



WINSTON CHURCHILL MEMORIAL TRUST

FINAL REPORT

AN ASSESSMENT OF
TARGETED PROCUREMENT APPROACHES
IN USA & CANADA
THAT MAY SUPPORT FURTHER
MĀORI ECONOMIC DEVELOPMENT
IN AOTEAROA NEW ZEALAND

R-NZWCMT-2018-72316

Submitted by
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18 November 2020

“ ... for us to have a direct impact on generational poverty, and to achieve true equity in our economy, we know we must do everything we can to empower minority-owned businesses.”

– Mayor of Memphis Jim Strickland, 29 May 2018¹

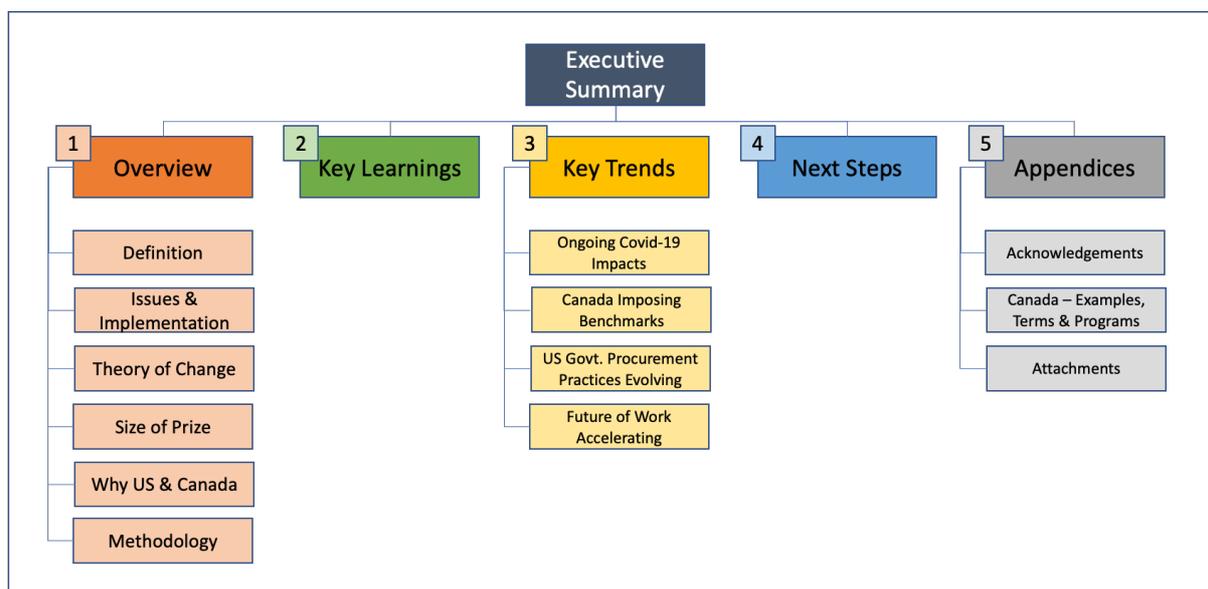
With deep gratitude for their inspiration and support, this report is submitted to the Trustees of The Winston Churchill Memorial Trust (NZ) on 18 November 2020.

FELLOWSHIP PURPOSE

Purpose: To study and assess current targeted procurement approaches in the United States of America and Canada to inform and support the development of local policies that may further assist Māori economic empowerment in Tāmaki Makaurau and Aotearoa New Zealand.

STRUCTURE

This report comprises this document, its appendices and 4 separate attachments listed in Appendix 3. It is structured as follows:



EXECUTIVE SUMMARY

1. Procurement of goods and services by private and public sector entities is a significant and ongoing activity in OECD economies.

¹ Mayor’s speech cited at: <https://www.memphisdailynews.com/news/2018/may/31/minority-business-growth-aim-of-initiative//print>

2. Enabling participation and access to procurement contracts, through policy choices and incentive mechanisms, is a key lever to target minority and economically disadvantaged groups so they can share in creating economic gain.²
3. The prize is significant. Procurement spend may account for as much as one third of NZ's GDP.
4. Gain from accessing procurement spend may be used to achieve positive social and economic outcomes for Māori such as increased production, jobs and wage growth with flow-through social gains in communities, cities and nationally.
5. Although NZ has only recently begun to implement wider adoption use of social procurement to assist Māori economic development, this tool is rapidly gaining scale and support across both our public and private sectors.
6. In fact, in the 2 years since the Fellowship was awarded to the author, NZ has (from a base that was lagging international practice) already implemented a number of programs and set up facilitating entities that are achieving national reach.
7. This has been done with the aim of targeting economic inequalities amongst Māori and other minority and disadvantaged groups through the use of targeted access to social procurement opportunities.
8. Rapid local progress necessitated a pivot in this report to consider where matters sit now in advanced jurisdictions such as the US and Canada, rather than to build a use case for adopting targeted social procurement policies – the author's original intent.
9. Targeted social procurement is not a straight-forward concept because:
 - a. It struggles from a lack of uniform, shared terminology and consistent meaning.
 - b. It is a market intervention intending to achieve both economic and social good outcomes by addressing market failures. Mixed aims is a standard recipe for confusion.
 - c. It raises allocational questions about who gets what, at what cost and for how long.
 - d. It requires a complex supporting ecosystem and engagement of many stakeholders, aided by sufficient long tail funding to sustain and maintain market participation.
10. Even after 50 years of implementation experience in the US and nearing 25 years in Canada, such issues are not settled.
11. The US and Canada are utilising approaches to targeted social procurement that are yet to be adopted in NZ. These countries also have long experience in attempting to engage with and integrate Indigenous populations and address the inequalities these populations have sustained.
12. There are a number of key learnings derived from this experience that may inform the rollout of policy and practice in NZ. These key learnings are at the heart of this report.
13. Eighteen learnings are described in Section 2. It is hoped that they can be practically applied to extend this important lever to address persistent economic and social inequalities experienced by our own Indigenous people.
14. Context is a key shaper of policy. So, in addition, a small number of key trends have been identified in Section 3 that are likely to influence choices associated with future design of social procurement policy and implementation. These are trends that our policy makers and practitioners should take into account.
15. Finally, a list of next steps is proposed in Section 4 to ensure learnings gained from this research are used to improve economic development outcomes for Māori.
16. The topic is broad and complex and much research has not made it to the final report. Additional research sources are listed in the attachments noted in Appendix 3.
17. This research, and additional learnings derived from it, form the base of the author's intent to begin informed conversations about what can be done in NZ to better support Māori economic development, help promote a business environment that is less

² We know that considerable economic inequalities exist, particularly for Māori. See for example: <https://www.stats.govt.nz/topics/ohanga-maori-economic-wellbeing>

discriminatory and enable access to opportunities that will enhance wellbeing and position Māori for a disruptive future of great potential.

1. OVERVIEW

1. PROCUREMENT DEFINED

Procurement is the act of purchasing of goods and services by businesses, institutions, governments and other entities from external sources.³ Procurement can be a powerful catalyst for targeting the development of minority or indigenous businesses for social purposes.

Social procurement is defined by Amotai,⁴ a leading promoter of supplier diversity and social procurement market maker in NZ working from within Auckland Council, as “the process of acquiring goods, services and works in ways that creates socio-economic value over and above the purpose of what’s being procured. Social procurement is not corporate social responsibility, nor simply purchasing social services or works to build social infrastructure (unless there is additional value being sought). ‘Social procurement’ has many different names – such as strategic procurement, responsible procurement, buy social, local content – but they all mean the same thing.”⁵

Targeted procurement describes the use of social procurement to target a particular group of people for preferential access to procurement opportunities in order to create socio-economic value for that targeted group. Both the US and Canada have significant procurement programs targeting their indigenous peoples (discussed below).

In addition, procurement can target other groups, such as via specific initiatives to support women,⁶ Pasifika groups, further ethnic groups, ex-criminal justice offenders, the accessibility-challenged, LGBTQIA and other self-identified groups.

Māori-owned business in the NZ context does not as yet have a formalised, nationally agreed definition. Amotai’s definition notes the Auckland Council qualification thresholds whereby Māori must have at least a 50% ownership interest in the company, partnership, trust or sole trader entity that constitutes the Māori-owned business involved in social procurement.⁷

In Canada & US a similar term is applied by referring to either minority-owned business or Native American businesses (being a subset of minority-owned businesses) (US) or Indigenous business (Canada). The ownership threshold for access to minority business preferences is fixed at 51% minority control.

³ For example, see definition at: <https://www.thebalancesmb.com/procurement-2948316>

⁴ Amotai was formerly known as He Waka Eke Noa, and originally constituted by The Southern Initiative, at: <https://amotai.nz/>; see also The Southern Initiative, well-known promoters of social procurement and enablers of social innovation in South and West Auckland, at: <https://www.tsi.nz/>

⁵ Amotai and The Southern Initiative, “Social Procurement Definitions” document, 2020, p.6 (soft copy available from the author).

⁶ See discussion of procurement used to increase gender-inclusive economic growth in S.Rimmer ed, Research Paper for The Royal Institute of International Affairs, “Gender-smart Procurement and Policies for Driving Change” (December 2017) at: <https://www.chathamhouse.org/2017/12/gender-smart-procurement-policies-driving-change>

⁷ Amotai, “Social Procurement Definitions” document, 2020, p. 5 (see footnote reference above)

2. ISSUES & IMPLEMENTATION

(a) Conceptual Issues –

Amotai's own definition acknowledges the complexity inherent in the term social procurement and the fact many substitute and overlapping terms exist. This can create confusion.

Outcomes sought from social procurement can span a wide range of financial, operational, strategic and social goals. It is also a tool to enable and enhance information and market access by minority groups that otherwise may face exclusion.⁸ At the same time, social procurement can be a policy, a practice and an institutional culture intended to achieve greater equity.

Lack of clarity around what the term means can limit shared understanding and make outcomes more difficult to measure and compare (as discussed below).

For example:

- as an economic policy, social procurement is an intervention intended to address market failure where race/socio-economic neutral approaches are not effective to increasing minority participation in procurement contracts or to raise minority employment;
- as a practice, social procurement is an engine of economic growth for targeting deprivation; and
- as a cultural norm, social procurement becomes a tool for translating political power into economic justice.

Each of these meanings raises complex questions around who gets what, at what cost and for how long?

For example, if the intent is to achieve a fundamental fairness – in terms of creating a “level playing field” in which all potential vendors, minority and non-minority alike, are equally able to compete for procurement contracts – then the approach adopted and its duration may be very different from seeking to simply lift procurement participation rates and create economic opportunities for particular groups.

