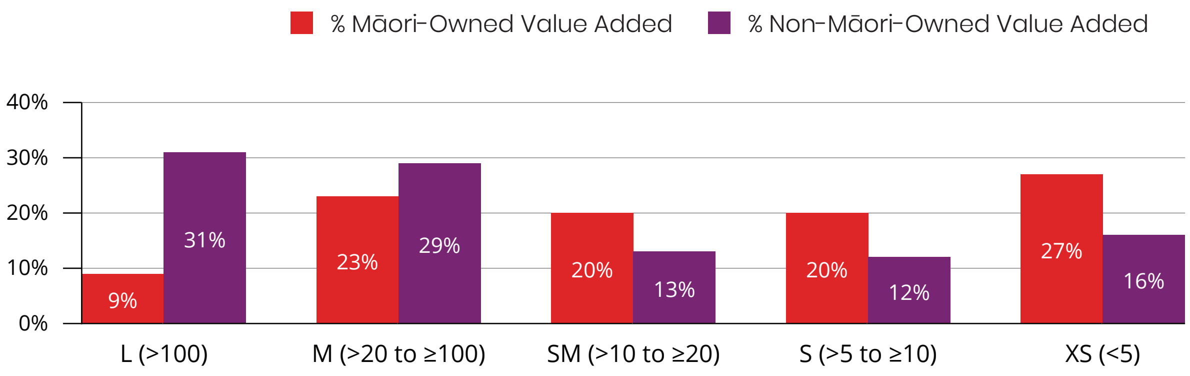
Figure 2: Tāmaki Makaurau Māori business compared with Māori business nationally.



Māori-owned business in Tāmaki Makaurau are a little more likely than non-Māori businesses to be small (10 or fewer employees), and less likely than non-Māori businesses to be very big (more than 100). More than two thirds of both Māori and non-Māori-owned Tāmaki Makaurau businesses have five or fewer employees. Note: There were only 12 large Māori businesses captured by Te Matapaeroa data in Tāmaki Makaurau.

[3] Note: TPK data in this snapshot defines 'Māori' through a combination of both 'descent' and 'ethnic group' using Census data and the IDI. To compare against Māori working age population, the closest equivalent we can use is the 2018 Census data on Māori descent and ethnic group, which suggests 12.8% of Tāmaki Makaurau's working age population is Māori by descent or ethnic group. This is higher than the 10.7% if using the more common measure of Māori ethnic identity alone.

Figure 3: Share of 2020 Māori vs non-Māori GDP contribution by business size in Tāmaki Makaurau.



Smaller-sized businesses[4] contributed most of the total 'value added' GDP contribution from Māori owned business in Tāmaki Makaurau. This was very different from non-Māori businesses in Tāmaki Makaurau, whose total GDP contribution was dominated by medium and large businesses.

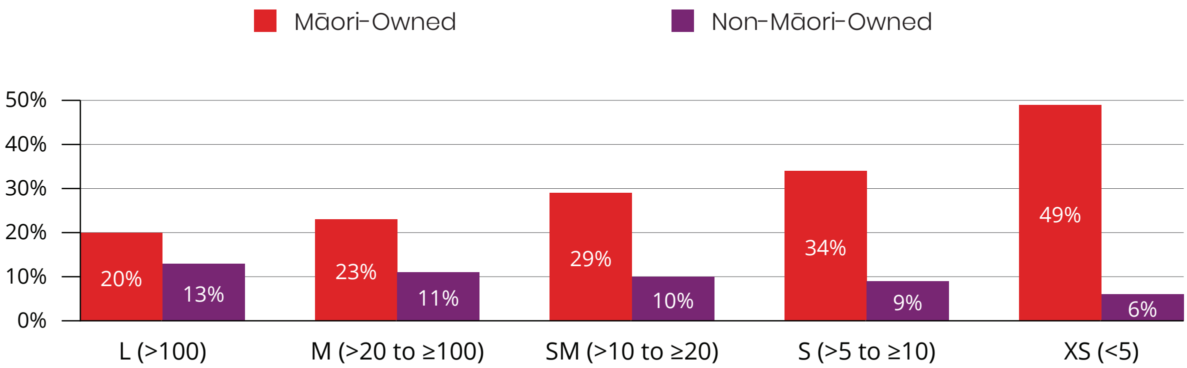
9. Employing Māori

Māori businesses in Tāmaki Makaurau employ more Māori.

- Like Māori businesses in the rest of the country, Tāmaki Makaurau Māori-owned businesses employ a far higher rate of Māori (29.8% of their employees) than non-Māori businesses do (10.5%). Non-Māori owned businesses appeared to be hiring Māori at lower rates than the Māori working age population (12.8% by ethnic group and descent in the 2018 Census).
- Māori-owned businesses are only **6.5%** of Tāmaki Makaurau employers, **but employ 14% of all Tāmaki Makaurau Māori** employees, or around **5000 Māori employees** in Te Matapaeroa data.

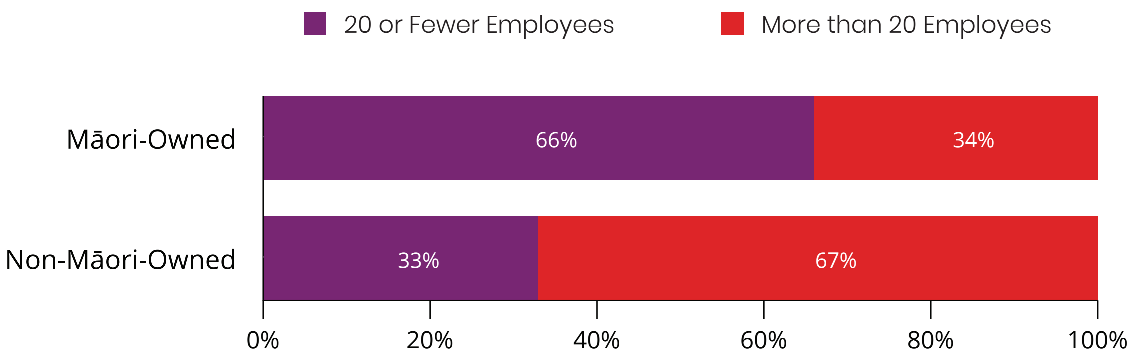
[4] Combining the 'XS', 'S' and 'SM' categories.

