

Cabinet Economic Growth and Infrastructure Committee

REFRESHING HE KAI KEI AKU RINGA: THE CROWN-MĀORI ECONOMIC GROWTH PARTNERSHIP

Purpose

1. This paper seeks agreement for a refreshed *He kai kei aku ringa* (HKKAR) strategy and framework to support Māori economic development. It also notes some priority actions to be undertaken over the next four years to support HKKAR.

Executive Summary

2. In 2012, Cabinet noted *He kai kei aku ringa: the Crown-Māori Economic Growth Partnership*. It included an overall strategy to 2040 and an action plan for the period 2012-2017 [EGI Min (12) 25/2 refers]. There has been significant progress in Māori economic development since 2012, but some outstanding challenges remain.
3. The Ministry of Business, Innovation and Employment (MBIE) and Te Puni Kōkiri have recently completed a scheduled review of HKKAR. This review considered, among other things: (a) feedback from eight HKKAR regional hui in 2016; (b) a stocktake of government programmes that support Māori economic development; (c) engagement with the Māori Economic Development Advisory Board, iwi leaders and expert commentators; and (d) the alignment of HKKAR with the Business Growth Agenda (BGA), the Better Public Services (BPS) programme, the Regional Growth Programme and Whānau Ora.
4. Following this review, we are proposing five key components for HKKAR to guide the Crown's contribution to Māori economic development:
 - i. **an overall HKKAR goal and five whole-of-government goals** to focus effort on the vital few outcomes for Māori economic development;
 - ii. **outcome indicators and targets to 2021;**
 - iii. agreement for MBIE and Te Puni Kōkiri to work together with relevant agencies to develop **cross-agency plans to drive achievement;**
 - iv. the development of a **strategic approach for implementing HKKAR** within the economic development sector to strengthen delivery to and for Māori, to increase Māori participation in government economic initiatives and make active connections with Whānau Ora; and
 - v. **immediate priorities for action** over the next four years.

5. We have foreshadowed our approach to HKKAR in the Māori Economic Development chapter within the refreshed BGA.
6. The proposed HKKAR goals, outcome indicators and targets to 2021 are set out in Table 1 below. Where appropriate, we propose these targets be aligned to existing targets within the BPS. The proposed targets are aspirational. This reflects our ambition to accelerate Māori achievement, taking advantage of the current economic cycle. We have included some comparisons with national rates, where appropriate.

Table 1. HKKAR Goals, Outcome Indicators and Targets for Māori Economic Development

| | HKKAR Goals | Indicators and Targets to 2021 |
|---|--|---|
| 1 | Overall HKKAR Goal: Increase Māori median income | <ul style="list-style-type: none"> • By 2021, achieve a 20% increase in annual Māori median income from \$26,500 to \$31,800 <i>(In 2015, the national median income is c\$31,000. Māori median income is 86% of the national level).</i> |
| 2 | Employment <i>Whai Mahi:</i> Grow the future Māori workforce | <ul style="list-style-type: none"> • By 2021, reduce the Māori unemployment rate from 11.9% to 7.5% <i>(In December 2016, the national unemployment rate was 5.2%)</i> • Work is currently underway to develop targets for youth not in employment, education or training. We propose to develop an HKKAR target for Māori youth based on the results of this work. We expect this work will be completed by June 2017, and we will incorporate this target into HKKAR at that time. |
| 4 | Enterprise <i>Whai Pakihi:</i> Grow Māori enterprises | <ul style="list-style-type: none"> • By 2021, increase the number of Māori employers with >3 employees by 30% from 8,200 to 10,660 <i>(in 2013, 3% of Māori employed others, compared with the national rate of 6.5%)</i> • By 2021, increase the value of exports by Māori enterprises by 9% per annum (from a base of \$510m in 2015) • By 2021, increase capital deals undertaken by Māori enterprises by \$300m (cumulative) • By 2021, increase the number of Māori enterprises engaged in the innovation system by 5% year on year • Work is currently underway to develop a target for the productivity of Māori land. The Ministry for Primary Industries is leading this work. We expect this work to be completed by June 2017. |
| 3 | Education <i>Whai Mātauranga:</i> Upskill the Māori workforce | <ul style="list-style-type: none"> • Progress towards this goal will be measured using: • Māori attainment of NCEA Level 2; and • the proportion of the Māori population aged between 25 and 64 holding a tertiary qualification at NZQF Level 4 or above |
| 5 | Rangatahi | <ul style="list-style-type: none"> • Progress towards this goal will be measured by education and |

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|---|--|--|
| | <i>Rangatahi Tū Maia:</i> Support youth to define and lead their economic aspirations | employment targets and reporting, as they relate to Māori youth aged 15-24 years. |
| 6 | Regions <i>Rohe Tū Pakari:</i> Increase Māori participation within regional economies | <ul style="list-style-type: none"> • Iwi and Māori will be able to actively participate in regional planning and implementation within the Regional Growth Programme, according to their interests and priorities. • Progress towards this goal will be measured through the Regional Growth Programme evaluation framework that is being developed. |

7. We seek agreement for MBIE and Te Puni Kōkiri to work together with relevant agencies to develop plans to give effect to the targets. We envisage these cross-agency plans will build on existing programmes and services undertaken by agencies and provide more effective and efficient coordination, reporting and opportunities to accelerate implementation. We also expect agencies to identify any gaps in service provision and develop approaches for addressing these gaps. We will ask MBIE and Te Puni Kōkiri to report-back to the Cabinet Economic Growth and Infrastructure (EGI) Committee about progress with this work by July 2017. We intend to provide annual HKKAR progress updates to EGI, starting in March 2018. We propose to use existing Ministerial and Chief Executive fora within the BGA and BPS to maintain “line-of-sight” on progress towards the HKKAR targets.

