The future of work in the New Zealand and Maori Economies

The next 20 to 30 Years (the medium term)

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Like our tipuna, reading the signs
Our tipuna were accomplished voyagers and navigators who systematically and repeatedly guided their waka across the vast expanses of the Pacific to land and settle across the length and breadth of Aotearoa (New Zealand).

As they sailed, Maori navigators would search for signs of land beyond the visible horizon, the presence of birds feeding or migrating, cloud formations that attach themselves to unseen lands and changes in the patterns of the ocean, currents and swells. These signs, in combination greatly enlarged the navigators target areas. Stars at night and the direction of the sun and ocean swells by day enabled them to maintain a running fix on their position and repeat voyages or to pass on sailing directions to subsequent Maori voyagers.¹

Likewise, it is vital Maori business, community, whanau leaders and policy makers also take time to look out into the future to identify and interpret the looming issues, challenges and opportunities in order to safely navigate the challenges faced by Iwi and Maori today and out into the future.

Shifts in global trends and patterns often happen gradually and often policy makers and business leaders will miss these shifts until it is too late to effectively respond. This results in wasted resource and business closures with far-reaching often negative ripple effects down through national, regional, and local community economies.

Planning horizons have become shorter, and the capacity of leaders to take a long-term view is constrained by a plethora of relentless short-term metrics ranging from political election cycles to quarterly profit statements. This results in myopic policy and business responses at a time when far-sighted leadership is what is needed.

This paper firstly maps out and identifies these major global shifts and trends and discusses some of the likely impacts and opportunities that will arise from these shifts over the next 20 to 30 years. The paper then considers these shifts in the context of the New Zealand economy and the issues and opportunities for the economy. The paper will then drill down further to consider what impact these shifts will have for regional and Maori development in the regions in and around Maori communities.

¹ King. Michael. Polynesian historian.
And, finally the paper will set out possible policy options to respond to these shifts to drive the transition towards a new Maori economy and the future of work with an emphasis on regional and community development.

**Major global shifts and trends**
Table 1 below sets out the broad categories of major shifts and trends that will impact economies and should drive macroeconomic policy and strategic and day-to-day business decisions.

*Table 1: Broad categories of Global Seismic Shifts*.2

<table>
<thead>
<tr>
<th>People and the Environment</th>
<th>Technology and Change</th>
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<tbody>
<tr>
<td>• Climate-change</td>
<td>• Information technology</td>
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<tr>
<td>• Resource Management</td>
<td>• Innovation</td>
</tr>
<tr>
<td>• Environment degradation</td>
<td>• Biotechnology</td>
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<tr>
<td>• People and urbanization</td>
<td>• Nanotechnology</td>
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<td>• Disease and globalization</td>
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<table>
<thead>
<tr>
<th>Commerce and Knowledge</th>
<th>Government and Conflict</th>
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<tbody>
<tr>
<td>• Economic integration</td>
<td>• Governance</td>
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<tr>
<td>• Knowledge dissemination</td>
<td>• Conflict</td>
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</table>

• Climate change, resource management and environmental degradation are critical considerations and indeed drivers of global development into the future. Global warming caused by the conversion of fossil fuels and the subsequent release of greenhouse gases (GHG) into the atmosphere has moved to the forefront of international negotiations heading towards a new international agreement on climate change in Paris 2015.

The United States and China as the two largest economies and emitters have signaled ambitious emission reduction targets ahead of Paris. As the two largest trading nations of the world, the US/China decision will provide the impetus to other developed and developing countries to set similarly ambitious emission reduction targets. This international response will drive significant policy change towards low emissions practices across domestic economies.

Figure 1: Projected regional changes in climate (temperature).

- Economically wealthy states like California in the United States are experiencing the worst droughts in a millennia and will have serious economic implications for the state economy.

- Across the planet, demographic trends are transforming societies, modifying economic patterns, and altering geopolitical balances. The world population is rising rapidly from around 6.4 billion to 7.8 billion by 2025 to an estimated 8.8-9.1 billion by 2050.³

- For all countries, technology has increased the speed of business transaction and information flows effectively making the world a smaller place. Now and into the future education, communication, information flows and business transactions will be affected by information technology. Policy makers and businesses need to make technology, innovation and adoption of information a top priority.

- The driving forces behind economic integration – including faster communication, improved transportation, increased flows of goods and services, labour mobility, the proliferation of technology and ever more rapid financial flows have profoundly affected the worlds economic landscape where the world economy is today an estimated four-times its size in the corresponding period in the mid 1970’s.

The New Zealand economy faces troubled waters ahead

New Zealand has experienced economic growth faster and with lower inflation than most OECD countries in recent years. However, there are bottlenecks in housing, city roads and other infrastructure, inequalities in living standards with a strong increase in the share of population that cannot afford to buy enough food.\(^4\)

The New Zealand economy is largely undiversified and therefore risky and vulnerable to the international price of dairy products that has fallen 60% since February last year\(^5\). The future does not look bright with some commentators signaling that farmers will go to the wall this year and particularly those carrying any debt on their balance sheets and that this downturn in dairy could last for as long as five years (Goldman Sachs, 2015).