Figure 4: Māori percent of workforce by business size in Tāmaki Makaurau—Māori and non-Māori owned.



The smaller the Māori business is, the higher the rates of Māori it hires. The opposite trend is true for non-Māori businesses. This is because the smallest businesses typically start within families and reflect the ethnic group of the founder (Māori or non-Māori by definition in this data)—and the benefits of more job creation tend to be shared first with one's own ethnic community networks, whether for minority groups,[6] or for Pākehā as likely shown here. These socially networked ethnic hiring patterns replicate but get diluted as businesses grow.

Figure 5: Share of Tāmaki Makaurau Māori employees by business size - Māori and non-Māori owned.



Because there are so few big and medium-sized Māori businesses, together they hire fewer Māori workers than the smaller businesses put together. Māori businesses with 20 or fewer employees employed 57.6% of the total employee workforce of Māori businesses in Tāmaki Makaurau, and 65.7% of their Māori employees.

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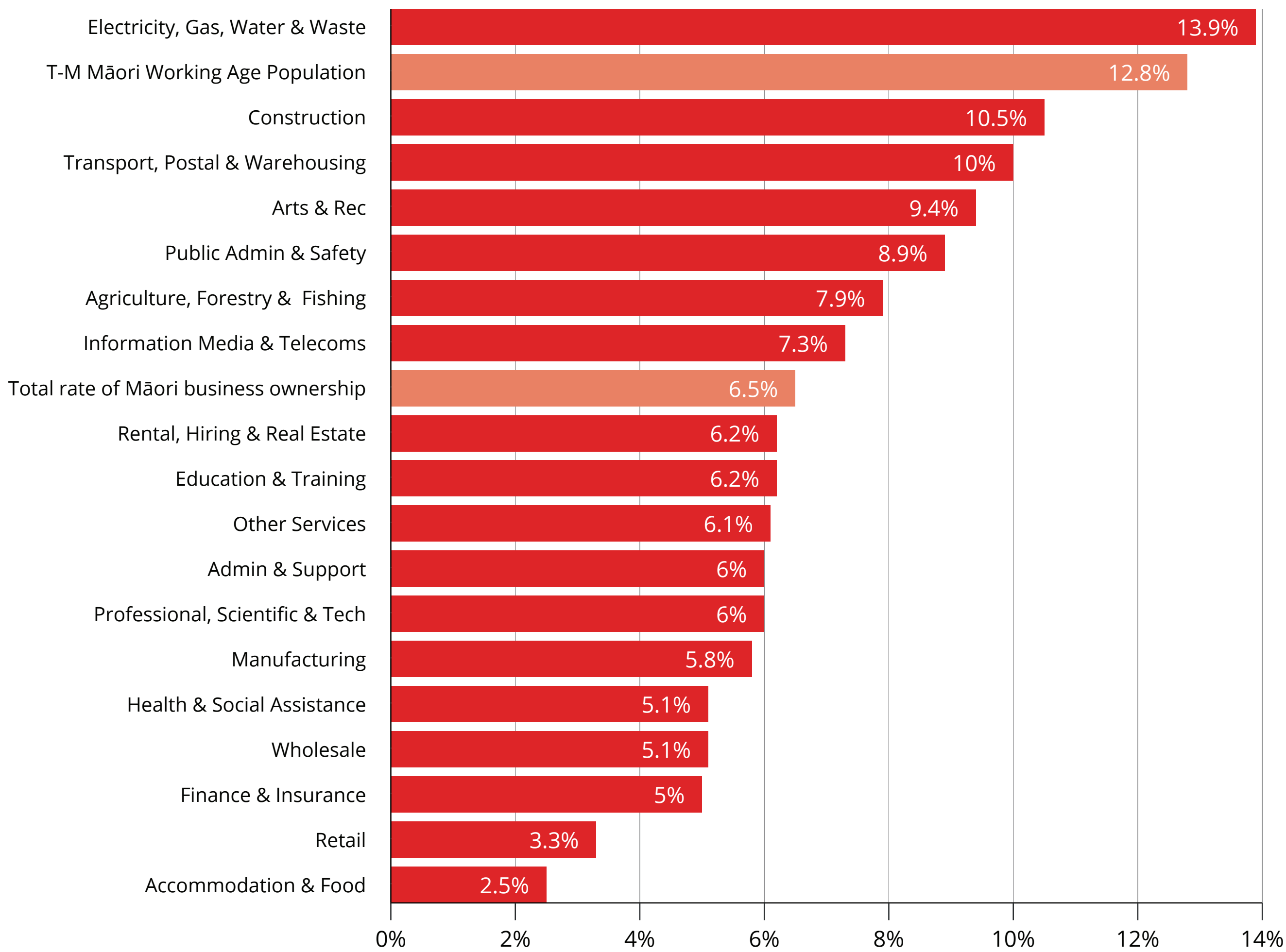
[6] Clark, Kenneth, and Stephen Drinkwater. 2002. "Enclaves, Neighbourhood Effects and Employment Outcomes: Ethnic Minorities in England and Wales." Journal of Population Economics; and Clark, Kenneth, and Stephen Drinkwater. 2000. "Pushed out or Pulled in? Self-Employment among Ethnic Minorities in England and Wales." Labour Economics 7 (5): 603–28. Fairlie, Robert W., and Alicia M. Robb. 2007. "Why Are Black-Owned Businesses Less Successful than White-Owned Businesses? The Role of Families, Inheritances, and Business Human Capital." Journal of Labor Economics 25 (2): 289–323. Fairlie, Robert W. 2004. "Recent Trends in Ethnic and Racial Business Ownership." Small Business Economics 23 (3): 203–18. Fox, Mark. 1999. "Motivations for Self-Employment: The Case of Maori in New Zealand." New England Journal of Entrepreneurship 2 (2): 57–63.

10. Industry representation

Figure 6: Māori-owned business representation in different industries in Tāmaki Makaurau.



Note: Mining excluded as there were no Māori owned mining businesses in the Tāmaki Makaurau data.