8. There is emerging evidence that Māori have lower levels of participation in economic development programmes and services than other New Zealanders. There is also evidence from other sectors, and from the HKKAR regional hui, that many Māori have a strong preference for services that incorporate Māori design and delivery elements. We seek to strengthen opportunities for incorporating Māori approaches within the economic development sector through a seven-point strategic approach for implementing HKKAR. We consider this approach has strong connections with Whānau Ora, which is focused on enabling whānau to decide their own aspirations to improve their lives and building their capacity to plan for and achieve their goals. Our approach to HKKAR focuses on whānau wellbeing, modelling best practice Māori approaches to improve Māori outcomes and taking whānau with us.

9. There are some immediate and significant opportunities to accelerate Māori economic development. We have identified some priority initiatives to be undertaken over the next four years to support HKKAR, viz:
 - i. Māori Youth Employment (this work will leverage off the national NEETs strategy currently being developed by MBIE, the Ministry of Social Development and the Ministry of Education);
 - ii. Māori Enterprise Growth (especially (a) SMEs and collectives and (b) models for social enterprise); and
 - iii. exploring Employment Outcomes through Strategic Procurement.

10. The next steps involve preparing a public version of the refreshed HKKAR. Following this, we propose to launch the refreshed HKKAR document in mid-June 2017. Associated announcements will relate to the ambitious targets for employment, youth enterprise, and SME development.

Background

11. In 2011, Cabinet agreed to commission a Crown-Māori panel to develop a Māori Economic Development Strategy and Action Plan in order to identify opportunities to accelerate Māori economic growth and address some longstanding barriers [CAB Min (11) 32/5 refers]. In 2012, it received and noted *He kai kei aku ringa: the Crown-Māori Economic Growth Partnership* (HKKAR). HKKAR included a strategy with an outcomes framework to 2040 and an action plan for the period 2012-2017 [EGI Min (12) 25/2 refers].
12. In 2013, Cabinet agreed to the establishment of a Māori Economic Development Advisory Board to provide guidance, stewardship and monitoring for HKKAR [CAB Min (13) 13/6 refers]. We have recently updated the terms of reference, appointed a new Chairperson and strengthened the membership of this Board [APH-17-MIN -0028 refers].

Progress towards He kai kei aku ringa since 2012

13. The initial HKKAR Action Plan was developed with a five-year window from 2012-2017. There has been significant progress in Māori economic development over that period, although there are some outstanding challenges. The overall situation of the New Zealand economy has improved since 2012, with strong growth forecast for the next few years. It is timely to refresh HKKAR and to seek sustainable gains in Māori economic development.
14. There are 42,000 more Māori people in work since 2012 (298,000 in December 2016, up from 256,000 in 2012). The Māori unemployment rate has decreased from 13.9% to 11.6% over this period. However, it is still more than double the national rate of 5.2%. Some 20% of young Māori (aged 15-24 years) are not in employment, education or training (NEETs). This is approximately double the national rate of 11%.
15. The number of Māori self-employed people and employers has increased from 20,000 in 2012 to 29,000 in December 2016. Māori small-to-medium enterprises (SMEs) have a survival rate of 86% over three years compared to 93% for all SMEs. However, most Māori SMEs are small: approximately 70% are self-employed people and an industry survey showed 70% had an annual turnover of less than \$1m. Some 8,200 Māori employed other people. This is approximately 3% of Māori in the workforce (compared with a national rate of 6.5%). In 2015, Māori enterprises exported approximately \$510m of goods to international markets.
16. There are approximately 1.7m hectares of Māori freehold land, of which 950,000 hectares is used for rural production. There are significant opportunities to increase the productivity of these lands. Significant parcels of Māori land are administered by Māori Authorities. There are approximately 1200 Māori Authorities, with a combined asset base of \$15b in 2016 (up from

\$12b in 2012). In 2015, these entities earned an average pre-tax surplus of \$482,000, which provided a return on assets of 3.4%. This has decreased from 5% in 2013,

17. Since 2012, several agencies have grown their Māori capability and tailored their approach and programmes to increase Māori participation, including New Zealand Trade and Enterprise, the Ministry for Primary Industries and Callaghan Innovation. The Regional Growth Programme has involved Māori as leaders in building sustainable regional economies. Māori business leadership has strengthened through participation in Te Hono Stanford Bootcamps and exposure to global markets through trade missions.
18. Several new bespoke government funds and programmes to support Māori economic development have been launched including the Māori Innovation Fund (MBIE), Māori Agribusiness Pathways (MPI), Ka Hao Māori Digital Technology Fund (MBIE and Te Puni Kōkiri) and the Whenua Māori Fund (Te Puni Kōkiri). A major investment has been made in Māori land reform through the Te Ture Whenua Māori Bill and Māori Land Service to improve land utilisation and productivity gains. The Government's recently launched refreshed trade policy *Trade Agenda 2030 – Securing our Place in the World* highlights the importance of trade policy for the development of the Māori economy. This is especially important because of the high investment by Māori in the primary sector, which in turn depends on secure and sustained access to export markets.
19. The Ministry of Business, Innovation and Employment (MBIE) and Te Puni Kōkiri have recently completed a scheduled review of HKKAR. This review considered, among other things: (a) feedback from eight HKKAR regional hui in 2016; (b) a stocktake of government programmes and services that support Māori economic development; (c) engagement with the Māori Economic Development Advisory Board, iwi leaders and expert commentators; and (d) the alignment of HKKAR with the Business Growth Agenda (BGA), the Better Public Services (BPS) programme, the Regional Growth Programme, and Whānau Ora.