In addition, social procurement also represents an attempt to institutionalize social equity in public and private sector procurement of goods and services. It raises questions about the role of purchasing entities in choosing what and who to preference and what level of social equity is intended to be created. It can blur traditional separations between public and private sector organisations when public sector organisations embed and rely on contracting out to minority private businesses and non-profits. It can create governance challenges.⁹

It raises questions of opportunity cost in terms of embedding preferences that may themselves be discriminatory over time or favour certain interest groups over others. It has the effect of integrating minority businesses into public and private sector supply

⁸ See L.M.Shelton & M.Minniti, “Enhancing product market access: Minority entrepreneurship, status leveraging, and preferential procurement programs”, *Small Business Economics* (2018) 50:481-498, p.484 (soft copy available from the author).

⁹ See C.Smith & S.Fernandez, “Equity in Federal Contracting: Examining the Link between Minority Representation and Federal Procurement Decisions”, *Public Administration Review* (2010) Vol 70 No 1, 87-96, p. 87 (soft copy available from the author).

chains and allocating cost and risk to them in respect of achieving corporate and political outcomes.

In the US and Canada, which have well-established social procurement machinery specifically targeting aboriginal and Native American support, these issues are still not settled after more than 50 years. Solutions are clearly context-specific. Although it seems equally clear that such solutions may be adapted and applied elsewhere.

In the US social procurement has been subjected to significant opposition on the grounds that those groups being preferenced may enjoy unfair advantages such as quotas, sheltered markets and bid preferences which discriminate against other races.¹⁰

As Bates notes in the US context, “The imposition of net worth caps disqualifying minority owners with personal net worth exceeding some threshold value—usually \$750,000—has been one response.”¹¹ There are others. In California, Proposition 209 prevents cities such as Los Angeles and San Francisco from engaging in affirmative action in government procurement. A ballot to repeal Proposition 209 was overwhelmingly rejected at the 3 November 2020 elections in California.

(b) Implementation –

Although such issues may seem theoretical, they shape implementation.

How they are resolved has significant practical implications in terms of who participates in social procurement programs and how procurement spend is used to achieve outcomes that allocate socio-economic value to particular groups to achieve specific conceptions of social equity. As such, distributive allocations can become intensely political. For example, why should ethnic minorities be favoured over women struggling for greater gender inclusivity in economic growth? Both the US and Canada have struggled with these definitional issues over decades.

We should expect that the same struggles will play out here over time, particularly in a post-Covid-19 world where many more groups are likely to be in need of more economic support and will assert their claims to be preferenced as a group (as discussed below). Our conception of what social procurement is intended to achieve must be robust enough to either admit these groups or justify their exclusion.

As Lewis notes, an important question in determining whether socio-economic value is created is whether participants learn from the experience to create stronger businesses or simply take advantage of the preference to enrich themselves. In other words, “Do they create value, or do they leave that to market incumbents and simply capture rents as middlemen for non-competitive contract awards?”¹² This is relevant to establishing “sunsets” to social procurement (discussed below) and to carefully monitoring the outcomes of social procurement programs. US and Canadian experience is also instructive in this regard.

¹⁰ See discussion of the landmark US Supreme Court case, *J.A. Croson Company v The City of Richmond, VA* (1989) below.

¹¹ T.Bates, *Utilizing Affirmative Action in Public Sector Procurement as a Local Economic Development Strategy*, *Economic Development Quarterly*, (2009) Vol 23 No 3, 180-192, p.189 (soft copy available from the author).

¹² G.H.Lewis, “Effects of federal socioeconomic contracting preferences”, *Small Business Economics* (2017) 49:763-783, p779 (soft copy available from the author).

The answers to such difficult questions are for each jurisdiction to answer through policy and practice, outcomes measurement and clear goal-setting. They are not settled and will require continued examination in such dynamic environments that are at the intersection of sometimes competing social, political and economic interests.

Additionally, international trade agreements to which NZ is a party may need to be considered and specific “carve-outs” or exemptions negotiated to avoid the potential for challenge and dispute settlement via WHO, CETA etc as the US and Canada are doing.¹³

What does not appear in doubt from the author’s review of the social procurement systems operating in NZ, the US and Canada and the complex issues of conception and implementation they raise is the goodwill that underpins the intent to allocate a portion of procurement contracts for social purposes, including bettering the economic outcomes of Māori.

3. WHY IT MATTERS – THEORY of CHANGE¹⁴

The underlying theory of change for social procurement is well-discussed¹⁵ and is intended to address inequality. A few features will be simply stated here.

In summary, by supporting community economic development, governments and private sector entities can begin to address neighbourhood redevelopment, affordable housing and services that create paths to home ownership, equity growth, new business formation, education and economic engagement, better quality employment, skills acquisition and redevelop communal and social business infrastructure. This can reduce the deployment and utilisation of social services, strengthen the tax base, improve wellbeing and benefit the country as a whole.¹⁶

Research by Oxford University’s Oxford Martin School has shown that both wealth and income inequality is a drag on economic growth and “is contributing markedly to declining social trust, the erosion of social cohesion, and the fragmentation of the political process.”¹⁷ Recent events witnessed by the author in the US have demonstrated an underlying truth in this observation. Inequality also has a direct impact on business growth.

Governments have power through their policy choices to promote inclusion of minority and disadvantaged businesses in the fulfilment and spend of millions of dollars of goods and

¹³ An issue raised by Indigenous Services Canada in its Indigenous Procurement Glossary booklet, 2020, p. 2 (soft copy available from the author).

¹⁴ See <https://www.theoryofchange.org/what-is-theory-of-change/>

¹⁵ For example, see the paper by I.Burkett & J.McNeill for Social Traders, an influential Australian social procurement market maker, “Measuring the Impact of Social Procurement: A New Approach”, 2019 at: https://www.socialtraders.com.au/wp-content/uploads/2017/08/ST_CS_Method_v3_reduced.pdf; in the NZ context, for example, see Ernst & Young benefits list commentary at: https://www.ey.com/en_nz/tahi/creating-change-through-indigenous-procurement

¹⁶ For example, see the benefits listed by Stephen Town, Chief Executive of Auckland Council in Auckland Council Policy Statement, “Sustainable Procurement: Our Objectives”, 2020, p.3 at: <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/docsprocurement/sustainable-procurement-objectives.pdf>

¹⁷ Oxford Martin School & CitiGPS Report, “Inequality and Prosperity in the Industrialized World: Addressing a Growing Challenge” September 2017, p.5 at: <https://ir.citi.com/YK7CSV61Y1IEQH0wYb%2BUkH%2BtCkSSDUcl569GnvsZeh9A0DLoeh7xLC99zxpJvRCXBZhzeYbD5w%3D>

services that are purchased by a wide range of public and private sector entities for many different purposes.

By actively addressing issues of access to procurement opportunities, governments can address problems related to systemic underutilisation of minority businesses. If left unchecked, these problems can prevent low-income people and communities from fully engaging in a sizeable portion of the NZ economy.

In addition, simplifying procurement processes and broadening pools of potential vendors can make procurement processes more competitive, innovative, and transparent to under-represented communities while promoting a shift to a more inclusive and caring culture.¹⁸ Governments can then directly benefit through increased competition and a higher quality and more diverse contracting base.

4. WHY IT MATTERS – SIZE OF THE LOCAL PRIZE

It is estimated that the NZ Government (comprising central and local governments) spends in excess of NZ\$41 billion per year on procurement contracts.¹⁹ This accounts for approx. 18% of NZ's GDP.²⁰

Of this aggregate, Auckland Council procurement spend was approx. NZ\$1 billion in 2019²¹ and NZ\$10 billion is estimated to have been spent on procurement of NZ's physical infrastructure.²²

When combined with private sector procurement spend which is estimated by the author at NZ\$15-\$20 billion per year, total annual procurement spend may be as high as NZ\$60 billion or almost 30% of NZ's 2019 GDP.²³

This is a whopping number. And one that, if accessible to Māori business and other disadvantaged groups via social procurement initiatives, could deliver enormous additional socio-economic value back into communities.

However, Covid-19 has obviously impacted overall spend. For example, Auckland Council spend is reported to be down by one third since March this year.²⁴ Reductions are likely to have been sustained in both public and private sectors, across the country, and some sectors have been more exposed to demand decline than others. We will await 2021 to

¹⁸ Noted in Griffin & Strong, "Culture Collaboration and Capital: Leveraging Procurement for Economic Equity", Governing Institute, 2019, p.15 at: <https://www.governing.com/cityaccelerator/cohort4>

¹⁹ See Hon David Parker, MBIE Cabinet Paper, "Enhancing the Effectiveness of Government Procurement Policy – Report back", 21 June 2019 at: <https://www.mbie.govt.nz/dmsdocument/5824-enhancing-the-effectiveness-of-government-procurement-policy-report-back-proactiverelase-pdf>.

²⁰ See New Zealand Government Procurement & Property Group, "Functional Leadership Report 2019", June 2020 at: <https://www.procurement.govt.nz/assets/procurement-property/documents/nzgpp-functional-leadership-report.pdf>

²¹ See Auckland Council Policy Statement, "Sustainable Procurement: Our Objectives", 2020 at: <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/docsprocurement/sustainable-procurement-objectives.pdf>

²² See Infrastructure NZ Report, "Creating Value Through Procurement: A Report Into Public Sector Procurement of Major Infrastructure Projects", August 2018 at: <https://infrastructure.org.nz/resources/Documents/Reports/Infrastructure%20NZ%20Procurement%20Study%20Report%20FINAL.pdf>

²³ See NZGDP 2019 Data at: <https://tradingeconomics.com/new-zealand/gdp>

²⁴ Reported from discussion with Ms Frae Cairns, Capability Manager, Amotai, October 2020.

determine whether procurement spend is more permanently altered from its growth trajectory prior to 2020.

5. WHY CONSIDER THE US & CANADA?

Since the 1960s, inclusive social procurement programs have been used in the US to channel public and private sector spending to positively impact workforce development, enable business development and build community economic development.²⁵

Canada has actively used procurement for social purposes, and particularly indigenous gain, for almost 25 years. Other countries that have had persuasive influence on NZ's rollout of social procurement programs in the last 18 months, such as Australia, have also achieved similar outcomes.²⁶

In some ways NZ is setting up its social procurement initiatives late. However, we can benefit from earlier experiences of other countries. There is opportunity to learn from recent Canadian and US experience at scale. These countries are utilising new approaches to address embedded challenges that may guide how social procurement models can be developed and implemented locally.

In particular:

USA –

By a wide margin, the U.S. federal government operates the largest preferential contracting program in the world designed to stimulate entrepreneurship in targeted socioeconomic groups.²⁷ It is highly structured and bureaucratic in implementation.²⁸

In terms of accessible procurement spend in 2019, of which minority-owned businesses can target a share, Bloomberg estimates that the Federal Government spent US\$597 billion on procurement.²⁹ This number has at least doubled in 2020 due to Covid-19. In addition, it is estimated that local governments spent US\$1.5 trillion in 2019 on procurement of goods, services and construction.³⁰

Secondly, the US program caters to many diverse minority interest groups.