In Tāmaki Makaurau the only industry where Māori employers appear at higher rates than the estimated local Māori working age population[7] is the **Electricity, Gas, Water & Waste** industry (13.9% Māori owned). The average number of employees for Māori business in this industry is only 3.6 people compared with 10.6 employees for non-Māori businesses. This suggests a typical industry profile of lots of small Māori-owned electrician and plumbing businesses, for example. A further six industries have Māori ownership at rates higher than the Māori share of 6.5% of all Tāmaki Makaurau businesses (i.e. a higher than average rate). These include **Construction, and Transport, Postal & Warehousing,** which together represent more than 28% of total GDP contribution for Māori business in Tāmaki Makaurau.

[7] Compared against our 2018 Census-based estimate of 12.8% of the Tāmaki Makaurau working age population being of both Māori descent and ethnic group. This is a rough benchmark, especially as we are comparing with 2020 industry data from TPK.

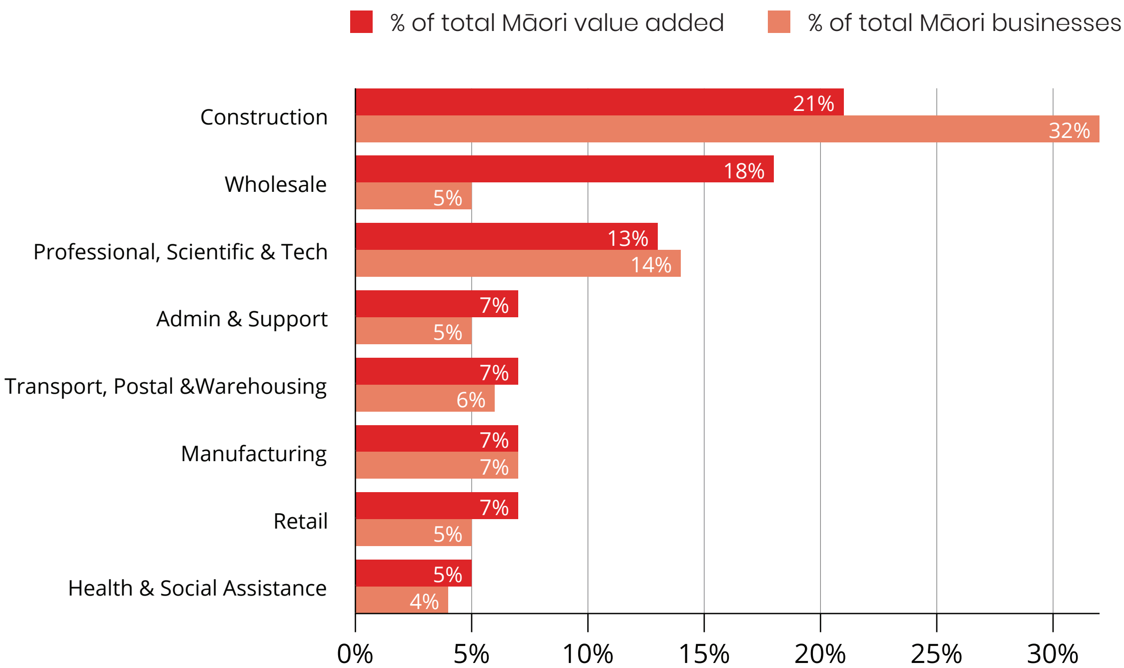
2018 Census data highlighted broadly the same range of industries as having more Māori ownership concentration, or with good industry representation. There were some ranking differences among the 'top' industries as the Census counts individuals who are owners, not businesses with 50% shareholder salaries paid to Māori. According to the Census the top three industries for individual Māori business owners were Electricity, Gas, Water & Waste, **Public Administration & Safety, and Agriculture.**[8]

11. Industry comparison

Share of total Māori GDP contribution:

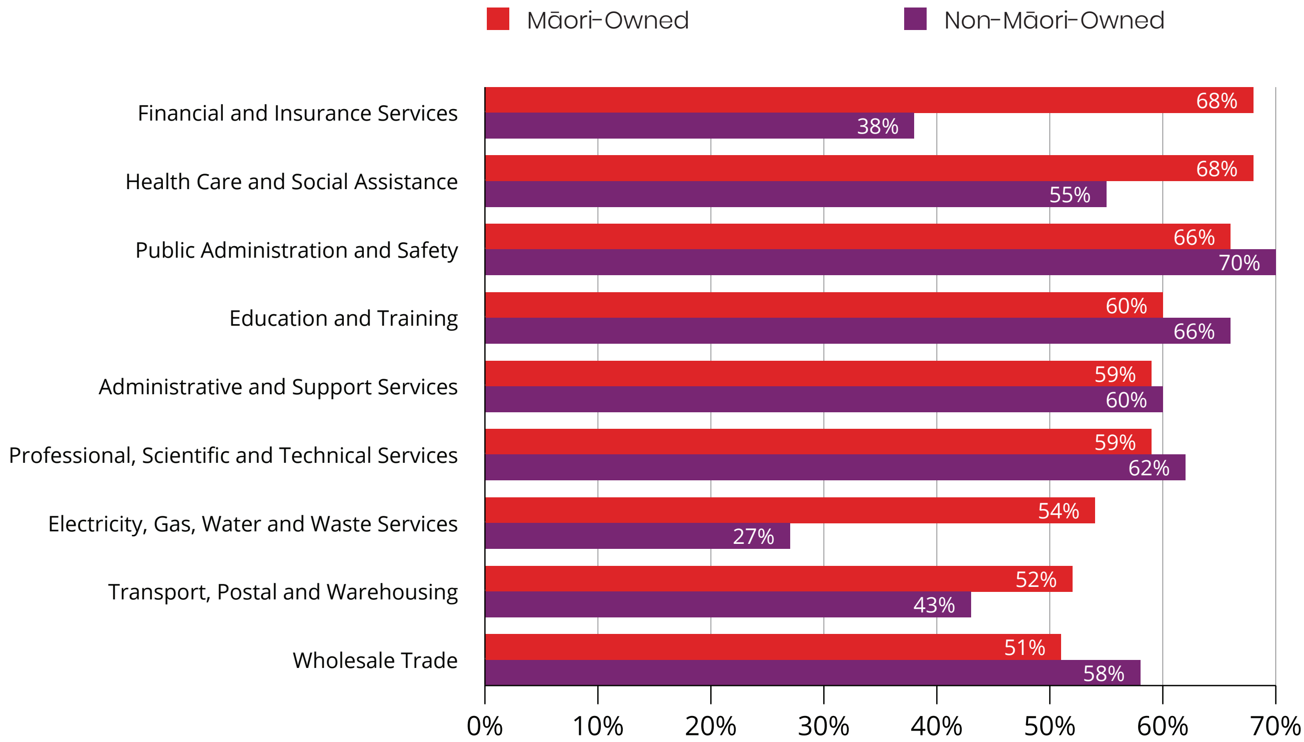
- Construction represents the biggest chunk of Tāmaki Makaurau Māori business at 32% of all individual businesses, but generates only 21% of Tāmaki Makaurau Māori GDP contribution. The big presence but relatively low value added from construction is the same as for non-Māori construction businesses—this appears related to the typically small size of construction businesses. As a result, construction has an **above average GDP contribution per employee** (but not per business).
- Punching far above its weight is the Wholesale sector—only 5% of Māori businesses, but representing 18% of the total value added by Māori businesses in Tāmaki Makaurau. Non-Māori businesses do even better in this regard.