Refreshing He kai kei aku ringa

20. We are proposing five key components within the refresh of HKKAR to guide the Crown's contribution to Māori economic development:
 - i. **An overall HKKAR goal and five whole-of-government goals** to focus effort on the vital few outcomes for Māori economic development;
 - ii. **outcome indicators and targets to 2021;**
 - iii. agreement for Ministry of Business, Innovation and Employment and Te Puni Kōkiri to work together with relevant agencies to develop **cross-agency plans to drive achievement;**
 - iv. the development of a **strategic approach for implementing HKKAR** within the economic development sector to strengthen delivery to and for Māori, to increase Māori

participation in government economic initiatives and make active connections with Whānau Ora; and

- v. **immediate priorities for action** over the next four years.

The Overall HKKAR Goal

- 21. All the components of HKKAR are designed to support sustained increases in median income for Māori people, thereby contributing to higher standards of living for whānau, pathways for rangatahi (young people) and security for kaumātua (elders).
- 22. On this basis, we seek agreement for the following overall target for HKKAR:

By 2021, achieve a 20% increase in annual Māori median income from \$26,500 to \$31,800.

- 23. The current Māori median income is \$26,500 per annum. This is 86% of the national median income of approximately \$31,000. The proposed target of \$31,800 provides for absolute and relative movement in Māori median income. In absolute terms, the target is a 20% increase of Māori median income over four years. In relative terms, it equates to an increase from 86% of the national median income to 90% (this assumes a national median income of \$35,300 by 2021).

Whole-of-Government Goals and Targets to 2021

- 24. The proposed whole-of-government goals for HKKAR are:
 - i. **Employment** – *Whai Mahi*: growing the future Māori workforce;
 - ii. **Enterprise** – *Whai Pakihi*: growing Māori enterprises;
 - iii. **Education** – *Whai Mātauranga*: upskilling the Māori workforce;
 - iv. **Rangatahi** – *Rangatahi Tū Maia*: supporting Māori youth to define and lead their economic aspirations;
 - v. **Regions** – *Rohe Tū Pakari*: increasing Māori participation in regional economies;
- 25. We consider these goals reflect the vital few outcomes that will make the greatest impact in terms of Māori economic development. They are described in more detail below, including the intervention logic for the goals, the current state analysis, the proposed targets, and the focus areas within the cross-agency plans.

Employment – *Whai Mahi*

- 26. Most Māori people derive most of their income from participating in the workforce. This means strengthening Māori participation in the workforce is the single biggest opportunity to increase Māori median income to support whānau wellbeing. There are two elements to strengthening

Māori participation in the workforce: (a) supporting more Māori people into work and (b) supporting Māori workers to progress into higher-skilled, higher-wage occupations.

27. Our aspiration for Māori employment is that Māori are participating fully in the workforce across the New Zealand economy and progressing into high skilled roles over the course of their careers. This will support New Zealand to grow productivity and income across our workforce, in line with the *Safe and Skilled Workplaces* theme within the BGA. This will also support *BPS 1 by reducing the number of Māori people receiving main benefits*.
28. Good progress has been made in supporting Māori into work through Māori and Pasifika Trades Training. We will support 3,000 learners and 16 consortia in 2017, with a target of offering 5,000 places by 2019. Te Puni Kōkiri Cadetships also provide Māori workers with opportunities to gain work experience, obtain higher level qualifications and build industry networks.
29. The Māori unemployment rate is currently 11.6% (40,200 people) down from 13.9% in March 2012. However, it is more than double the national rate of 5.2%. It reached its lowest levels in 2008 at 7.9%. There is limited data about the career progression of Māori people within the workforce, although we do know many Māori are employed in unskilled jobs that are aligned away from future growth sectors.
30. Among young Māori, there are relatively high levels of people not in employment, education or training (NEETs), that is, 26,000 people or 20% of Māori aged 15-24 years. This figure has decreased slightly since 2012, but remains approximately twice the national rate of 11.2%. There is significant regional variation within this figure, with higher levels of Māori NEETs in Northland, Bay of Plenty and the East Coast.
31. As we increase the number of Māori in the workforce, we expect to see a decrease in the number of Māori in receipt of main benefits. In 2015, some 111,100 Māori in the working age population received a main benefit. This was 35% of all recipients of main benefits.. The Ministry of Social Development has advised that Māori clients are significantly overrepresented in both the benefit system and housing cohort. While Māori comprise only 15% of the general population, they are 31% of benefit system cohort and 36% of the housing cohort. They represent 42% of Jobseeker Support Work-Ready clients and 48% of Sole Parent Support clients. The average future lifetime cost for Māori clients is \$55,000 (or about 50%) higher than non-Māori clients. This is a large difference..
32. The Ministry of Social Development has advised it uses the annual Investment Strategy to highlight, at a high level, the cohorts of clients that employment and work readiness spending will be targeted towards. Underpinning the Investment Strategy is a work programme that targets interventions and investments to groups that have risk factors (eg, Corrections or inter-generational benefit receipt) that increase the time spent in the welfare system. Targets are aligned to cohorts and segments based on risk factors. Ethnicity is not a risk factor that liability is measured by. To achieve BPS 1, the Ministry of Social Development has advised it needs strong labour markets to transition people into sustainable employment. HKKAR will support BPS 1 by increasing employment opportunities for Māori.