Thirdly, it is also the most mature and well-established program, having had its origins in the 1970s in the diversification of procurement contracts in cities such as Atlanta, New York and Baltimore³¹ and earlier through race-based Federal legislation introduced in the 1960s.

²⁵ For example, the Small Business Administration was founded in 1953 with the aim of assisting small businesses and the Small Business Investment Act of 1958 was amended in 1967 to encourage use of “socially or economically disadvantaged” businesses.

²⁶ For example, see Supply Nation Fact Sheet at: <https://supplnation.org.au/wp-content/uploads/2019/11/Supply-Nation-Members-and-Suppliers-FINAL.pdf>

²⁷ G.H.Lewis, “Effects of federal socioeconomic contracting preferences”, Small Business Economics (2017) 49:763-783, p764 (soft copy available from the author).

²⁸ For an overview see the US Congressional Research Service booklet, “Small Business Administration: A Primer on Programs and Funding”, 6 October 2020 at: <https://fas.org/sgp/crs/misc/RL33243.pdf>

²⁹ See <https://about.bgov.com/bgov200/>

³⁰ Griffin & Strong, “Culture Collaboration and Capital: Leveraging Procurement for Economic Equity”, Governing Institute, 2019, p.1 at: <https://www.governing.com/cityaccelerator/cohort4>

³¹ Griffin & Strong, “Culture Collaboration and Capital: Leveraging Procurement for Economic Equity”, p.3.

Canada –

Canada has a substantial indigenous population and has been operating preferential procurement programs involving this population since the early 1990s. It has implemented a number of significant programs that have succeeded in providing access to Federal procurement opportunities and in scaling indigenous businesses with flow-through of socio-economic value back into Indigenous communities.³²

Secondly, it has recently imposed Federal Government procurement baseline targets that make it an interesting case study in teething problems with setting hard benchmarks across government. Size-wise, the total annual federal government procurement budget is approximately C\$22 billion.³³

Thirdly, it has a well-developed private sector procurement market, access to which is principally enabled by the Canadian Aboriginal and Minority Supplier Council (CAMSC) (discussed below). CAMSC formed a model for the rollout of Social Traders in Australia,³⁴ which in turn has influenced the recent development of NZ's private sector social procurement market.³⁵

6. METHODOLOGY

The author's personal circumstances changed significantly in the period since the Fellowship award. These circumstances and the impact of the Covid-19 pandemic in Canada and the US in 2020 prevented investigation in person that had been planned and cut short the author's intended field trip.

The primary research methodology involved the author in:

- Attending the US and undertaking research at Harvard University via the Harvard Kennedy School of Government and the Boston-based Initiative for a Competitive Inner City.
- Extensive desktop research on return to NZ.
- Attending 2020 Small Business Summit hosted by the Native Hawaiian Organizations Association (NHOA) in October 2020.
- Meeting remotely with key representatives of Canadian organisations CAMSC and ISC, based in Toronto.
- Meeting remotely with key representatives of Amotai and Akina, based in NZ.
- Liaising with Laura Berry, the Chief Executive of Supply Nation, Australia.
- Liaising with representatives from a number of US Cities (who prefer not to be named) including City of Chicago, City of Memphis, City of Los Angeles, City of Atlanta, City of Milwaukee, City of Portland.

³² See Canada Appendix to this report and accompanying spreadsheet prepared by Indigenous Services Canada for the author and dated October 2020 listing existing Indigenous capacity building/development programs.

³³ Reported from discussion with Ms Emily Given, Business Development Manager, Indigenous Services Canada, October 2020.

³⁴ See <https://www.socialtraders.com.au/>

³⁵ Reported from discussion with Dr Seán Barnes, Director Social Procurement, Akina, October 2020.

2. KEY LEARNINGS

Key learnings, intended to support the development of local social procurement policies that may further assist Māori economic empowerment, are summarised in the table below.

Please note that due to the relative complexity of the topic and its overlap into many areas of theory and practice, much nuance and detail is lost in summary. The author is available to discuss any of the learnings summarised.

KEY LEARNINGS

1. **Manage Expectations** – Social procurement is a complex area involving many stakeholders and requiring a deep ecosystem integrating key components such as goal-setting and measurement, needs and capability assessment, certification and verification, market making, capability building, shaping procurement opportunities, funding and promotion. All these components are integral and foundational.

The US and Canadian experience is that these components:

- cannot be built overnight,
- cannot be provided by a single entity with sufficient breadth of expertise and control,
- must be aligned, consistent and coordinated between stakeholders to be effective and stakeholders must share a common vision of what they intend to achieve,
- must ensure uniform terms and consistent language to ensure shared outcomes and common points of comparison,
- must address community experience on a localised basis as well as by interest group and must take account of specific circumstances of disadvantage,
- must consider ways to transfer knowledge and experience as well as hard resources to expedite positive economic and social impact,
- must be backed by sufficient investment and operational funding with a sufficiently long investment horizon.

It was put bluntly but clearly by the US sociologist and jurist Nancy Jurik, as cited by Bates et al: “The current consensus opinion of program effectiveness in moving disadvantaged clients into ownership of viable business is well stated by Nancy Jurik (2005): ‘Fostering successful enterprises takes more than a brief training course and a small business loan when clients are poor or otherwise highly disadvantaged.’”³⁶

In addition, we can expect, in rolling out social procurement programs at central and local government level, to encounter many of the same challenges that have been faced (and continue to be faced) in the US and Canada. These include:

- conflicting policies and fragmented processes,
- risk-averse bureaucracies and poor coordination,
- confusion about terms and misunderstanding about opportunities,
- lack of resources and minimal incentives.

Expectations in the face of such challenges must be carefully managed to ensure consistent and coordinated and well-supported rollout in NZ.

³⁶ T.Bates, M.Lofstrom, L.Servon, “Why Have Lending Programs Targeting Small Business Borrowers Achieved So Little Success in the United States?”, *Economic Development Quarterly*, (2011) 25(3) 255-266, p. 255 (soft copy available from the author).

KEY LEARNINGS

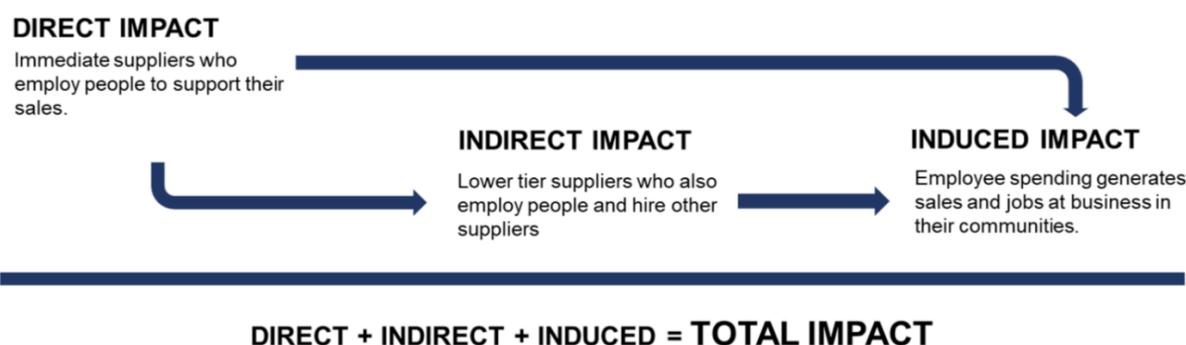
2. **Rigorously Quantify Economic Impacts** – Benefits from social procurement must be quantified in terms of direct economic impact, as well as broader community impact, to justify investment and operational funding. Social procurement is a market intervention with economic consequences that must be evaluated to justify and sustain the intervention.

In the US a number of well-known studies at State level have quantified job creation and retention, salary gains, increased tax receipts and incremental return for every dollar spent on State procurement supporting minority businesses.³⁷ At the macro level, the Kellogg Foundation in 2018 estimated that United States economy could be US\$8 trillion larger by 2050 if it eliminated racial disparities in health, education, incarceration and employment.³⁸

McKinsey & Co in October 2020 estimated that an additional US\$290 billion in business equity could be added by building greater support for Black-owned small businesses.³⁹

CAMSC has undertaken similar work in respect of Canadian private sector supply of procurement contracts to Indigenous and minority business, estimating that there has been a 30% lift in spend to more than C\$200 million by 2019 from just 4 key large firms.⁴⁰ More than C\$1.2 billion has been spent with Indigenous and minority business since 2004.⁴¹

CAMSC, for example, adopts a rigorous approach to quantifying total economic impact in terms of incremental value-add in production output, jobs (FTE basis) and wages across three channels on an aggregated multiplier basis. These channels are:



Source: CAMSC Economic Impact Report 2019, p.4

NZ must move rapidly towards better and more consistent quantification of both the positive economic impact and the negative economic opportunity cost of not investing in Māori businesses as well as broadly listing social returns on investment.

³⁷ See for example The City of Baltimore Mayor's Advisory Council on Minority and Women-Owned Businesses report, "A New Day, A Better Way: Rebuilding A Stronger Baltimore Through Economic Inclusion", 24 April 2013 at: <https://mwbd.baltimorecity.gov/sites/default/files/Advisory%20Council%20Report%20-%20A%20New%20Day%20A%20Better%20Way.pdf>

³⁸ Kellogg Foundation report, "The Business Case for Racial Equity", 2018 at: <https://www.wkcf.org/resource-directory/resources/2018/07/business-case-for-racial-equity>

³⁹ McKinsey & Co, "Building supportive ecosystems for Black-owned US businesses", October 2020 at: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses>

⁴⁰ CAMSC Economic Impact Report, 2019 at: <https://www.camsc.ca/impact-report>

⁴¹ CAMSC Impact Report, 2019 (soft copy available from the author).

KEY LEARNINGS

Rigorous quantification of economic impact will assist participants to maintain momentum in our social procurement initiatives and to build broad-based support for their goals.

3. **Establish the Rationale for Baseline Goal Setting** – Goal setting can be conducted either to meet aspirational goals (such as a benchmark for say annual Māori small business procurement participation) or specific goals on a contract-by-contract basis.⁴² Clarity about what goals are being pursued is vital as benchmark goals need to be translated into specific actions. Contract-by-contract goals can be aggregated to achieve benchmarks.

An interesting model with potential in NZ is The 800 Initiative pioneered in the City of Memphis. The 800 Initiative set as a baseline goal its intention to grow the revenue of minority Black businesses that are between startup and full scale by US\$50 million by 2023 (there were about 800 minority Black businesses in Memphis when the goal was implemented).⁴³ This goal has been used to reengineer procurement processes and create scaling opportunities.

Setting any goal begs the question of what happens when the goal is reached (see the learning on “Sunsetting” in point 13 of this Section below).