Figure 7: Top 8 industry GDP contributions for Māori owned business in Tāmaki Makaurau.



[8] 2018 Census 'status in employment' by industry and ethnic group, which includes reporting of business ownership, courtesy BERL. Although 2018 Census data uses a very different definition and approach to counting Māori, counting businesses, and locating businesses in Tāmaki Makaurau (i.e. individuals who lived in Auckland, listed themselves as business-owners, and of Māori ethnic group), the fact that there is a broad overlap with the TPK findings reinforces the general picture of Māori industry strengths.

Figure 8: Top 8 industry GDP contributions as % of income for Māori owned business in Tāmaki Makaurau, vs non-Māori.

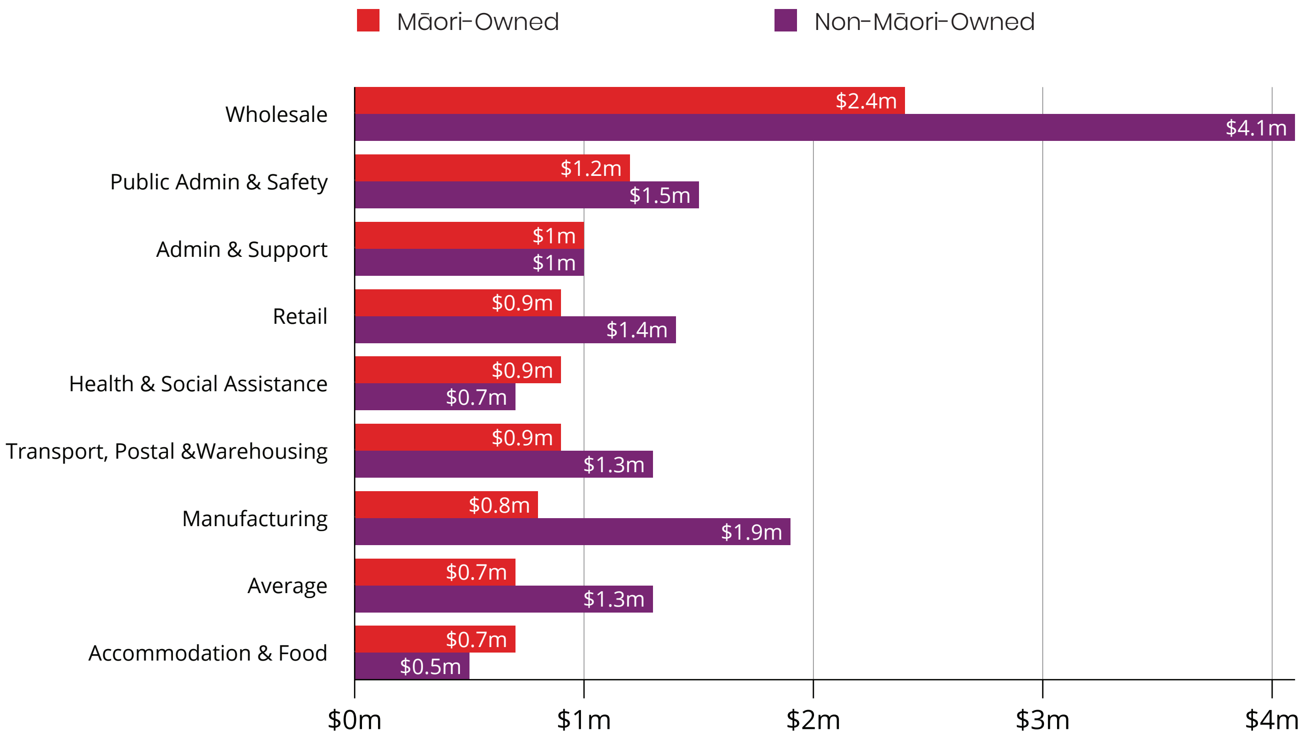


The eight industries with the highest GDP contribution rate per income, across all Māori businesses in Tāmaki Makaurau, were dominated by industries that were likely to have lower overheads. Although we cannot calculate profit margins based on the Te Matapaeroa data, we can take GDP contribution 'as a percent of income', as a general indication of business health and profitability—as it includes the net profit margin plus spending on wages and salaries.

On this measure, Māori owners were outperforming non-Māori businesses in seven industries in Tāmaki Makaurau:

- Finance and insurance services
- Healthcare and social assistance
- Electricity, water, gas & waste
- Transport, postal & warehousing
- Accommodation & Food
- Construction
- Agriculture

Figure 9: Top 8 GDP contribution per individual Māori owned business in Tāmaki Makaurau, vs non-Māori in $m.