33. On these bases, we seek agreement for the following whole-of-government target to 2021 for Māori employment:

By 2021, reduce the Māori unemployment rate from 11.9% to 7.5%

34. Work is currently underway to develop targets for youth not in employment, education or training. We propose to develop a target for Māori youth based on the results of this work. We expect this work will be completed by June 2017, and we will incorporate this target into HKKAR at that time.

35. It will be important to align these targets with the Better Public Service result of reducing the number of people receiving main benefits (BPS 1). We have asked MBIE and Te Puni Kōkiri to work together with the Ministry of Social Development to ensure alignment with the Māori employment targets within HKKAR.

36. We seek agreement for the following agencies to work together to develop a cross-agency plan to support these targets: MBIE; Ministry of Social Development; Te Puni Kōkiri and the Tertiary Education Commission

37. We envisage the cross-agency plan for this target will focus on, *inter alia*:

- i. *ensuring Māori are 'ready for work'*. This will mean Māori jobseekers are supported in the development of: generic and job-specific skills; a positive attitude towards workforce participation; interview preparation and participation; driver licencing; access to transport to and from work; and being unimpaired by drugs and alcohol.
- ii. *connecting Māori labour supply with employer labour demand through work brokerage*. This work will include: labour market modelling and planning within target regions and sectors; developing and facilitating enduring relationships with training providers and major employers; aligning training provision with employment needs; and ongoing (pre- and post-employment) pastoral care for workers. This strand will build on existing work being led by the Ministry of Social Development.
- iii. *encouraging ongoing training and development opportunities for Māori within the workforce*.

Enterprise – *Whai Pakihi*

38. Our long-term aims for Māori enterprise development are that (a) Māori people own and operate vibrant, productive and profitable enterprises that provide products and services to domestic and international markets and (b) Māori Authorities are realising the full potential and productivity of their whenua and other assets. This will support several strands of the BGA, including *Building Export Markets, Innovation, Investment and Natural Resources*. There are also strong connections with Trade Agenda 2030.

39. Small-to-medium enterprises (SMEs) are the engine of the New Zealand economy. Māori SMEs are located across various sectors within the New Zealand economy. There are 29,000 Māori SMEs, with approximately 70% being sole trader operations and 30% being operated by Māori who employ other people¹. Put another way, some 8,200 Māori people employed others, being 3% of the Māori workforce (compared with 6.5% for other New Zealanders who employ people). There is some evidence that Māori employers earn significantly higher incomes than other Māori in the workforce. These people are more likely to employ Māori people and provide high levels of pastoral care to ensure employee success. In 2015, Māori SMEs had a three-year survival rate of 86% (compared to 93% for all New Zealand SMEs). Some 20% of Māori SMEs are exporters, with an annual export value of approximately \$50m.
40. There are approximately 1,200 Māori Authorities². These enterprises typically administer whenua Māori and related assets. In doing so, they balance their commitments as (a) kaitiaki of taonga assets on behalf of whānau and (b) producers seeking to generate the best returns for owners. In 2016, they had a combined asset base of \$15b (up from \$12b in 2010) and generated a pre-tax surplus of \$500m for an average return of assets of 3.4%. If these Māori Authorities earned greater returns on their assets, they would be able to provide better returns to whānau owners and further develop their business models. Approximately 45% of Māori Authorities were exporters, with an annual export value of \$485m. Most Māori Authorities are located in the primary sector and many are at the 'entry point' of the value chain, that is, they produce raw materials that are on-sold to other businesses to refine, package and market. There is some evidence they are likely to have lower levels of ICT uptake than other enterprises.
41. On these bases, we seek agreement for the following whole-of-government targets to 2021 for Māori enterprise:
- By 2021, increase the number of Māori employers with >3 employees by 30% from 8,200 to 10,660**
- By 2021, increase the value of exports by Māori enterprises by 9% per annum (from a base of \$510m in 2015).**
- By 2021, increase capital deals undertaken by Māori enterprises by \$300m (cumulative).**
- By 2021, increase the number of Māori enterprises in the innovation system by 5% year on year.**
42. It is also proposed that the Ministry for Primary Industries undertake work to develop an appropriate target and measures for Māori land productivity. We expect this work to be completed by 30 June 2017.
43. The proposed whole-of-government targets for exports and capital deals are modelled on overall targets developed by New Zealand Trade and Enterprise. The innovation system target was agreed with Callaghan Innovation.

¹ For the purpose of HKKAR, a "Māori SME" is a business that defines itself as a Māori business.

² For the purposes of HKKAR a "Māori Authority" is an entity with the Māori Authority Tax Rate.