4. **Streamline and Simplify Existing Procurement Processes** – Social procurement goals will remain hard to achieve if existing procurement and contracting processes do not enable and support their achievement and sustain what may be discriminatory practices.

The City of Chicago is an exemplar of a very large State government organisation that undertook a whole-of-city approach to revamp its procurement processes via its Procurement Reform Task Force (PRTF).⁴⁴ This entity reviewed procurement processes, contract compliance, data systems and oversight from 2015. This streamlining has identified many opportunities for greater levels of minority business involvement, including by lowering barriers to entry, building awareness by educating staff on the aims of social procurement, allowing greater transparency on upcoming procurement contracts and establishing a universal procurement system with common compliance and certification requirements to reduce the engagement costs incurred by minority businesses.⁴⁵

To maximise the opportunities for Māori businesses to take advantage of social procurement, similar streamlining and simplification will need to be undertaken here. It is likely to necessitate centralisation and control of procurement decisions. The City of

⁴² Griffin & Strong, “Culture Collaboration and Capital: Leveraging Procurement for Economic Equity”, Governing Institute, 2019, p. 57 at: <https://www.governing.com/cityaccelerator/cohort4>

⁴³ See The 800 Initiative at: <http://the800.org/index.html>; see also The 800 Initiative slide show (soft copy available from the author).

⁴⁴ See PRTF Overview at: <https://www.chicago.gov/content/dam/city/depts/dps/Outreach/DPSTaskForce.pdf>

⁴⁵ Supported by social procurement nonprofit entity CASE (Chicago Anchors for a Strong Economy) at: <http://www.worldbusinesschicago.com/case/>; see also Chicago’s Q3 2020 Buying Plan as an example of what streamlining can deliver at: https://www.chicago.gov/content/dam/city/depts/dps/Outreach/3Q2020_Buying%20Plan_102720.pdf

KEY LEARNINGS

Chicago's experience with its PRTF provides a pathway for local and central government.

5. **Increase Data Usage as the Basis for Decision-Making** – Data capture and data aggregation, interpretation and dissemination capabilities must be enhanced to better define specific problems and opportunities and quantify and report on direct benefits and goal attainment. As a general observation, true across all countries examined, data on minority and self-identified groups is lacking.

Data is also important to understand:

- the volume, timing and pattern of procurement spend, and
- how that spend is used to further economic and community development.

More information improves the chances of better management.

As is noted in respect of trends relating to US Government procurement practices (see Section 3 below), data is increasingly being used in the US to drive procurement strategies.

Data requires standards of uniformity and effective monitoring and reporting programs to be established. This is not easy to achieve when overlaid onto existing data systems.

Data should be captured at all touchpoints for social procurement to establish a comprehensive, real-time view of value creation. In the future, this will be expected.

For example, the City of Milwaukee utilised gap analysis data to map communities around the City with concentrations of minority businesses not registered for procurement contracts with the City.⁴⁶ Data can be used to support very specific locational strategies to boost community engagement and economic development.

It is noted that data capture and usage is not simply a responsibility of public and private sector procurement entities. Minority businesses, including Māori, must develop data capture practices and, along with the local market makers such as Amotai and Akina, agree on data protocols, aggregation, interpretation and sharing practices.

6. **Provide Cashflow and Lending Support** – Cashflow challenges and sufficiency of operating capital are key inhibitors to the participation of minority business in social procurement opportunities.

In the US (in cities like Memphis and Los Angeles⁴⁷), tools such as:

- prompt payment program rules,
- low-interest loan programs, and
- reduction or cover extension in bonding or guarantee/insurance obligations,

⁴⁶ See City Accelerator, "How Milwaukee Plans to Help Minority Businesses by Rethinking City Contracting" March 2018 at: <https://www.governing.com/cityaccelerator/milwaukee-procurement-minority-businesses-lc.html>

⁴⁷ See City of Memphis via: <https://www.memphistn.gov/business/contract-compliance/> and <https://www.memphistn.gov/business/propel-accelerator/>; see City of Los Angeles bonding and insurance support programs at: https://www.labavn.org/index.cfm?fuseaction=misc.business_insurance

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have been adopted by State governments ensure that minority businesses, which generally do not have the same retained earnings and cashflow profile as larger firms, have their cashflow secured.

At a broader level, entities like the Black North Initiative and the Black Opportunity Fund in Canada show recent models for engaging both public and private sector organisations in funding support for priority initiatives, including economic development, at a community level.⁴⁸

Similar programs are strongly recommended for NZ adoption as many Māori-owned and other minority businesses face these same challenges and cashflow will remain an important growth-limiting factor.

7. **Broaden the Concentration of Māori-owned Businesses** – This is of particular importance given the unequal impacts of Covid-19 on certain sectors of the NZ economy (such as tourism) and the acceleration of future of work scenarios (discussed in Section 3 below as one of the key trends driving change).

Social procurement can be used as a tool to reshape the spread of businesses, reduce risks associated with exposure to certain sectors (including forestry, construction, transportation, manufacturing and low-paid managed services) and enable access to sectors that account for a greater share of revenues both now and in the future.

McKinsey & Co in the same report referred to above,⁴⁹ calculate that Black-owned employer businesses in the US (with at least one paid employee) are highly concentrated in only 5 industries. These industries represent only 20% of overall business revenues.

This industry concentration in the US is mapped as follows:

(.. see overleaf ...)

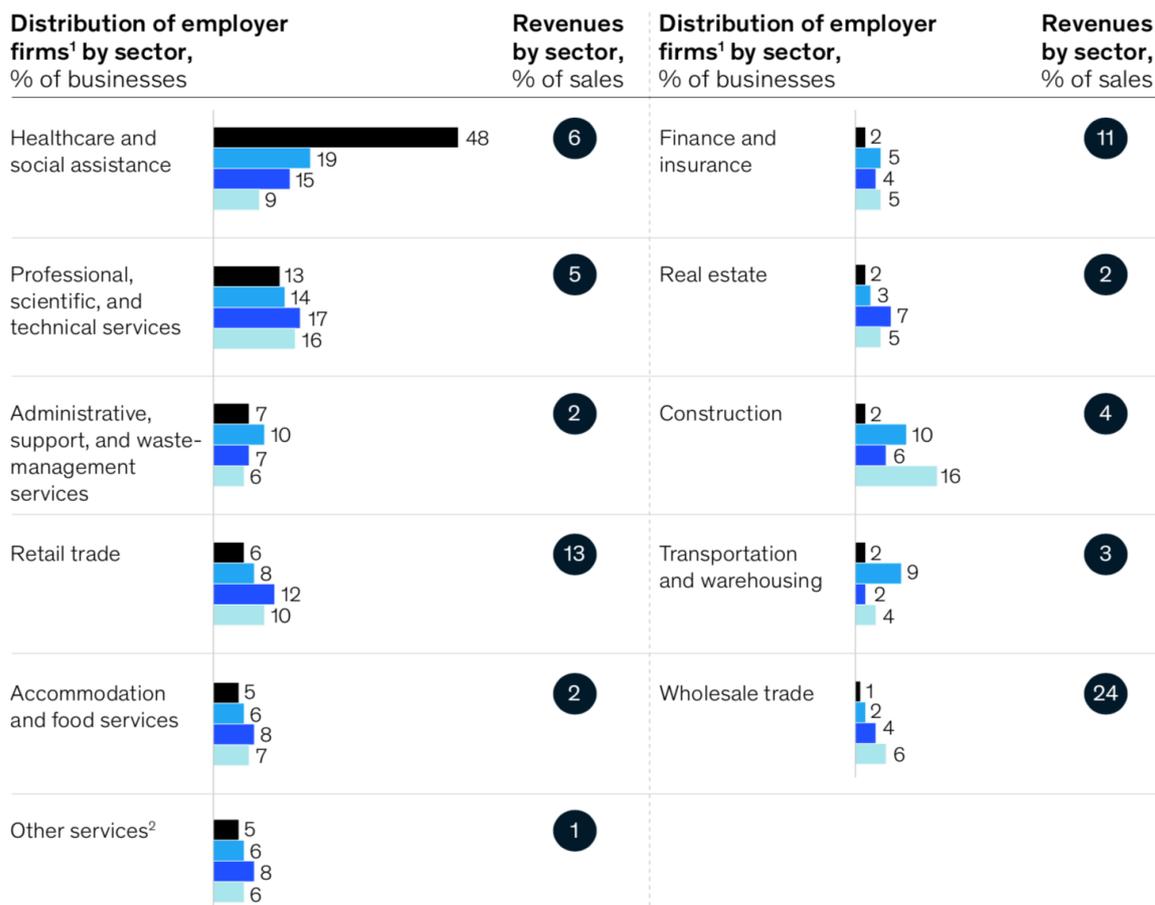
⁴⁸ See Black Opportunity Fund at: <https://www.blackopportunityfund.ca/>; see Black North Initiative at: <https://blacknorth.ca/>

⁴⁹ McKinsey & Co, "Building supportive ecosystems for Black-owned US businesses", October 2020, p.6-7 at: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses>

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Black-owned employer businesses are concentrated in only five industries.

■ Black women ■ Black men ■ White women ■ White men



Source: McKinsey & Co Report, October 2020, p.7

Similar analysis should be undertaken in NZ with a view to determining:

- current concentrations of Māori-owned businesses by sector and economic opportunity costs and risks associated with not participating more broadly, and
- how social procurement can be used to reposition Māori-owned businesses for future gain in growth sectors with quantifiable net gain in economic impact.

8. **Downsize and Unbundle Large Contracts** – Larger procurement contracts may often fall outside the fulfilment capacity of minority businesses. Reducing the contract size and/or unbundling⁵⁰ larger contracts into standalone or component-based contracts makes them more accessible and may allow minority businesses to compete in their own right, rather than as subcontractors.⁵¹ It can also reduce the scale and risk of contracts.

⁵⁰ “Bundling” refers to the practice of practice of putting multiple small contracts out for bid as a single unit, which can make it difficult for small businesses to bid as they lack the scale to fulfil the bundle.

⁵¹ This was identified as a key hurdle for minority business access in research noted by T.Bates, “Contested Terrain. The Role of Preferential Procurement Policies in Opening Markets”, Du Bois Review (2015) 12:1, 137-159 at p.154 (soft copy available from author).

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For example, the City of Chicago developed a Small Business Initiative program⁵² where construction projects under a certain value threshold are exclusively made available to certain small tiers.⁵³ These are sometimes referred to as “sheltered markets” (as defined by the City of Portland in its Sheltered Market Program⁵⁴). The Chicago program now covers mid-size businesses so that expanding businesses are not prevented from building further capacity.⁵⁵

Threshold setting through resizing and unbundling contracts may be a tool for building an exclusive pipeline of procurement contracts that can be used to build capacity for Māori businesses.