Industries with lower GDP contribution **as a percentage** of industry income, but high average GDP contribution **per business** tended to have higher overheads, like **Wholesale.**

Meanwhile, **Health & Social Assistance, and Accommodation & Food,** were contributing more to GDP **per business than non-Māori-owned** employers in those industries in 2020. Māori businesses in accommodation and food in Tāmaki Makaurau were bigger on average than non-Māori businesses, with around 15 employees vs around 11 for non-Māori businesses. However, Māori and non-Māori businesses in health and social assistance in Tāmaki Makaurau were the same size, each with about 10 employees on average.

Spotlight on Construction

The biggest business made up of the smallest businesses

Māori-owned construction businesses in Tāmaki Makaurau	**Non-Māori-owned construction businesses in Tāmaki Makaurau**
32% of Māori businesses **21%** of the Māori GDP contribution	**18.7%** of non-Māori businesses **10.6%** of non-Māori GDP contribution
4.5 employees on average—the third-smallest average size of all the industries for Māori	**5.8** employees on average—the fourth-smallest average size of all the industries for non-Māori
38.1% of income is GDP contribution	**34.6%** of income is GDP contribution

Māori construction businesses seem leaner and meaner than non-Māori construction in Tāmaki Makaurau. They were smaller and had lower GDP contribution per business, likely working smaller contracts, but when taking size and revenue into account, seemed relatively more efficient than non-Māori construction. In terms of average industry income and spending per employee, the Māori owned construction industry in Tāmaki Makaurau spent relatively less on non-labour costs (62% of income), than non-Māori construction (65% of income). For GDP contribution as a percentage of overall industry income, Māori construction outperformed non-Māori construction by 3.5 percentage points.

Outlook:

After the 2020-2021 'lockdown reno' boom and housing market overstimulation, the industry is facing a potential housing market correction, supply chain crisis, labour shortages, and likely lower than expected population growth. However, market growth is relatively 'baked in' due to long-term predicted population growth and housing shortages, even if this is likely to be impacted by Covid-19 in the short-to-medium term.

Responses:

- Strong Māori presence, history and resilience in industry means potential to **leverage resources** for three challenges:
  - Support typically small Māori construction businesses to **grow**
  - Strategically **optimise profits and opportunities** with high-value specialisation
  - While delivering **new technology for sustainability** and wellbeing
- This points to the need to support high value, high-skills green and circular economy specialisation for the Māori construction sector—such as Green Deconstruction initiatives being developed by CSI.
- We must also refine social procurement and business support targeting for small businesses to remove access barriers to tendering for the majority of Māori construction employers.
- Ensure Māori B2B businesses register with national supplier diversity social procurement intermediary Amotai, to connect with buyers looking for their services.

Contact: kiaora@amotai.nz **Website:** www.amotai.nz

Spotlight on Information Media & Telecoms

A small but rising Māori industry

- Information Media & Telecoms is a very small 'sunrise' industry, that includes sectors with strong future growth potential such as IT and digital tech. It is the only typically white collar industry where Māori-owned businesses, and Māori self-employed, are slightly more clustered than non-Māori entrepreneurs.[7]
- In fact, **among the self-employed**, IMT is the industry with **the third highest Māori representation** after Public Administration & Safety, and Electricity, Gas, Water & Waste according to the 2018 Census. 9.4% of self-employed IMT workers were Māori.
- Māori IMT businesses employed only 2.9 people on average compared with 24.6 for non-Māori businesses in Tāmaki Makaurau. These small, nimble Māori employers may be less established and may have more recently emerged from the big pool of Māori self-employed sole traders in the industry.
- But as employees, Māori in Tāmaki Makaurau are relatively less clustered in this industry.[8] This seems to suggest that Māori are more likely to break into this industry as entrepreneurs compared with non-Māori, potentially due to barriers for Māori to conventional recruitment pathways set by big digital and media employers.

Outlook:

As borders re-open this year, economists are predicting a new brain drain that will exacerbate the existing digital skills shortage. Government is introducing new visas for digital workers but may struggle to fill the gaps.

Responses:

This all underlines the importance of workforce training, entrepreneurship support, recruitment and progression pipelines for Māori that challenge the industry to nurture the local talent pool. That pool will be the essential human resource for digital tech and ICT entrepreneurship and businesses. Digital workforce initiatives are being prototyped by CSI with Auckland Council suppliers and other industry partners.

Contact: joel.umali@aucklandcouncil.govt.nz
Website: https://www.tsi.nz/innovation-and-technology

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[7] This is the case in both TPK IDI data and 2018 Census data. By 'clustered', we mean that the share of all Tāmaki Makaurau Māori entrepreneurs in this industry is bigger than for non-Māori businesses.

[8] Again the case in both TPK IDI data and 2018 Census data.

12. Overall industry picture

Māori business have traditional big bases in blue collar industries such as construction and allied trades, but there is strong strategic potential for targeting growth in smaller industries that do just as well if not better per business.

- The situation for the biggest Māori business (construction) is the same as for non-Māori business—It is the biggest industry in the market, so has the biggest GDP contribution, but less so per business due to small sizes but large number of businesses.
- As a contrasting example, Transport / Warehousing is a smaller but a still important sector for Māori employers who are well-represented in the industry, with on average more employees than non-Māori business in the same industry, and high GDP contribution per business.
- Māori businesses also have a reasonable foothold in a number of smaller industries where value lies in human resources and skills, both technical and cultural, rather than in material assets[9]—Public admin & safety, Education & Training, Electricity, Gas & Waste, and Admin & support. These types of businesses **have a higher GDP contribution as percentage of income,** likely helped by having lower overheads.
- Similar industries that Māori businesses are less represented in, but with good potential for **future growth** as 'sunrise' industries, or where demand is demographically driven, are health & social care, information media & technology, and professional, science and technology sectors

[9] We looked at BERL's 2021 Te Ohanga Māori estimates of Māori business owner 'assets by industry' for Tāmaki Makaurau and applied the total estimates to numbers of 2018 Census Māori business-owners by industry, to estimate 'assets per business'. While not perfectly derived as a measure, and not directly comparable with TPK data due to different definitions, it was nonetheless broadly clear that industry margins in terms of volume of sales less purchases, are not at all correlated with estimates of business assets, which are largely determined by the nature of the industry itself—such as those based on asset management, like finance, insurance and or real estate, or requiring more physical infrastructure, like transport and warehousing. These asset-dependent industries may present barriers to entry for new Māori entrepreneurs, due to startup costs. While we are interested in how well Māori entrepreneurs can build their **asset bases for intergenerational wealth** for whānau and hapu, these may be more likely or just as likely to be private assets as business assets, so would not appear in business data or estimates of business data.