44. We seek agreement for the following agencies to work together to develop a cross-agency plan to support these targets: Callaghan Innovation; MBIE; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; New Zealand Trade and Enterprise; and Te Puni Kōkiri.
45. Given the concentration of Māori enterprises in the primary industries, we think there are real opportunities to strengthen the connections between Māori economic development and the natural resources sector. We consider the working relationship between MBIE and the Ministry for the Environment will be critical in this regard.
46. We have also asked MBIE and Te Puni Kōkiri to work closely with Statistics New Zealand to support the further development of quantitative measures for these targets.
47. We envisage the cross-agency plan for this target will focus on, *inter alia*:
- i. *connecting Māori small-to-medium enterprises with business support services provided by government agencies and within local communities. There is some emerging evidence that Māori enterprises tend to have limited uptake of these services.*
 - ii. *supporting Māori enterprises to build their innovation and ICT capability;*
 - iii. *supporting Māori enterprises to make purposeful connections with each other and third parties who can support their business growth (for example, value-chain partners in domestic and export markets and investors). As part of this work, we understand the Ministry of Foreign Affairs and Trade intends to work closely with other agencies with the aim of increasing the level of engagement and participation by Māori enterprises in Trade Agenda 2030.*
 - iv. *supporting Māori Authorities to enhance their operating models by strengthening their governance and investigate opportunities to expand their operations on a sustainable basis: (a) to bring unutilised or underutilised whenua into production; (b) to diversify the product base; and (c) to enhance their position within value chains.*
 - v. *implementing new models for the management and development of Māori land through Te Ture Whenua Māori 2017, including the set-up of the Māori Land Service and the ongoing implementation of the Whenua Māori Fund to investigate uses for unused or underutilised Māori land.*

Education – Whai Mātauranga

48. The long-term goals for Māori education as they relate to HKKAR are (a) all Māori learners will gain skills and knowledge to participate in the future workforce and marketplace, as well as te ao Māori and society generally; and (b) Māori youth (aged 15-24 years) will transition effectively from education to work and further training.

49. We acknowledge the leadership of the Minister of Education and the Minister of Tertiary Education, Skills and Employment in this sphere and the strong alignment between HKKAR and BPS 5 and 6, Ka Hikitia: the Māori Education Strategy and the Tertiary Education Strategy 2014-2019. We seek to build on this platform within the context of HKKAR.
50. There is a clear and strong link between the school and post-school qualifications of young people and their ability to find work and earn income. NCEA Level 2 provides a key indicator of general literacy and numeracy skills required by young people as they transition from education and training to employment. There has been sustained growth in Māori achievement over the last decade. In 2008, 45% of Māori 18 year-olds had achieved NCEA level 2. It is estimated that 74.7% of Māori 18 year-olds achieved NCEA Level 2 in 2016. However, this is not forecast to increase to 85% in 2017, which is equivalent to the estimated current achievement rate for all 18 year-olds. We acknowledge there are existing targets for Māori attainment of NCEA Level 2 and NZQF Level 4 across the education sector. We seek to align with these rather than duplicate them.
51. It is important to ensure young people have clear and purposeful pathways from education to work. In 2014, the Government set aside \$359m to establish *Communities of Learning | Kāhui Ako* to improve educational achievement by lifting the quality of leadership and teaching and supporting pathways through the education system [CAB Min (14) 1/14 refers]. Some 60% of schools, and 495,000 students, now benefit from cross-sector collaboration. In recent years, a network of 'supply pipelines' that link rangatahi, whānau, schools, tertiary providers and employers has been developed. The number of young Māori, aged 16-19 years, participating in trade academies and gateway programmes has increased by more than 40% between 2012 and 2015, from 4120 people to 5845 people. Among Māori aged 20-24 years, there was an increase in the number of people in New Zealand apprenticeships from 5240 to 6300 people.
52. In terms of tertiary education, there is clear and consistent evidence that young Māori who achieve higher level qualifications on the New Zealand Qualifications Framework (NZQF) have higher median earnings and employment rates than Māori who have not completed these qualifications. The proportion of the Māori population who hold a higher-level tertiary qualification has been increasing, although Māori are still under-represented at the Bachelors-degree level and above. Young Māori graduates have similar earnings to non-Māori in the first few years after study. However, the income of young Māori graduates does not increase as fast as that of non-Māori graduates in the following years. Notwithstanding this, the earnings premium for Māori graduates is greater than for non-Māori. The employment rates of young Māori graduates are reasonably similar to other ethnic groups after completing qualifications at higher levels. However, young Māori are less likely to be in employment than non-Māori after completing qualifications at lower levels.
53. On these bases, we propose that progress towards this goal will be measured by:

Māori attainment of NCEA Level 2;

the proportion of the Māori population aged between 25 and 64 holding a tertiary qualification at NZQF Level 4.

54. We seek agreement for MBIE and Te Puni Kōkiri to work together with the Ministry of Education, the Tertiary Education Commission and the New Zealand Qualifications Authority to better align their various strategies to support young Māori to transition from education to employment and upskilling the Māori workforce.

55. We envisage this work will focus on, inter alia:

- i. *increasing the number of Māori in trades training and employment; and*
- ii. *encouraging young Māori to make more informed choices around their career pathways, by improving the quality of careers information and advice.*

Rangatahi – Rangatahi Tū Maia

56. Our long-term goal in this area is that rangatahi Māori (young Māori aged 15-24 years) will be defining and leading their own economic aspirations.