9. **Use Set Asides to Create Dedicated Scale Opportunities** – The Canadian experience and its approach in implementing a clearly structured “set aside” scheme shows another way that procurement contracts can be restructured to create dedicated scale opportunities for minority businesses.

The Canadian scheme can enable ringfencing or setting aside of smaller procurement contracts to build capacities or allocate the work to communities where Indigenous people will receive the benefit of the good, service or construction being procured. It also enables the sharing and partnering for contracts where they are too substantial to be completed by Indigenous businesses on a standalone basis. These terms are discussed in Appendix 2 and highlighted in the diagram in Section 3 below.

Although similar in some ways to unbundling, set asides allow for dedicated opportunities. Again this can be an effective tool for Māori business growth.

10. **Engage With Anchor Institutions** – “Anchor” institutions is a US term used by the Initiative for a Competitive Inner City (ICIC)⁵⁶ to describe local organisations that play significant roles in their local economies due to their purchasing power, real estate, employment, footprint and brand. Such institutions may include universities and hospitals, local governments and councils, community foundations, corporations, sports teams and arts and cultural organisations.⁵⁷ Their sustainability is linked to their communities and they have a vested interest in local economic vitality.

The purchasing power of these institutions may present additional opportunities to seed social procurement initiatives for Māori businesses with private and non-profit sector

⁵² See City of Chicago via: <https://www.chicago.gov/city/en/depts/dol/rules-and-regulations-portal/small-business-initiative--sbi--construction-program.html>

⁵³ That threshold is US\$3 million total cost. See: https://www.chicago.gov/content/dam/city/depts/dps/Outreach/3Q2020_Buying%20Plan_102720.pdf

⁵⁴ See City of Portland Sheltered Market Program Description paper at: <https://www.portlandonline.com/shared/cfm/image.cfm?id=119802>

⁵⁵ The mid tier threshold is US\$3 million up to \$10 million. See: https://www.chicago.gov/content/dam/city/depts/dps/Outreach/3Q2020_Buying%20Plan_102720.pdf

⁵⁶ At: <https://icic.org/research/anchor-initiatives/>

⁵⁷ A powerful example is the location of the City of Atlanta’s Mercedes Benz Stadium for the Atlanta Falcons in West Atlanta, an underserved minority community, which was built using a large component of minority business input in return for funding and tax incentives. An evaluation of mixed project benefits by the New York Times from 12 January 2017 is set out at: <https://www.nytimes.com/2017/01/12/sports/football/atlanta-falcons-stadium-arthur-blank-neighborhood.html>

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anchors.⁵⁸ This will require both education, tailored social procurement initiatives and incentives and encouragement in some of the ways described in this report.

11. **Create and Align Private Sector Incentives** – A key component of engaging with anchor institutions to encourage their use of social procurement, is creating and aligning private sector incentives. The US has been at the forefront of creating private sector incentives.

Examples of tools used to create incentives and drive adoption and investment include:

- (a) *Diversity Credits* – The City of Chicago has established an innovative Diversity Credit Program⁵⁹ that awards credits to private sector firms that engage in minority business procurement. These credits can be applied to bids by the firms on City of Chicago contracts.
- (b) *Promise Zones* – A Federal initiative launched under President Obama, it is intended to target urban, rural and tribal areas for economic growth.⁶⁰ Specific social procurement allocation initiatives form part of the tools available in these Zones to drive local minority business growth. For example, this was successfully used in the City of Milwaukee to increase local economic activity.⁶¹
- (c) *Opportunity Zones* – A related tool, its purpose is to attract investment capital into areas designated as “economically distressed areas” by providing preferential tax treatment on eligible capital gains. Opportunity Zones now exist in all 50 States and investment funds holding assets in those Zones are a common means of attracting capital.⁶² However, recent commentary has suggested that investment capital has been diverted to large gentrification projects and not into small community and minority business investment as was intended.⁶³ It also does not often match the financing needs of minority businesses (which prefer debt to equity investment).
- (d) *Land Use Planning & Zoning* – A further tool, available nationally and at City level is the use of planning and zoning requirements to designate minority business inclusion in development and occupation. For example, this was utilised in New York City’s West Chelsea Rezoning development to establish minority business sub-contracting and contracting opportunities.

⁵⁸ See ICIC’s Anchor Institution Strategic Framework for more detail at: https://icic.org/wp-content/uploads/2016/04/ICIC_Anchors-and-Urban-Econ-Dev.pdf?58f619

⁵⁹ See City of Chicago, Department of Procurement Services, Diversity Credit Program Overview at: https://www.chicago.gov/content/dam/city/depts/dps/Outreach/DPSPolicy_Diversity_Credit_Program_071513_2.pdf

⁶⁰ See United States Department of Housing and Urban Development (HUD) at: <https://www.hudexchange.info/programs/promise-zones/>

⁶¹ See Milwaukee Promise Zones Initiative at: <https://city.milwaukee.gov/commoncouncil/initiatives/mpz>

⁶² See Forbes article, “What you need to know about Opportunity Zones”, 30 March 2019 at: <https://www.forbes.com/sites/morgansimon/2019/03/30/what-you-need-to-know-about-opportunity-zones/?sh=7cdfd7ef6ae2>

⁶³ See Bloomberg article, “The Biggest Problem with Opportunity Zones”, 26 June 2020 at: <https://www.bloomberg.com/news/articles/2020-06-25/opportunity-zones-don-t-work-can-they-be-fixed>

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These tools are available to encourage and incentivise the private sector to undertake social procurement initiatives for Māori businesses. They will require the formulation of policy at social and local government levels.

However, it is noted that the US experience indicates that attracting investment capital via preferential tax treatment must be carefully scrutinised to avoid misallocation.

12. **Build Teaming & Mentor-Protégé Opportunities** – The US Federal Government operates a number of mentor-protégé programs. These programs typically seek to pair new or minority businesses with larger and more experienced businesses.

Protégés may receive financial, technical or management assistance in obtaining and fulfilling Federal contracts or serving as suppliers under such contracts. They may also have opportunities to form joint ventures or work as teams, make certain equity investments or provide limited loans. Mentors are incentivised through a range of tools including subcontracting credits, expense reimbursement etc.⁶⁴

These programs range from government-wide (as with the Small Business Administration's All Small Business Mentor-Protégé Program) to department specific (as with programs run by the Departments of Defence, Treasury, Energy and Homeland Security).⁶⁵ Some abuse has been identified,⁶⁶ but they continue in the main to provide valuable gateway access and a tool for expediting capability building.

At low cost, subject to the nature of any mentor incentives put in place and eligibility criteria, this represents another means by which Māori businesses can be supported to grow. The government-wide nature of the US program is commended.

13. **Consider Setting Sunsets When Setting Goals** – The duration and eventual cessation of any access preference or special right to social procurement should be considered. Ideally this will be determined by achieving the baseline goals being set and by quantifying whether the program has met its intended remedial purpose.

Although not binding here, in the landmark decision of the US Supreme Court in *City of Richmond v J.A. Croson* (1989) 488 US 469, the Court recognised that specific identified discrimination that justified race-conscious remedial programs was unlikely to last forever and, once an appropriate balance had been achieved, the programs should be removed to again "level the playing field".

Arguably we are far from this outcome in NZ. However, it is a learning from the US that is relevant to program design in NZ, particularly to balance the views of interests that may oppose lengthy or unbounded institutionalisation of social procurement.

14. **Establish Clear Binding Benchmarks** – Recent Canadian experience points to the value of establishing a clear central government benchmark mandate that is binding on

⁶⁴ See "Small Business Mentor-Protégé Programs", Congressional Research Service, 21 October 2020 at: <https://fas.org/sgp/crs/misc/R41722.pdf>

⁶⁵ See R.Pilger, "An Overview of Small Business Contracting", Congressional Research Service, 14 August 2020, p.23 at: <https://fas.org/sgp/crs/misc/R45576.pdf>

⁶⁶ "Small Business Mentor-Protégé Programs", Congressional Research Service, 21 October 2020 at p.25.

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all government departments to ensure they are mobilised to use social procurement.⁶⁷ Although Indigenous Services Canada is wrestling with implementation of the 2019 mandate across Federal governments, it has provided significant momentum for increasing access by Indigenous people to procurement opportunities.

15. **Institute Dedicated Internal Advocates** – There is a high value gain in having a dedicated government entity (in Canada’s case, Indigenous Services Canada) that can work across government departments to facilitate the use of social procurement. Ideally with sufficient enforcement power, and backed by clear measurable mandatory annual goals imposed by department and embedded in KPIs, to achieve greater uptake across government. This would address current implementation problems identified with oversight implementation by the NZ Government Property & Procurement Office.

Amotai’s advocacy role embedded within Auckland Council is an example of this learning in action. However, as Amotai expands its national presence, it will need to balance this alignment with its involvement in other private and public sector entities.

In addition, research from the US has shown that minority and Indigenous representation in senior executive positions in federal agencies increases the amount of contracting with small disadvantaged businesses. An important finding given the potential value awarded by procurement contracts.⁶⁸

If such executives are not available, those occupying the positions must be educated in the value gain potential, particularly the absence of a binding mandate. This research has important implications when considering local rollouts.

16. **Maintain Outreach & Promotion** – It is vital that success stories are identified and well-articulated in ways that resonate with intended audiences. These stories should reflect the identity of those being supported by social procurement opportunities. For examples, see the Canadian case study examples linked in Appendix 2.

Similarly, grassroots mentoring is necessary to achieve outreach required to attract additional supply-side scale and effectively build, motivate and sustain capacity and aspiration.⁶⁹ This outreach needs to be funded and adequately supported on an ongoing basis.

17. **Private Sector/Public-Private Market Makers are Vital and Should Be Expanded Nationally** – Entities such as CAMSC in Canada and the National Minority Supplier Development Council (NMSDC) in the US – as with local entities such as Amotai and Akina already established in NZ – are vital to establish and maintain private sector markets for social procurement and to enable public/private collaborations that may deliver additional scalable opportunities.

⁶⁷ Discussed in relation to key trends in Canada in Section 3 below.

⁶⁸ See C.Smith & S.Fernandez, “Equity in Federal Contracting: Examining the Link between Minority Representation and Federal Procurement Decisions”, Public Administration Review (2010) Vol 70 No 1, 87-96, p.93 (soft copy available from the author).

⁶⁹ A point particularly emphasised by Cassandra Dorrington, President of CAMSC, in discussion with the author.

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They can perform key roles in terms of certification and verification of minority businesses, developing capacities within small businesses, connecting and facilitating business procurement relationships with the private sector and advocating and promoting for further growth.

They can address problems that neither governments nor markets alone can resolve.

Their longevity is a testament to their contribution. For example, NMSDC has been operating since it was chartered in 1972 and manages more than 1,450 corporate members who seek procurement services from minority businesses across the US.⁷⁰

Market makers are needed to achieve scale in private sector procurement opportunities in NZ. CAMSC and NMSDC offer powerful examples of what can be achieved and are available to share experience and insight. However, funding remains a key challenge.