13. Business growth

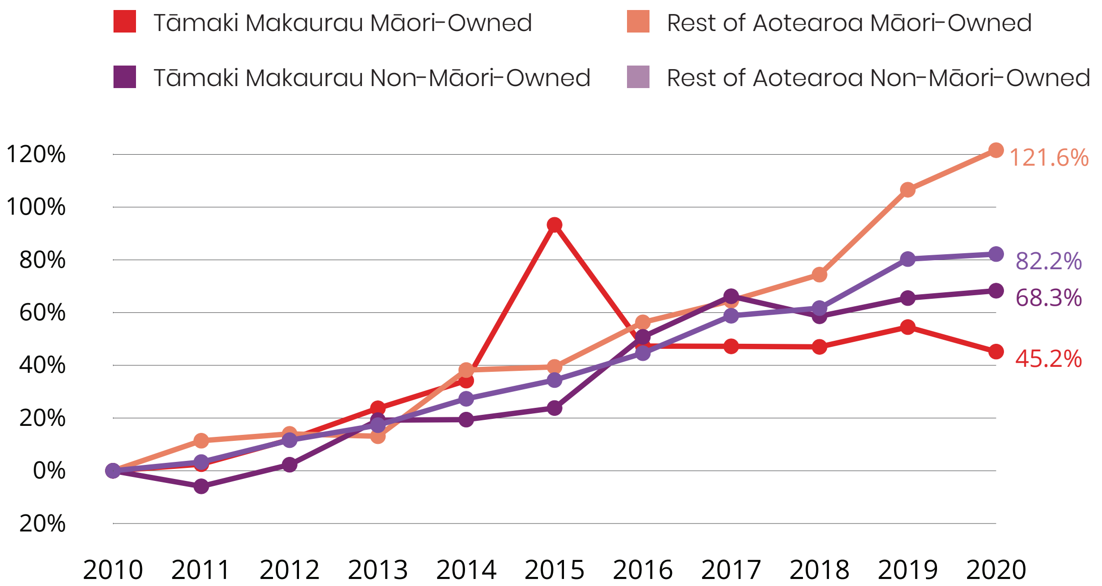
Māori Business growth in Tāmaki Makaurau has stagnated

What can the 2010-2020 track record tell us about how to prepare for the future?

As TPK reports in Te Matapaeroa (forthcoming), Māori businesses at a national level had better growth than non-Māori business in terms of value added GDP contribution, or 'indicative margins' of overall profits, between 2010 and 2020. But when we split out the data for Tāmaki Makaurau, the reverse is true—**the gap appears to be widening between Tāmaki Makaurau Māori and non-Māori business growth.** Māori GDP contribution in Tāmaki Makaurau had the least relative growth, while **Māori GDP contribution for the rest of the country grew the most** (relative to their lower starting point). Total GDP contribution per business also plateaued and declined in the second half of the decade for Māori businesses in Tāmaki Makaurau, while trending upwards for the other three groups.

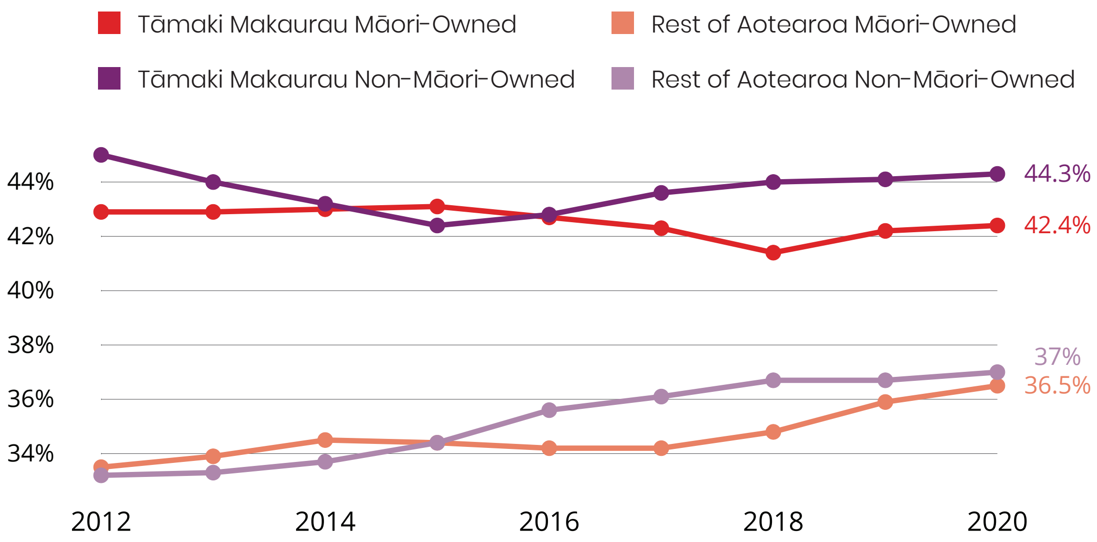
The gap between Māori and non Māori businesses in Tāmaki Makaurau is widening.

Figure 10: Cumulative growth in value added GDP contribution since 2010 for Māori and non-Māori business in Tāmaki Makaurau and the rest of Aotearoa.



Note: 2015 spike in Tāmaki Makaurau Māori business likely due to data error in IDI tables—see technical notes.

Figure 11. Value added GDP contribution as percent of income, 3-year Moving Annual Average for Māori and non-Māori business in Tāmaki Makaurau and the rest of Aotearoa.