57. The Māori population has a youthful profile, with a median age of 24 years compared to 37 years for other New Zealanders. This means young Māori will form an increasingly important cohort within the New Zealand workforce and marketplace over the next twenty years. It will be important to ensure these rangatahi have the appropriate skills, motivation and connections to participate as workers, entrepreneurs and asset managers.

58. It will be important to provide practical experience for young Māori to define and lead their economic aspirations. Currently, several iwi and Māori Authorities provide employment and governance opportunities for rangatahi. In addition, some economic development agencies provide internships to enable rangatahi to acquire practical experience in economic research, analysis and decision-making. There are also a range of young enterprise schemes and competitions to encourage rangatahi to develop their entrepreneurial skills.

59. We propose that progress towards this HKKAR goal will be measured within the Māori employment and education targets and reporting described above, as they relate to young Māori aged 15-24 years.

Regions – Rohe Tū Pakari

60. Our aspiration is that iwi and Māori will be leading participants in regional economic development across New Zealand. In particular, they will be growing Treaty Settlement assets, providing practical support for their people to achieve their economic aspirations, and playing leading roles in planning and implementation of regional growth strategies. This will support an economy where all our regions and all our people have the opportunity to grow and prosper, in line with the overall direction of the BGA.

61. Iwi and Māori have been important partners in research, planning and action throughout the Regional Growth Programme coordinated by MBIE and the Ministry for Primary Industries, together with local government, industry and other parties. Progress has been made in several regions, including Northland, Waikato, Bay of Plenty, Tairāwhiti, Hawkes Bay, Taranaki, Manawatū-Whanganui, West Coast (South Island), Canterbury and Southland. We seek to maintain this momentum. We also seek to provide a platform for iwi and Māori to raise issues of national interest directly with Ministers. This will provide opportunities for early and meaningful engagement.

62. A good example of iwi and Māori leading regional development is the Matariki Hawkes Bay Action Plan. Project 1000 is a flagship initiative within this work, focused on supporting 1000 local people, including beneficiaries, into new jobs. It supports employers, iwi, hapū and businesses to work together to create employer-led solutions to labour supply issues. By February 2017, 208 people had been placed into employment, of whom 69% are Māori.

63. We propose the target for this HKKAR goal is:

iwi and Māori will be able to actively participate in regional planning and implementation within the Regional Growth Programme, according to their interests and priorities.

64. Progress towards this goal will be measured through the Regional Growth Programme evaluation framework that is being developed.

65. We seek agreement for MBIE, the Ministry for Primary Industries and Te Puni Kōkiri to work together to develop a cross-agency plan for this goal. This work will focus on facilitating relationships and connecting iwi and Māori with the Regional Growth Programme (that is, it will not replicate the Regional Action Plans that have been established). It will be important to ensure Senior Regional Officials are engaged and leading this work. This work will also include the development of a Māori lens for the Regional Growth Programme evaluation framework.

66. We envisage the action plan for this target will focus on, *inter alia*:

- i. *continuing to facilitate iwi and Māori participation in the regional growth programme, including regular engagements with regional and sectoral networks to promote relationships.*
- ii. *supporting engagement and dialogue between iwi and the Crown about issues of national significance for economic development through the Iwi-Crown Economic Taumata.*

Leadership of HKKAR Whole-of-Government Targets

67. We will ask MBIE and Te Puni Kōkiri to prepare a report-back to the Cabinet Economic Growth and Infrastructure Committee about the development of the cross-agency plans in July 2017.

68. We envisage these cross-agency plans will build on existing programmes and services undertaken by agencies and provide more effective and efficient coordination, reporting and opportunities to accelerate implementation. We also expect agencies to identify any gaps in service provision and develop approaches for addressing these gaps. The report-back will include any consideration of financial implications arising from the development of the action plans. We will also ask MBIE and Te Puni Kōkiri to prepare an annual HKKAR progress update to EGI, starting in March 2018.
69. There is a range of existing leadership mechanisms in place for the BGA, BPS and the Regional Growth Programme, including Ministerial Groups and Chief Executive Fora. We do not propose to replicate these for HKKAR. Rather, we propose to use these mechanisms to provide leadership for the whole-of-government targets within HKKAR.

Applying HKKAR within the Economic Development Sector

70. There is emerging evidence that Māori have low levels of participation in economic development programmes and services aimed at all New Zealanders. For example, the Regional Business Partners programme reports Māori participation at less than 5% of the total client base it serves. There is also evidence from other sectors that many Māori have a preference for services that have strong Māori design and delivery elements. Since the 1980s and 1990s, Māori have developed “by Māori, for Māori” services in the education, health and social services sectors. The Government has invested in this approach through Whānau Ora over recent years. This preference was a clear and consistent feature of feedback from Māori during the HKKAR regional hui in 2016.
71. We seek to strengthen opportunities for incorporating Māori approaches within the economic development sector through a seven-point approach for implementing HKKAR. This approach focuses on whānau wellbeing and modelling best practice Māori approaches to improve Māori outcomes. In particular, we propose that MBIE and Te Puni Kōkiri work together to develop and share best practice models for incorporating Māori approaches and increase Māori participation within the economic development sector
72. We envisage this work will include a focus on:
- i. embedding a **Māori approach** to increase Māori participation in economic development programmes – through co-design, collaboration, leadership, networks, Māori people;
 - ii. **setting targets** for Māori participation and achievement in economic development programmes as part of the development of action plans;
 - iii. exploring employment and enterprise opportunities through **strategic procurement**;
 - iv. **shifting power to the grassroots** – moving resource and funding to iwi and community-based solutions and partnerships;