Without the continuation of seed and early stage funding from central and local governments, market makers such as Akina and Amotai will not be able to make the sort of positive impact we can see has been achieved by comparable overseas entities. At the same time, such market makers must build sustainable revenue models so that they can operate independently and nationally, as is the case with CAMSC and NMSDC.

To give a sense of the scale of assistance that can be achieved, accompanying this report, and listed in Appendix 3, is a copy of the Directory of the City of Chicago, listing Assist Agencies supporting social procurement initiatives in the City of Chicago. Most agencies are privately funded.

18. **Ensure That Both Context & Conception Are Regularly Revisited** – The key trends identified in Section 3 below, and the conception and implementation issues discussed in Section 1 above, will have important determinative effects on the outcomes and sustainability of social procurement programs in NZ, particularly those that relate to building opportunities for Māori.

These trends and issues should be addressed in social procurement program design, goal-setting and measurement.

For example, social procurement:

- should be used as a tool for preparing for changing work futures,
- should leverage the opportunities and need created by Covid-19 and its economic impacts,
- must align with, and support capacity building by Māori businesses for, the inevitable digitisation and technological evolution of public and private sector procurement practices – as Andy Hamilton notes, this must meet the need for “help with the how”.⁷¹

These trends and issues should also be regularly revisited as goals, needs and contexts change, particularly in a current environment of accelerated change.

⁷⁰ See NMSDC Facts & Figures Sheet, August 2020 at: <https://nmsdc.org/wp-content/uploads/2020/08/Facts-and-Figures-08.23.20.pdf>

⁷¹ See Andy Hamilton, “7 key small business trends delivered by Covid”, 14 August 2020 at: <https://nzbusiness.co.nz/article/7-key-small-business-trends-delivered-covid>

3. KEY TRENDS

Four key trends have been identified that are likely to influence local approaches to future social procurement design and implementation. These trends are derived from the author's research into Canadian and US approaches and current events in NZ.

These trends are:

| <i>Key Trend</i> | <i>Implications</i> |
|---|--|
| 1. Ongoing Covid-19 Impacts | Covid-19 will have an ongoing and unequal impact on indigenous communities and small businesses. Recovery will drive further need for access to economic development opportunities and new capabilities. Covid-19 presents a significant justification for accelerating social procurement outcomes for Māori. |
| 2. Canada imposing Federal Benchmarks | Canada continues to build capacity and has established a Federal Government benchmark for indigenous procurement that will build Indigenous capacity and drive significant changes in both public and private sector procurement. |
| 3. US Government Procurement Practices Rapidly Evolving | State government procurement practices in the US are rapidly evolving in response to cost pressures, changing needs and uptake of fast evolving technologies. That will also happen here and will require new capability build and resource access by social procurement initiatives in NZ. |
| 4. Future of Work Accelerating | Work futures are likely to be significantly different. Social procurement must build extensibility and focus on the skills likely to be needed within 5 to 10 years time if Māori are to become equipped to access and fulfil future procurement opportunities. |

These trends are discussed below.

1. ONGOING COVID-19 IMPACTS

Covid-19 is proving to be one of the signal events in recent world history. Worldwide, as at 16 November 2020, more than 54.3 million cases have been officially confirmed by John Hopkins University of Medicine, with more than 1.3 million deaths attributed to Covid-19 in 191 countries.

Its impacts have been immediate in terms of:

- creating devastating social, political and economic consequences,

- accelerating a wide number of existing trends, particularly rapid digitisation in a range of sectors and deepening inequalities across a range of measures,⁷²
- imposing extreme uncertainty and severe material consequences on individuals, organisations and institutions.⁷³

Its impacts are such that it cannot be ignored, especially in the context of a discussion of social procurement, which represents an important tool to redress economic loss and assist in capability building.

Recent research by NPR, The Robert Wood Johnson Foundation, and Harvard T.H. Chan School of Public Health suggests that Latino, Black and Native American households in the US are being disproportionately impacted by Covid-19, beyond the elevated health risks they face. In particular, racial/ethnic minorities are facing serious financial problems ranging from job loss, constrained financial resources, lack of sufficient Internet connectivity and transportation and a wide range of other problems.⁷⁴ Research from earlier this year suggests that Black business closures were almost twice the average overall rate (and LatinX were half as much again as the average).⁷⁵

Similar evidence of disproportionate impact exists with respect to indigenous communities in South America, Africa and Asia.⁷⁶ Interestingly, Canadian indigenous communities appear to have fared far better by adopting self-determined approaches to healthcare and isolation.⁷⁷

The US and these other countries are not a proxy for NZ, as we have not sustained Covid-19 infections in any way remotely comparable to pandemic levels being sustained elsewhere. However, it does suggest that Covid-19 has the potential to significantly damage the indigenous communities and economic and social development of Māori, particularly as many existing Māori occupations are in industries reliant on proximity or tourism or participate as essential workers with higher contact risk and have less access to capital to sustain their communities through economic downturn.

Accordingly, developing social procurement initiatives that provide economic support and enable diversification for Māori-led business are even more pressing given Covid-19's potential impacts. It must be a priority to address economic risks to Māori that are exacerbated by Covid-19. For example, the US has recognised this through the extension

⁷² For example, see The Lancet article, "COVID-19 exacerbating inequalities in the US", 18 April 2020 at: [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30893-X/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30893-X/fulltext) and The New York Times article, "When the Virus Came for the American Dream", 2 November 2020 at

<https://www.nytimes.com/2020/11/02/magazine/covid-business-atlanta.html>

⁷³ See discussion in McKinsey & Co article, "When nothing is normal: managing in extreme uncertainty", 2 November 2020 at: <https://www.mckinsey.com/business-functions/risk/our-insights/when-nothing-is-normal-managing-in-extreme-uncertainty>

⁷⁴ See survey reports located at Robert Wood Johnson Foundation site and linked to the article, "The impact of Coronavirus on Households Across America", September 2020 at: <https://www.rwjf.org/en/library/research/2020/09/the-impact-of-coronavirus-on-households-across-america.html>

⁷⁵ See Robert Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months After Widespread Social-Distancing Restrictions," Journal of Economics and Management Strategy, (2020) Vol. 29, 727-740 at: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/jems.12400>.

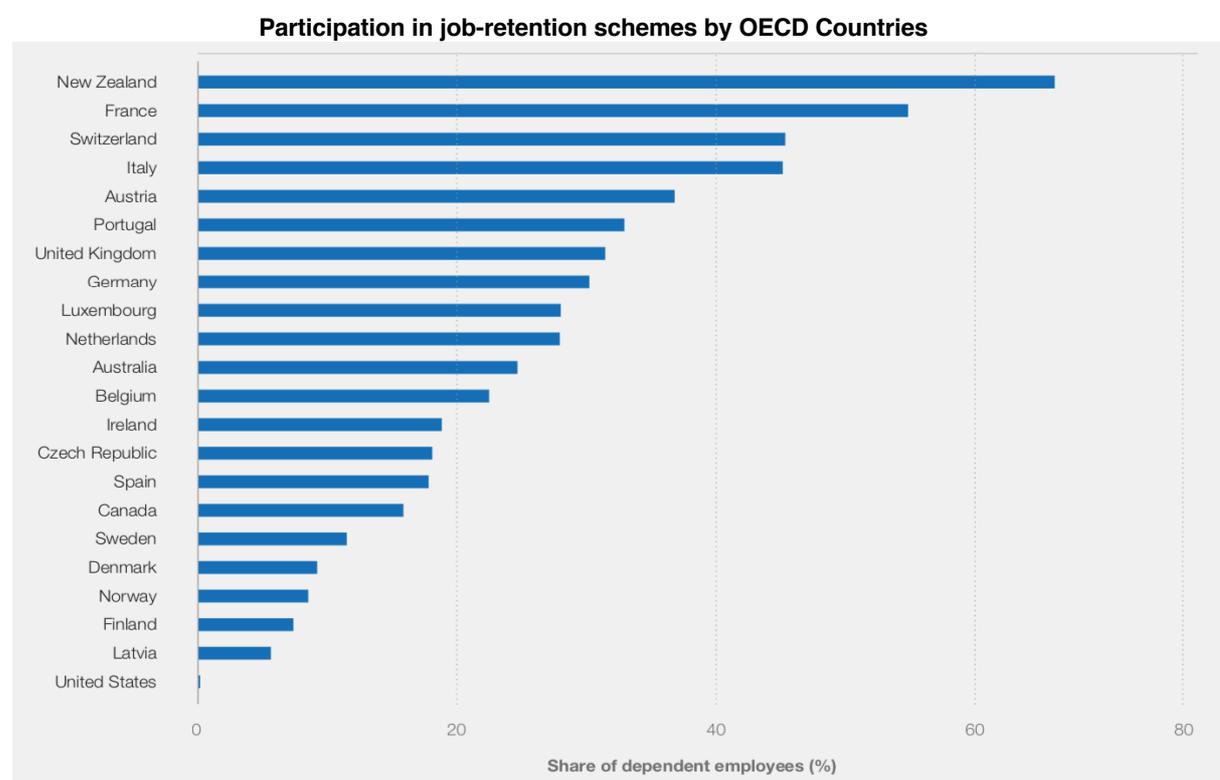
⁷⁶ For example see report by The International Work Group for Indigenous Affairs (IWGIA) and the International Labour Organization, "The impact of COVID-19 on indigenous communities", October 2020 at: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---gender/documents/publication/wcms_757475.pdf

⁷⁷ See Scientific American article, "How Indigenous Communities in Canada Organized an Exemplary Public Health Response to COVID", 27 October 2020 at: <https://www.scientificamerican.com/article/how-indigenous-communities-in-canada-organized-an-exemplary-public-health-response-to-covid/>

of its Federal Small Business Administration disaster loans programs to minority businesses, its expansion of the 8a Program (discussed below) and through its Coronavirus Aid, Relief & Economic Security (CARES) Act, the largest economic stimulus in US history,⁷⁸ which set aside US\$8 billion for native American tribes and tribal governments.⁷⁹

A key specific issue for NZ has been our heavy reliance on preserving the retention of staff by businesses through wage compensation schemes as well as by tax or payment deferrals. The following table, extracted from the OECD's Economic Outlook report to June 2020,⁸⁰ shows that NZ is an outlier in the whole of the OECD when it comes to wage support, with about 70% of our country's employees dependent on these schemes. While such measures have been effective at minimising unemployment, they risk obscuring the possible true impact of Covid-19 on our labour market.⁸¹

At the time of writing this report, these schemes are being rolled back in NZ and we are better likely to know the real extent of how damaged our labour market is, and how significantly Māori communities have been impacted, in a few months (assuming no further regional or national lockdowns).