Further, a growing number of commentators are pointing to an imminent collapse of the Auckland property market\(^6\). History shows that there are some key indicators of bubbles, all of which are present today in the Auckland housing market and include:

- Firstly, prices get out of line with intrinsic value;
- Second, a final manic speculative phase. The Auckland house market seems increasingly driven by people scared of missing out and speculators betting on further price increases instead of astute investors looking for income or people simply wanting a house. Warning bells should ring when a market gets into that phase; and
- Third, most bubbles inflate when there is cheap (and often easy) credit available. Interest rates are very low at the moment and banks keen to lend.

There are also rising environmental pressures with a record 17,000 public submissions being made to the government’s consultation process on what emission reduction target New Zealand should table at the international climate change negotiations in Paris 2015.

Need for fresh ideas and thinking

These factors when taken together signal that the New Zealand economy faces troubled waters ahead and the government’s so-called free-market approach is not working warranting the need for fresh ideas and thinking if the economy is to sustain its growth of recent years.

The Maori economy can play an important national leadership role

The Maori economy is valued at approximately $NZ39billion and growing rapidly at double digit annual growth over the last decade relative to the less than 4 percent growth in national GDP. Treaty settlements have played an important enabling role in this growth.

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This is not the only reason for such growth. Maori investment often takes a long-term intergenerational approach to investment and is not preoccupied with short-term investment returns and is there able to ride out short-term price fluctuations. While the Maori economy remains very much concentrated in the primary sectors of farming, fishing and forestry, Figure 2 below illustrates a very clear strategy of diversification being adopted by Iwi and Maori businesses.

*Figure 2: The Maori economy*

<table>
<thead>
<tr>
<th>Maori Asset Base 2010 S.</th>
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<th>Total</th>
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<tbody>
<tr>
<td>Self-employed</td>
<td>5,440</td>
<td>20,037</td>
<td>20,092</td>
</tr>
<tr>
<td>Employees</td>
<td>10,029</td>
<td>36,807</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15,469</td>
<td>57,844</td>
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Source: BERL 2010

The National government decision to allow the use of cheap international units to be surrendered into New Zealand’s Emission Trading System (ETS) to meet emission reduction obligations saw value of New Zealand Units (NZU’s) collapse from a high of $25 per unit in 2011-12 down to almost zero over the period of two years. This government policy wiped around $NZ600 million from Iwi/Maori balance sheets. The price has risen only slightly to around $7.00 today.

Given the low cost to polluters during this period where there was no cost incentive to change their behavior, New Zealand’s net emissions have risen seeing New Zealand’s international reputation on climate change targets and policy similarly collapse behind Scandinavia, Europe and now the US and China with their signal of ambitious reductions targets towards Paris 2015.

An important challenge for Iwi and Maori over the next decade as the Treaty Settlement process winds down will be to continue this double digit growth and diversification strategy. Given the dominance of Maori involvement in the primary sector, the Maori economy is disproportionately exposed to the direct impacts of a warming planet through droughts, rising sea levels and warming water temperatures and, in turn to any policy responses to climate change.

*Under-utilized Maori Lands*

A government study in 2011 reported an estimated 1.2 million hectares of underutilized
Maori land and suggesting a number of reasons why this land was underutilized including, multiple owners, complex or non existent governance, and inability to attract or access investment finance. Figure 3 below shows that these lands are concentrated on the east coast, the wider central north island and Northland regions.

Figure 3: Maori freehold lands in the Central North Island.

Figure 3 highlights also that much Maori land is held in in small Trusts and Incorporations (small to medium sized enterprise). Engaging and building the capabilities of these organizations has to be an important priority for policy makers.

Review of Te Ture Whenua Maori Land Act – a waste of time and resources

One action flowing out of the 2011 study was a government decision to do a review of the Te Ture Whenua Maori Land Act in the belief that it is the underlying legislation that is the primary reason for the under utilization of so much Maori land. While doing a review of underlying legislation should happen as a matter of course to ensure New Zealand’s law remains relevant – and no doubt this review will and should identify opportunities for improvement – in of itself the review will not suddenly amount to 1.2 million hectares of Maori land suddenly being made productive.

The answer to this problem is much simpler to spot and indeed to address.

The real impediment to the development of Māori land is the quality of governors and their access to finance. Changes such as those proposed will do little to solve these two challenges. Incremental solutions are needed that encompass wider considerations including improving the experience and quality of governance pools, rather than the big bang approach.