- v. **knitting together** programmes and investment and scaling them to accelerate incomes, capability, enterprise growth;
 - vi. investing in **pastoral care** models across the system to lift Māori participation and achievement; and
 - vii. **inspiring, informing and connecting** Māori to achieve economic success – online and through events.
73. We consider this approach has positive connections with Whānau Ora, which is focused on enabling whānau to decide their own aspirations to improve their lives and building their capacity to plan for and achieve their goals. Whānau Ora requires government to think differently about its programmes and services, by putting whānau at the centre of effort, recognising the strengths they already have and by collaborating to provide connected and coordinated support. It is a strengths-based approach. We seek to incorporate these features into the application of HKKAR within the economic development sector as we take whānau with us on the journey to Māori economic development.
74. We acknowledge that agencies will be at different stages of development in this approach. The Ministry of Education, for example, has developed some sophisticated tools for engaging iwi and Māori. New Zealand Trade and Enterprise has significantly grown its Māori exporter base by building a Māori-friendly engagement approach, while the programmes and services remain the same. The Ministry of Social Development has a Māori Investment Plan and Advisory Board to support the development of strong Māori approaches across its services.

Immediate Priorities for He kai kei aku ringa

75. The three immediate HKKAR priorities to accelerate Māori economic over the next four years will focus on:
- i. **Māori Youth Employment:** We will focus on moving young Māori into sustainable employment through our national NEETs strategy being developed by MBIE, the Ministry of Social Development and the Ministry of Education. The Māori Economic Development Advisory Board has signalled it will be important to maintain a particular focus on driver licenses and drug rehabilitation within this work. This was also a consistent theme in the HKKAR regional hui in 2016.
 - ii. **Māori Enterprise Growth:** we seek to (a) grow the number and value of sustainable Māori SMEs and collectives and (b) grow social enterprise models by building capability to grow and capacity to access mainstream business support. This will involve collective impact programmes and co-investment models for both SMEs and collectives.
 - iii. **Exploring Employment Outcomes through Strategic Procurement:** the Government will be undertaking major infrastructure investment over the next four years. It will be useful to investigate the potential for incorporating workforce development and enterprise opportunities into contracting arrangements over the life of these investments. This

approach is likely to provide gains for Māori economic development, given the concentration of Māori workers within the infrastructure sector.

Consultation

76. This paper was prepared by the Ministry of Business, Innovation and Employment and Te Puni Kōkiri.
77. The following agencies were consulted on this paper: Callaghan Innovation; Ministry of Education; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; Ministry of Social Development; New Zealand Qualifications Authority; New Zealand Trade and Enterprise; State Services Commission; Statistics New Zealand; Tertiary Education Commission and the Treasury. The Department of the Prime Minister and Cabinet was informed about this paper.
78. The Ministry of Business, Innovation and Employment and Te Puni Kōkiri sought the views of the Māori Economic Development Advisory Board about the proposed approach to refreshing HKKAR. These agencies also hosted a series of regional hui about this work in 2016.

Financial Implications

79. There are no financial implications arising directly from this paper.
80. We expect agencies to develop cross-agency plans based on coordinating and enhancing existing programmes and services, and undertaking any necessary gap-filling, and to identify any financial implications arising. This will be reflected in the report-back to EGI about the development of the action plans in July 2017.

Legislation, Treaty of Waitangi, Human Rights, Gender and Disability Implications

81. There are no legislative, Treaty of Waitangi, human rights or gender implications, or implications for people with disabilities, arising directly from this paper.
82. There are longer-term opportunities within HKKAR to strengthen Crown-Māori relationships in line with the principles of the Treaty of Waitangi and to improve economic and social outcomes for Māori women and Māori with disabilities.

Publicity

83. We propose to make announcements about the refreshed HKKAR in June 2017.

Recommendations

84. It is recommended that the Cabinet Economic Growth and Infrastructure Committee:

Background

1. **note** the He kai kei aku ringa Strategy and Action Plan was noted by Cabinet in 2012 [EGI Min (12) 25/2 refers];
2. **note** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri have recently completed a scheduled review of He kai kei aku ringa;

Overall HKKAR Goal

3. **agree** the overall goal for He kai kei aku ringa to 2021 should be:

| | Target |
|-----|--|
| 3.1 | By 2021, there will be a 20% increase in annual Māori median income from \$26,500 to \$31,800 |

HKKAR Whole-of-Government Goals

4. **agree** to five whole-of-government goals for He kai kei aku ringa as the framework for the Crown's contribution to Māori economic development:
 - i. **Employment** – *Whai Mahi*: growing the future Māori workforce;
 - ii. **Enterprise** – *Whai Pakihi*: growing Māori enterprises;
 - iii. **Education** – *Whai Mātauranga*: upskilling the Māori workforce;
 - iv. **Rangatahi** – *Rangatahi Tū Maia*: supporting Māori youth to define and lead their economic aspirations;
 - v. **Regions** – *Rohe Tū Pakari*: increasing Māori participation in regional economies;