In NZ it was reported to the author that Covid-19 has accelerated demand amongst Māori and minority business to become registered as procurement suppliers to Auckland

⁷⁸ As noted in discussion with Hon Representative Judy Chu (CA-27), Chair of the US Small Business Oversight Subcommittee, at the 2020 Small Business Summit hosted by the Native Hawaiian Organizations Association (NHOA) on 27-29 October 2020 (link available from author).

⁷⁹ See discussion with Professor Emeritus Joe Kalt, co-director of the Harvard Project on American Indian Economic Development, describing challenges that Covid-19 poses for Native Americans in medium.com dated 23 April 2020 at: <https://medium.com/covid-19-public-sector-resources/joe-kalt-on-the-challenges-that-covid-19-poses-for-indian-country-a969daf0fb72>

⁸⁰ At: <http://www.oecd.org/economic-outlook/june-2020/>

⁸¹ Noted at World Economic Forum, The Future of Jobs Report 2020, October 2020, p.42 at: <https://www.weforum.org/reports/the-future-of-jobs-report-2020>

Council. Registrations have more than tripled this year from ~130 prior to Covid-19 to now in excess of 400 suppliers.⁸² We can expect similar multiples around the country. The need for access to economic opportunity is unlikely to abate, even if a vaccine can be rapidly deployed in 2021 and we maintain a pandemic “single-hit” scenario.

As NZ looks to stimulate the economy and build employment opportunities via the implementation of the Labour Government’s “Recovery Plan” policies, many infrastructure projects lend themselves to participation or partnering by Māori organisations that already provide procurement services to the construction industry.

In addition, we are likely to see greater reliance on local supply chains which may create further opportunities for Māori business participation. CAMSC reports a similar trend towards the Canadian public and private sectors “looking local”.⁸³

Bottom line: Covid-19 should be used to accelerate social procurement opportunities to support economically disadvantaged groups most directly affected, including Māori. There is heightened awareness of social and economic inequality at this time that should be leveraged. In addition, this support should be ongoing as many in these groups may need to reposition in new, less affected sectors and acquire new skills.

Covid-19 has particularly hit NZ small businesses (many of which are staffed by or run by Māori) and the size of the hit may be obscured until early next year. Accordingly use of social procurement must address the primary needs of this segment, which are cashflow,⁸⁴ secure employment and limiting revenue decline.⁸⁵

2. CANADA IMPOSING FEDERAL BENCHMARKS

The indigenous business environment is evolving in Canada. Business capacity, population, education and professional attainment of indigenous peoples has all increased substantially since the mid 2000s.

Progress towards increased indigenous access to procurement contracts is being made by both the public and private sectors. Indigenous procurement is well-entrenched in Canada and has been operative as federal policy for almost 25 years, since 1996.

Public sector progress is discussed below.

In December 2019, Rt. Hon. Prime Minister Trudeau 2019 committed the Canadian Federal Government to implementing a new target to have at least 5% of federal contracts awarded to businesses managed and led by indigenous peoples.⁸⁶ This target was

⁸² Reported from discussion with Ms Frae Cairns, Capability Manager, Amotai, October 2020.

⁸³ Reported from discussion with Ms Cassandra Dorrington, President of CAMSC, October 2020.

⁸⁴ See Prosper Small Business Resilience Survey discussed in stuff.co.nz article by David Gadd dated 12 August 2020 at: <https://www.stuff.co.nz/business/prosper/your-stories/122406773/prosper-small-business-resilience-survey-shows-the-extent-of-covid19s-impact>

⁸⁵ See Xero Small Business Insights Report discussed in Scoop Business article by Scoop Media dated 5 June 2020 at: <https://www.scoop.co.nz/stories/BU2006/S00092/xero-data-reveals-covid-19s-initial-impact-on-nz-small-business-sector.htm>

⁸⁶ See Minister of Public Services and Procurement Mandate Letter dated 13 December 2019 at: <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-public-services-and-procurement-mandate-letter>

intended to align with the fact that indigenous peoples⁸⁷ comprise 5% of the Canadian population. (A similar target operates in Australia where the Federal Government and all its portfolios require 3% of the number and 1% of the value of accessible contracts to be awarded to Australian Indigenous businesses.⁸⁸)

The 5% threshold is a key change in Canada's approach to indigenous procurement and represents a significant additional commitment, tripling the 1 to 2% of federal contract spend currently allocated to indigenous businesses.⁸⁹ What is not yet determined is how the 5% threshold is to be allocated – whether it's a minimum of 5% of federal procurement or 5% of federal procurement spend?

The consequences of this determination are significant and will solidify a benchmark for ongoing measurement and reporting that addresses voluntary commitments made within federal government departments until now. Working groups within Federal Government are currently debating implementation and the entire process is under review as the Government seeks to modernise and better coordinate its procurement function.

The Federal Government's indigenous procurement strategy is set out in the national Procurement Strategy for Aboriginal Businesses (PSAB).⁹⁰ Eligible businesses (ranging from sole proprietorship to companies, cooperatives, joint ventures, partnerships and non-profits) must have 51% indigenous majority ownership and control and must be registered in the Indigenous Business Directory.⁹¹ The central goal of the PSAB is to build indigenous capacity and encourage access at all levels of procurement contracting.

To do this, the PSAB establishes a clear structure providing multiple opportunities for eligible indigenous businesses to access Federal Government procurement contracts. This structure "sets aside" certain contracts exclusively for competition among indigenous businesses where capacity exists. Recurring contracts are also accessible, as are portions of much larger contracts (such as substantial construction contracts) which are reserved for indigenous participation where the contracts themselves are too substantial to be completed by indigenous businesses on their own.

In simplified form, the Canadian Federal Government contracting structure enabling procurement by indigenous businesses currently looks like this:⁹²

⁸⁷ Comprise three distinct indigenous groups of First Nation, Inuit and Métis.

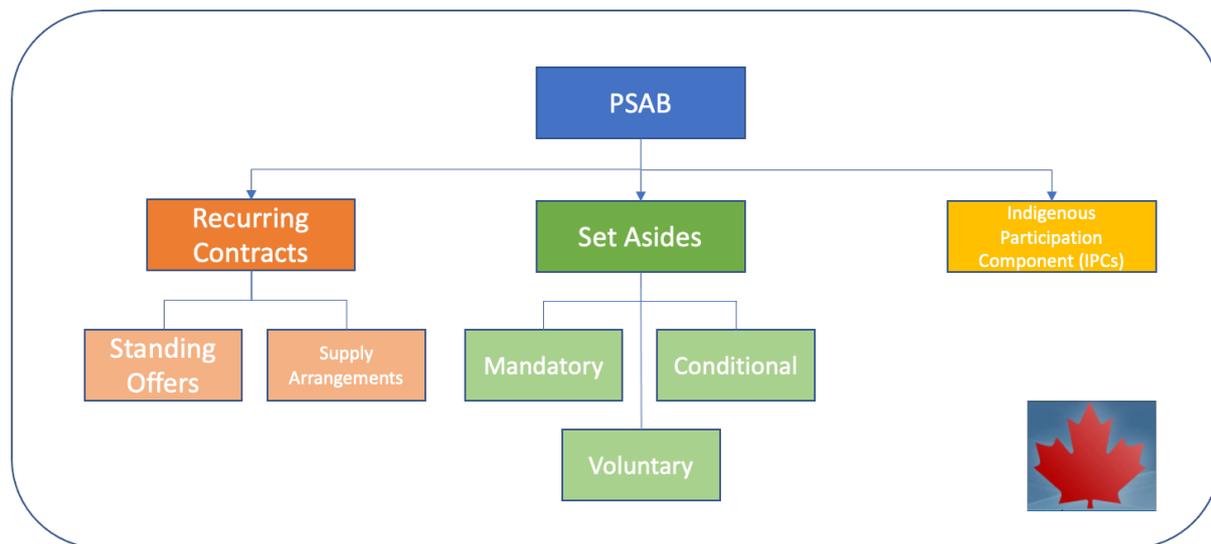
⁸⁸ See National Indigenous Australians Agency (NIAA), Indigenous Procurement Policy at: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp#:~:text=2019%2D20%20Commonwealth%20Indigenous%20procurement%20outcomes,-Over%20918%20Indigenous&text=As%20of%209%20October%202020,being%20awarded%20to%20Indigenous%20businesses>.

⁸⁹ Reported from discussion with Ms Emily Given, Business Development Manager, Indigenous Services Canada, October 2020.

⁹⁰ At <https://www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012>; see also <https://buyandsell.gc.ca/policy-and-guidelines/supply-manual/section/9/40>

⁹¹ See <https://www.sac-isc.gc.ca/rea-ibd>

⁹² For further details, see Indigenous Services Canada presentation, "Indigenous Procurement. Presentation to Business 2020" (soft copy available from the author).



Source: author, based on discussions with Indigenous Services Canada

Explanations of these terms, and case studies of indigenous businesses who have succeeded in obtaining procurement contracts, are set out in Appendix 2 and in the Indigenous Procurement Glossary 2020 attached as a separate document accompanying this report.

The PSAB has delivered well in excess of C\$5 billion in revenues to aboriginal businesses who have won Federal Government contracts in the last 20 years.⁹³ It has also been estimated by the National Indigenous Economic Advisory Board that engaging indigenous Canadians in the economy at the same rate as non-indigenous Canadians would boost Canada's GDP by 1.5% and create almost C\$28 billion of economic growth.⁹⁴

An integral component of Federal Government policy to build capacity needed for indigenous businesses to access the set asides and other procurement contracts noted above is dedicated funding to support business development, working capital needs and capital expenditure.⁹⁵ Funding can be obtained via a network of autonomous indigenous-controlled, community-based financial organisations known as Aboriginal Financial Institutions (AFIs).⁹⁶ Funding is also available via dedicated indigenous-specific entrepreneur loans originated by the federal development bank, Business Development Canada.⁹⁷

Unlike NZ which is not federated, each Province has its own procurement policies which are often inconsistent with the federal PSAB. The Federal Government cannot enforce the PSAB on the Provinces, although several like Ontario and Manitoba have similar procurement approaches. There are learnings here in terms of alignment between local governments that NZ should consider (noted below). Inconsistent policies and

⁹³ See speech by Minister Jane Philpott at <https://www.canada.ca/en/indigenous-services-canada/news/2018/04/speech-from-minister-jane-philpott-at-canada-2020--indigenous-economic-development-symposium.html>

⁹⁴ See the widely cited National Aboriginal Economic Board report, "Reconciliation: Growing Canada's Economy by \$27.7 Billion" November 2016 at http://www.naedb-cndea.com/reports/naedb_report_reconciliation_27_7_billion.pdf

⁹⁵ See discussion of issues in National Aboriginal Economic Development Board recommendations report, "Improving Access to Capital for Indigenous Peoples in Canada" (July 2017) at https://nacca.ca/wp-content/uploads/2017/04/NAEDB_ImprovingAccessToCapital.pdf

⁹⁶ See <https://nacca.ca/>

⁹⁷ See <https://www.bdc.ca/en>

approaches raise transaction, compliance and participation costs and increase access barriers.