When we take GDP contribution as percent of income, the 2% gap was about the same between Māori and non-Māori businesses at the end of the decade as it was at the start in Tāmaki Makaurau, after some turbulence during the GFC fallout period. Meanwhile for businesses in the rest of the country, **Māori overtook non-Māori** over the same period on this measure.[9]

The numbers of Tāmaki Makaurau Māori employers declined in absolute terms as the fallout of the Global Financial Crisis peaked from 2010 to 2013, and only **got back to 2010 levels by 2016.** The total number of workers employed by Māori business in Tāmaki Makaurau **has shrunk by 11% since 2010.**

[9] Three-year rolling annual average is used here, to smooth the general noise for the smaller groups, and the 2015 'bump' for Tāmaki Makaurau Māori business which appears to be an IDI table data error - see technical notes.

There are only 5.5% more Maori businesses in Tamaki Makaurau than there were in 2010.

Figure 12: Cumulative growth in number of businesses since 2010 for Māori and non-Māori business in Tāmaki Makaurau and the rest of Aotearoa.

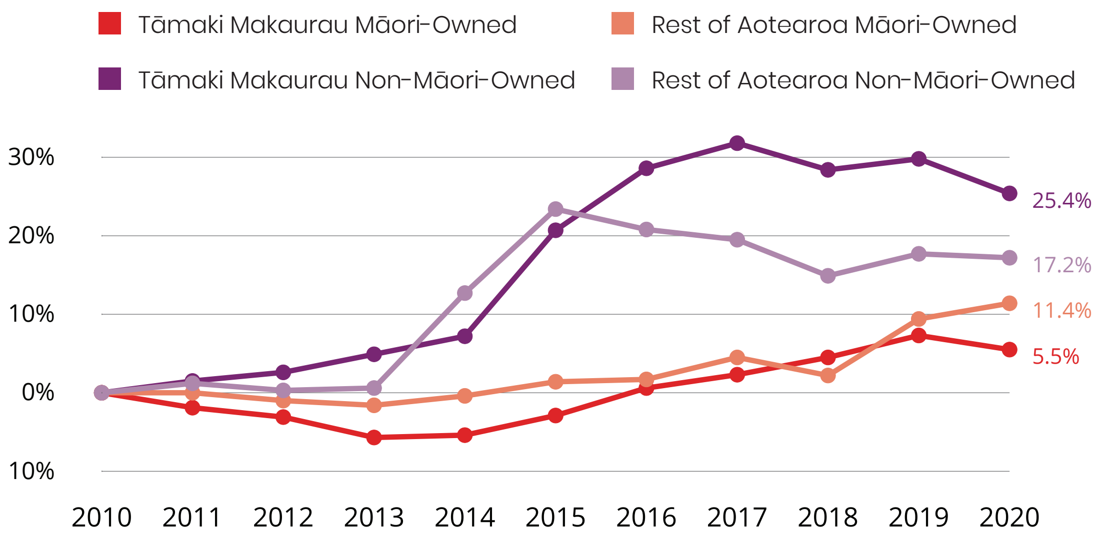
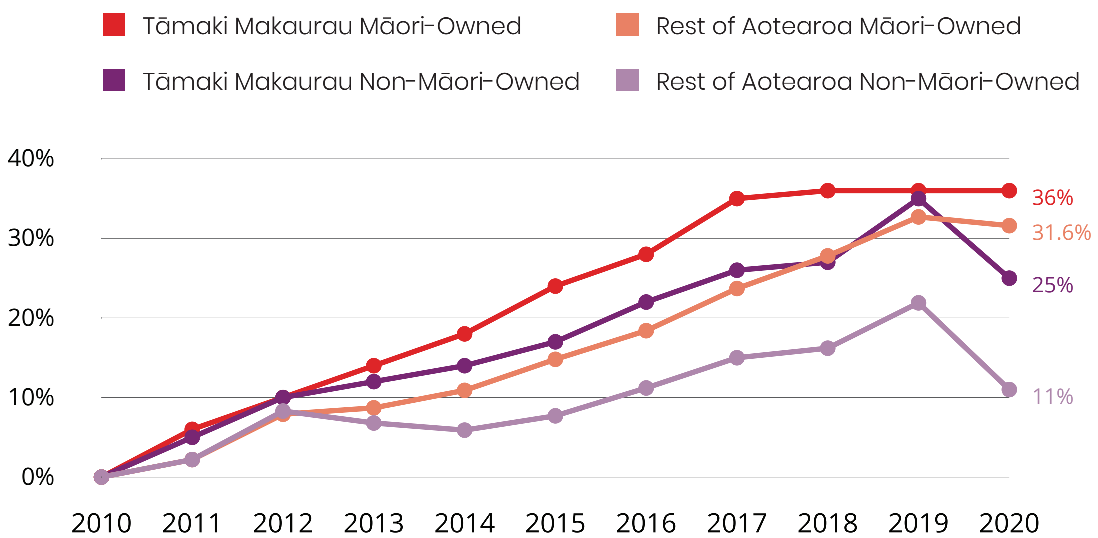


Figure 13: Cumulative growth in number of sole traders since 2010 for Māori and non-Māori business in Tāmaki Makaurau and the rest of Aotearoa.