Employment – Whai Mahi

5. **agree** to the following whole-of-government He kai kei aku ringa target to 2021 for Māori employment:

| | Target |
|-----|---|
| 5.1 | By 2021, reduce the Māori unemployment rate from 11.9% to 7.5% |

6. **note** work is currently underway to develop targets for youth not in employment, education or training, and will be completed by June 2017;

7. **agree** the Minister for Economic Development and the Minister for Māori Development will confirm a target for Māori youth not in employment, education and training and incorporate this into *He kai kei aku ringa* in June 2017;
8. **agree** the following agencies will work together to develop a cross-agency plan to give effect to these targets: Ministry of Business, Innovation and Employment; Ministry of Social Development; Te Puni Kōkiri and Tertiary Education Commission;
9. **note** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri will work closely with the Ministry of Social Development to ensure alignment between the Māori employment targets within *He kai kei aku ringa* and Better Public Services Result 1;

Enterprise – Whai Pakihi

10. **agree** to the following whole-of-government *He kai kei aku ringa* targets to 2021 for Māori enterprise:

| | Targets |
|------|--|
| 10.1 | By 2021, increase the number of Māori employers with >3 employees from 8,200 to 10,660 (30%) |
| 10.2 | By 2021, increase the value of exports by Māori enterprises by 9% per annum (from a base of \$510m in 2015) |
| 10.3 | By 2021, increase capital deals undertaken by Māori enterprises by \$300m (cumulative) |
| 10.4 | By 2021, increase the number of Māori enterprises engaged in the innovation system by 5% year on year |

11. **agree** that the Ministry for Primary Industries undertake work to develop a target and measures for the productivity of Māori land and provide a report by 30 June 2017;
12. **agree** the following agencies will work together to develop a cross-agency plan to give effect to these targets: Callaghan Innovation; Ministry of Business, Innovation and Employment; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry for Primary Industries; New Zealand Trade and Enterprise; and Te Puni Kōkiri;

Education – Whai Mātauranga

13. **agree** that progress towards the whole-of-government *He kai kei aku ringa* goal for Māori education be measured by;

| | Targets |
|------|--|
| 12.1 | Māori attainment of NCEA level 2 (or equivalent) |
| 12.2 | the proportion of the Māori population aged between 25 and 64 holding a tertiary qualification at NZQF Level 4 or above |

14. **agree** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri will work together with the Ministry of Education, the Tertiary Education Commission and the New Zealand Qualifications Authority to support and strengthen the alignment of HKKAR with education sector strategies to support transition from education to employment and upskilling the Māori workforce;

Rangatahi

15. **agree** that progress towards the He kai kei aku ringa goal of supporting Māori youth to define and lead their own economic aspirations can be measured through targets and reporting related to Māori employment and education for Māori youth aged 15-24 years within the He kai kei aku ringa framework;

Regions

16. **agree** the He kai kei aku ringa goal for regional development will be:

| | Target |
|------|--|
| 15.1 | Iwi and Māori will be able to actively participate in regional planning and implementation within the Regional Growth Programme, according to their interests and priorities; |

17. **note** that progress towards this goal will be measured through the Regional Growth Programme evaluation framework that is being developed;
18. **agree** the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries and Te Puni Kōkiri work together to develop a cross-agency plan for this goal;

Confirming Cross-Agency Plans for He kai kei aku ringa

19. **agree** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri to provide an omnibus report-back to the Cabinet Economic Growth and Infrastructure Committee about the development of cross-agency plans to support the He kai kei aku ringa targets by July 2017;
20. **agree** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri to provide annual progress reports to the Cabinet Economic Growth and Infrastructure Committee about the HKKAR whole-of-government targets and action plans beginning in March 2018;

Leadership for He kai kei aku ringa Targets

21. **note** the Minister for Economic Development and the Minister for Māori Development will deploy existing leadership mechanisms within the Business Growth Agenda and the Better Public Services programme to oversee the development and implementation of He kai kei aku ringa;

Incorporating Māori Approaches into the Economic Development Sector

22. **agree** the Ministry of Business, Innovation and Employment and Te Puni Kōkiri to develop and share best practice models for incorporating Māori approaches and increase Māori participation within the economic development sector;

Immediate Priorities

23. **note** the Minister for Economic Development and the Minister for Māori Development have identified the following priorities for action over the next four years to support the implementation of He kai kei aku ringa:

- i. Māori Youth Employment (this work will leverage off the national NEETs strategy currently being developed by the Ministry of Social Development and the Ministry of Business, Innovation and Employment);
- ii. Māori Enterprise Growth (especially for (a) SMEs and collectives and (b) models for social enterprise); and
- iii. exploring employment outcomes through strategic procurement

Publicity

24. **note** the refreshed He kai kei aku ringa strategy, result areas, indicators and targets, cross-agency plans and progress reports will be made publicly available;
25. **authorise** the Minister for Economic Development and the Minister for Māori Development to agree a launch and publicity plan with officials for the refreshed He kai kei aku ringa before 30 June 2017, in consultation with relevant portfolio Ministers.

[Authorised for lodgement]

[Authorised for lodgement]

Hon Simon Bridges

Hon Te Ururoa Flavell

Minister for Economic Development

Minister for Māori Development

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