Something does need to be done to improve unproductive land. But what is proposed will be doing the wrong thing, which is worse than doing nothing!
**POLICY RECOMMENDATIONS**

*Fresh new policy-options to transition New Zealand to a durable and sustainable path forward over the next 20 to 30 years and beyond.*

Now more than ever before it is necessary to improve the context for economic performance and the social impediments to lift Maori potential. High rates of unemployment, low educational achievement, poor health and rates of incarceration remain a significant challenge. Finding new solutions to some complex issues requires new thinking and a different approach for policy objectives to achieve outcomes that will position the Government in a leadership, collaborative or catalyst role.

The following 8 macroeconomic policy options are proposed for consideration to enable New Zealand to confidently navigate the emergent global shifts and trends of:

- People and the environment;
- Technology and change;
- Commerce and knowledge; and
- Governance and conflict.

And, while sustainably managing the growth of the New Zealand and Maori economies to leverage the growing significance of Iwi and Maori as a true partner under the Treaty of Waitangi.
Table 2: Proposed Policy option and Global trend matrix

<table>
<thead>
<tr>
<th>Policy option</th>
<th>People and the environment</th>
<th>Technology and change</th>
<th>Commerce and knowledge</th>
<th>Governance and conflict</th>
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<tr>
<td>1) Recognise when making policy, the economic significance of the Maori economy to New Zealand’s national economy and thereby recognise the Treaty of Waitangi.</td>
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<td>2) Promote and pursue a diversified New Zealand and Maori economy that minimizes risks while maximizing returns and benefits and balances short, medium and long-term investment (intergenerational).</td>
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<td>3) Promote and grow international market expertise aligned to our key Maori industries and promote brand Maori for all Maori owned and produced products and services towards durable and defensive marketing and competitive strategy.</td>
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<td>4) Promote integrated and economy wide policy to reduce domestic emissions, lift New Zealand’s international reputation on domestic climate change and, transition towards low emission New Zealand and Maori economies.</td>
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<td>5) Regional development and focus on Maori land development and building capabilities of Maori governance as a priority.</td>
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<td>6) Promote policy that either develops (locally) or sources world leading technologies and innovation and assist the transfer of these technologies and innovations into Maori business and communities.</td>
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<td>7)</td>
<td>Promote policy that recognizes the need to balance economic, social, environmental and cultural objectives and outcomes</td>
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<td>8)</td>
<td>Promote and implement integrated and coordinated whole of government solutions to the issues and challenges faced by iwi and Maori communities.</td>
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An example of a policy which could meet this test to develop the Maori economy is to implement a carbon floor under the Emissions Trading Scheme and encourage forestry planting on marginal Maori land. A 2013 Infometrics study found that a $15 carbon price would increase GDP by 1.8%, reduce the deficit by $2 billion, create 17,000 new jobs across the economy which would be particularly focused in Maori areas, and attract $800 million of foreign direct investment. This would help meet New Zealand’s emission reduction targets, increase the size of New Zealand forestry, drive down emissions, and restore value to iwi they lost as a result of the carbon price fall making it available for reinvestment back into local, regional and national economies.

**Leadership will be critical**

Delivery of such a policy program will require leadership focus and strong co-ordination across government and stakeholders.
Summary and Conclusions
The issues and challenges for New Zealand and Maori development

- While the New Zealand economy has been stable and growing in recent years, the warning signs are looming on the horizon that the economy is facing some real challenges in the months and years ahead with the very real likelihood of a property market burst in Auckland.

- International commentators are pointing to the serious problems being faced by New Zealand’s biggest single industry and export earner - the dairy industry, that has seen the price for milk collapse this year with these same commentators suggesting that this problem will see farmers going to the wall and the industry take up to five years to recover.

- These issues point to the fragility of the New Zealand economy that lacks the necessary diversity needed during these troubled times. Current government policy has seen another of New Zealand’s largest industries (forestry) similarly decline in recent years with net deforestation for forest owners who don’t have the necessary policy certainty they need to continue to replant their forests after harvest. Accordingly, they are either not replanting the land or they are seeking to change the land use to some other use.

- Climate change is having already a significant impact on the national and regional economies where we are seeing now record periods of drought costing the economy hundreds of millions on an ever-increasing frequency. 17,000 submissions were received by the government’s 2015 consultation on emission reduction targets towards Paris 2015 indicating how significant this issue is for all New Zealanders and especially for Maori.

- Internationally the world is facing the very real risk of a collapse of the international financial system with the prospect of contagion in the wake of the imminent collapse of the Greek economy in Europe.

Navigating a way forward

- Like our navigator tipuna, this paper charts a way forward through these looming challenges for both the New Zealand and Maori economies that will not only make us more resilient but will do so in a manner that does not burden our businesses with unwelcome costs and indeed finds smart new ways to grow local community, regional and national wealth (GDP).

- Such a policy approach will also tackle the challenges presented to our domestic economy from climate change and indeed lift New Zealand’s flagging international reputation.

- Finally the paper articulates the critically important leadership role that Iwi and Maori have to play in the years and months ahead.

I welcome feedback on this paper and the issues that are raised in it. Feedback can be sent to futureofwork@labour.org.nz

Kia ora

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