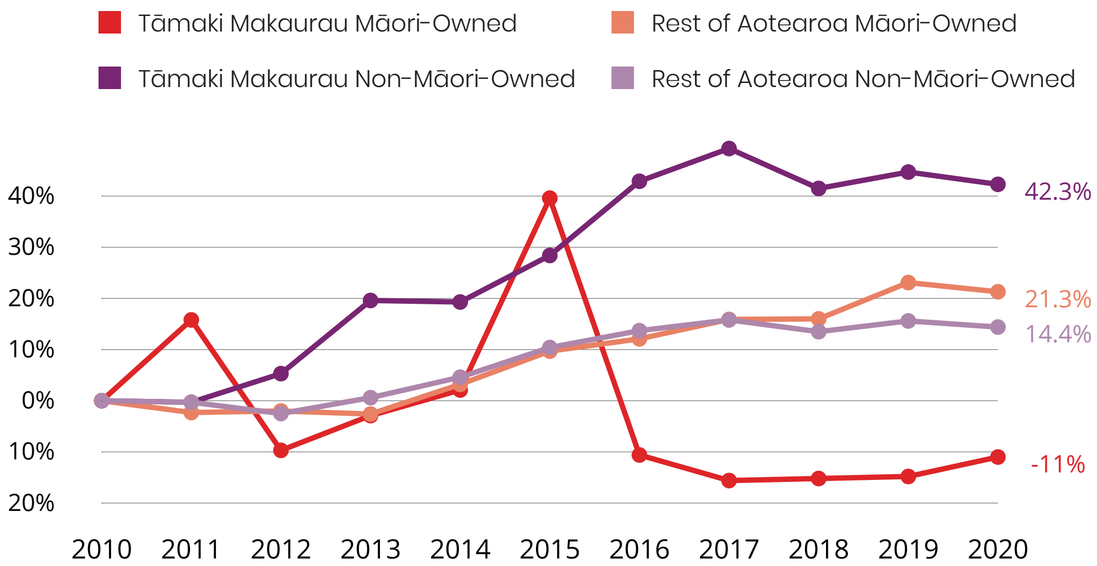


Note: 2020 drop-off in the trajectory of non-Māori sole traders in Tāmaki Makaurau and the rest of New Zealand may be a data anomaly relating to late tax filing.

The absolute contraction of Tāmaki Makaurau Māori businesses and employee numbers is accompanied by high growth in the numbers of Tāmaki Makaurau Māori sole traders compared with the other three groups.

The total number of workers employed by Māori businesses in Tāmaki Makaurau has shrunk by 11%

Figure 14: Cumulative growth in number of employees since 2010 for Māori and non-Māori business in Tāmaki Makaurau and the rest of Aotearoa.



Note: 2015 spike in Tāmaki Makaurau Māori business employees likely due to data error in IDI tables—see technical notes.

14. Covid impacts

Annual Te Matapaeroa IDI updates will shed much-needed light on potentially more severe impacts on Māori business from Covid-19 post-2020. The impact of the first 2020 wave, lockdown, elimination and brief 'recovery period' is expected to be visible in Te Matapaeroa updates to IDI data to the end of tax year 2021. We know that Auckland was part of the overall national 'V-shaped recovery' at this time, although it lagged behind slightly due to additional brief lockdowns and missing out on the internal tourism boom[13]. Māori business figures may be buffered via the construction industry during this period to an extent, given the boom in home renovation and the housing market as a result of the first lockdown, the wage subsidy programme, and additional business support payments. Te Matapaeroa data showed that Māori businesses accessed the wage subsidy at about the same rate as non-Māori businesses in both Tāmaki Makaurau (87.9% Māori owned, 86.9% non-Māori owned) and the rest of Aotearoa (74.1% Māori-owned, 74.6% non-Māori owned).

However, more serious fallouts are expected from the 2021-2022 period of the Delta and Omicron waves, during which Tāmaki Makaurau spent 107 days in hard lockdown while the rest of the country experienced far fewer restrictions, at a time when the city's businesses were facing the most acute labour shortages in 40 years[14]. As the nation transitioned away from the elimination and lockdown strategy, the Omicron wave battered Tāmaki Makaurau first and Māori in particular, taking people out of the labour force, and continuing to suppress consumer demand and economic activity in the region. As of March 2022 with relatively few restrictions left in place, consumer demand in Tāmaki Makaurau was still down more than 10% on March 2019, more than in the rest of the country[15]. The impact of this period, combined with various measures generally considered to have inflated the housing bubble, is exacerbating the local impact of global inflation trends. This on top of labour shortages that are predicted to be worsened by the newly opened borders[16], and mounting global supply-chain woes, signal challenging times for Māori-owned businesses operating on slimmer margins, with fewer staff.

[13] Wilson, Ross. 2021. 'Auckland regional household labour force survey: quarterly overview June 2021'. Auckland Council Research & Evaluation Unit (RIMU).

[14] Auckland Unlimited, Auckland Council, MBIE & MFAT. 2021. 'Auckland Covid Monitor October 2021'.

[15] Wilson, Ross. 2022. 'Auckland Economic Update April 2022'. Auckland Council Research & Evaluation Unit (RIMU).

[16] ANZ Research. 1 March 2022. 'NZ Insight: The Reopening II—shifting economic sands'. ANZ Bank; Gibson, Anne. 2 May 2022. 'The Exodus: Construction crying out for skilled workers - forecast of 200,000-plus person shortage'. New Zealand Herald.

15. Strategic recommendations

Although construction and allied trades are a big presence, the Māori economy is not driven by just one industry, and deserves **more diverse support and engagement.** Work done so far on industry partnerships for social procurement and workforce development through Auckland Council for example, has focused heavily on this sector. But there is strong potential for diversifying this focus to include other smaller but well-performing sectors for Māori businesses, particularly:

- **Services—**including wāhine workforce dominated industries, i.e. administrative services, health and social care, and education providers. Security is also a key sector.
- **Sunrise industries—**supporting Māori entrepreneurship in ICT and high-tech manufacturing, as well as intensive investment in skills training that may take place outside of conventional pathways into the industry.

Social procurement targets are a big new development for Māori business, and could potentially help cushion the oncoming blow to Māori businesses by ensuring there is fair and equitable access to contract opportunities.

- For the majority of Māori businesses to make the most of these business-to-business opportunities, there needs to be more coordination and funding of **small business support** so they can engage with procurement processes.
- Ensure social procurement activity occurs across all sectors, particularly smaller service sectors where Māori have a firm foothold as business-owners and have been doing well.
- Ensure Māori businesses that have a business-to-business focus register with Amotai to connect with Buyers looking for their services.

Better coordination of business support services in general are needed so that **typically smaller Māori businesses that need support to grow** can easily find **a single front door.** There are numerous business support services for Māori including Te Puni Kōkiri, Poutama Trust, Māori Womens Development Inc and region-specific support (e.g Iwi), in addition to national government funding such as the Regional Business Partners. In this fragmented landscape, Māori businesses need to know what they can access, how to access and where to access business support, including specialist industry support services.

Fair business investment—Government-funded support for businesses (e.g NZTE, Callaghan Innovation, Regional Business Partners funding) should set data-driven targets or **quotas** for Māori businesses, to ensure that **business support funding is equitably distributed to Māori.**

We should also ensure government business support spending, particularly economic stimulus funding and Māori-specific funding is not purely directed to 'the regions', but adequately prioritises Māori business in Tāmaki Makaurau.