Bottom line: Indigenous Canadians have significantly benefitted from a clear and structured national strategy providing multiple opportunities for eligible Indigenous businesses to access government procurement contracts. This strategy has flowed into the expansion of private sector initiatives to grow Indigenous business engagement and broaden the range of businesses included. The gains have expanded the Canadian national economy and the new Federal benchmark may double the economic benefit flowing through Indigenous businesses. However, inconsistent approaches at Provincial level have slowed greater impact.

3. GOVERNMENT PROCUREMENT PRACTICES ARE RAPIDLY EVOLVING (AS EXEMPLIFIED IN US)

Key additional recent trends identified from surveying State-based government procurement approaches in the US have implications for how local and central governments in NZ may approach social procurement in the future.

These trends show that government procurement practice is fast evolving in leading US States (and being followed in Canada). It is being driven by:

- new technologies,
- the need to streamline existing practices,
- the changing nature of projects and work being undertaken by the public sector.

We can expect the same drivers to emerge here. These drivers also apply to private sector procurement.

These emerging trends, that are reshaping US State government procurement operations, comprise:

| <i>Key Trends in US State Government Procurement</i> | <i>Implications</i> |
|--|---|
| 1. Growing Vendor Pooling | <p>States governments such as Georgia, Massachusetts, Michigan, Minnesota, New York, Ohio and Utah are establishing pools of prequalified vendors.⁹⁸</p> <p>This speeds procurement cycles and assists in building capacity and direct, longer-term relationships.</p> <p>It is a positive opportunity for including economically disadvantaged companies, provided that pools are not closed to additional entrants and pool entry requirements are managed to enable social procurement.</p> |

⁹⁸ For example, see Ohio Department of Transportation prequalification rules at:

<http://www.dot.state.oh.us/Divisions/ContractAdmin/Contracts/Pages/Prequalification.aspx>

| <i>Key Trends in US State Government Procurement</i> | <i>Implications</i> |
|--|---|
| 2. Data increasingly driving procurement strategies | <p>Florida has implemented a MyFloridaMarketPlace e-procurement system⁹⁹ that reports on spend and utilisation data and assists in refining procurement needs and outcomes.</p> <p>State governments such as Connecticut, Minnesota and New York now use detailed online KPIs to track performance.</p> <p>Organisations seeking to take advantage of social procurement opportunities must expect that spend performance will be increasingly subject to real-time assessment and measurement and must develop the capacities to gather, report on and respond to performance data and spending analytics.</p> <p>We will also increasingly see government services outsourced to and located in the “cloud” as technology is increasingly being deployed to the cloud and it provides additional free cash flow for investment in delivery of public services. These twin developments mean social enterprises must develop facility with cloud computing to avoid future marginalisation.¹⁰⁰</p> |
| 3. More use being made of Best Value strategies | <p>Increasingly State governments are focusing on “best value” procurement strategies and deprioritising price as the sole/main determinant of suppliers.</p> <p>The rise in complex, non-commodity procurements, where expertise, service and performance capabilities, ability to integrate with existing systems and customer satisfaction ratings are important procurement needs, and often not easily quantified, is driving a “best value” approach.</p> <p>This approach involves a more complex assessment of value-added by providers,¹⁰¹ involving an evaluation of capability, quality, services, time as well as cost over a lifetime value.¹⁰²</p> <p>Utah, Michigan and Alaska are exemplars of this approach.¹⁰³ It is begin to occur in NZ too.¹⁰⁴</p> |

⁹⁹ https://www.dms.myflorida.com/business_operations/state_purchasing/myfloridamarketplace

¹⁰⁰ See discussion in Information Technology Association of Canada white paper, “Governments Embracing Cloud: An Opportunity for Modernization, Innovation and Transformation”, August 2019 at: <https://itac.ca/wp-content/uploads/2019/09/ITAC-govt-Cloud-paper-Eng-aug2019-final.pdf>

¹⁰¹ For example, Michigan uses automated data collection to quantify customer experience via a Net Promoter Score (NPS) via Michigan’s Central Procurement Services, see:

<https://collaborate.nasca.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=f894ac79-8ebd-c389-9b25-c34a73b909b6&forceDialog=0>.

¹⁰² For example, see “best value procurement” definition at <https://gta.georgia.gov/procurement>

¹⁰³ For example, see: <https://simplar.com/wp-content/uploads/2020/04/v2-XPD.pdf>

¹⁰⁴ We are now seeing NPS being adopted in NZ local government. For example by Tauranga City Council in 2018, at: <http://www2.cio.co.nz/article/642171/tauranga-city-council-pioneers-use-nps-local-government/>

| <i>Key Trends in US State Government Procurement</i> | <i>Implications</i> |
|---|---|
| | <p>This is a net positive for social procurement, particularly where social benefit can be quantified and included in the criteria set of what is “best value” and in metrics used to evaluate “best value”.</p> <p>However, social procurement organisations must increasingly understand and be able to articulate how they can provide “best value” in terms of the social value they create and deliver.</p> |
| <p>4. Solutions-based contracts being favoured</p> | <p>As government work is becoming more complex and requiring integration of functions, applications and components, State governments are becoming less prescriptive in their procurement needs. Instead they are seeking “solutions” to problems.</p> <p>Solutions may require the aggregation of services. They will certainly require these services to be integrated into government operating and technology platforms. Examples are well established in “umbrella contracts” for pooling pre-qualified vendors of IT solutions such as are now regularly used in New York and Minnesota.¹⁰⁵</p> <p>The implication for social procurement providers is that they may need to specialise and team with other parties to provide components of solutions and/or that they may need to build capabilities to manage the diagnosis, integration and delivery of solutions to government problems.</p> <p>Minnesota has an Office of Equity in Procurement that may provide a model of how this approach can be integrated in NZ.¹⁰⁶</p> |
| <p>5. Adopting rapid implementation and testing practices from technology</p> | <p>Techniques proven in technology development, such as “agile” approaches,¹⁰⁷ are being increasingly used to minimise risk exposures and improve purchasing.</p> <p>Maryland shortened its purchasing cycles by initiating modular contracts that adapt to fast-changing technology. Michigan initiated competitive proof of concept processes that lets the State test out proposed solutions before selecting a winner to negotiate a procurement agreement without reopening bidding. Georgia has implemented a similar approach that reduces time and cost in the procurement process.¹⁰⁸</p> |

¹⁰⁵ <https://mn.gov/admin/business/mnsite/>

¹⁰⁶ <https://mn.gov/admin/business/vendor-info/oep/>

¹⁰⁷ “Agile” development techniques involve an approach of continuous improvement through iterative change and testing, see: <https://zenkit.com/en/blog/agile-methodology-an-overview/>

¹⁰⁸ <https://gta.georgia.gov/gta-services/gta-direct-services>

Bottom line: As local and central governments get more sophisticated in how they procure products and services (similarly for private sector) and manage their supply chains, organisations seeking to take advantage of social procurement opportunities will also need to develop capabilities to match government needs. These organisations will have to be integrated with existing complex systems and must become more data-driven and cloud-friendly. This reflects increasing digitisation of the work of all organisations.

In particular, as noted above, social procurement organisations must increasingly understand and be able to articulate how they can provide “best value” in terms of the social value they create and deliver to their communities.

NZ needs to be taking account of these trends to ensure social procurement can continue to remain relevant and deliver to rapidly changing public and private sector needs.

4. FUTURE OF WORK ACCELERATING

Covid-19 and the related global recession of 2020 have created a highly uncertain outlook for the labour market and accelerated the arrival of the future of work.

The World Economic Forum in its most recent report on the future of work estimates that within the OECD by 2025:

- 85 million jobs may be displaced by a shift in the division of labour between humans, machines and algorithms, and
- technological replacement will account for more than 15% of redundancies¹⁰⁹ with (according to 2018 study by the OECD¹¹⁰) a further 32% of jobs having a 50 to 70% risk of significant change as a result of automation.

For the first time in recent years, on a global basis, job creation is starting to lag behind job destruction—and this is particularly likely to affect disadvantaged workers. Businesses are already accelerating the digitisation of work processes and learning, seeking staff with new technology skills, expanding remote working and their use of hybrid and independent “gig” workers and undertaking greater automation of tasks.¹¹¹

These initiatives will reduce the pool of employment opportunities and threaten job security. They will require new skills acquisition by employees and may lead to a more uneven distribution of future work. They will significantly impact both what is procured and how it is procured.

¹⁰⁹ Noted in World Economic Forum, The Future of Jobs Report 2020, October 2020, p.29 at: <https://www.weforum.org/reports/the-future-of-jobs-report-2020>

¹¹⁰ L.Nedelkoska et al, “Automation, skills use and training”, OECD Working Paper No.202, March 2018 at <https://www.oecd-ilibrary.org/docserver/2e2f4eea-en.pdf?expires=1575057027&id=id&accname=guest&checksum=F3C6E8737539BEB68E260C32639EB090>

¹¹¹ World Economic Forum, The Future of Jobs Report 2020, p.49 (link above).

Because Māori tend to work in sectors that are more likely to be disrupted and displaced in the expected scenarios for future work,¹¹² we can expect they may be disproportionately impacted, with impacts flowing into future procurement activities.

By analogy, recent research by the Canadian Council for Aboriginal Business suggests that the Primary, Construction, Manufacturing and Transportation industries account for 38% of Indigenous businesses in Canada.¹¹³ These are areas where technology is expected to most significantly impact the work landscape.

It is likely that the effects of inequality could become further layered, creating additional social costs that would be better offset in advance through forward-looking procurement policy solutions designed to educate, stimulate economic development, position Māori businesses and equip Māori with skills and tools they'll need to participate in a more highly digitised economy before the future of work becomes reality.

Public policy solutions will be needed because the private sector lacks the resource, incentives and scale to provide for learning and upskilling across the entire economy and for those operating at the margins, including the unemployed. In addition, the scale of public sector procurement in NZ gives central and local governments significant market-shaping power, including the ability to encourage new business models and even transform how sectors operate.

Policy interventions will need to focus on resilience and capacity building and not just on social surplus distribution or wealth transfer. No single policy can achieve a workforce ready and prepared to take advantage of the opportunities the future of work will bring.¹¹⁴ However, social procurement provides a means of using work access opportunities and guided learning to build skills relevant to the future of work and support transition from equalisation to empowerment.¹¹⁵

Preparing for future of work scenarios should be an increased focus of social procurement policy. This should be backed with financial incentives (whether in the form of repayable subsidies or deductible investment) that allow for the development of Māori businesses that explicitly target technological and more complex procurement solutions.

Finally, if the justness of a society is indeed measured by what happens at its extremities, then, from an equity standpoint, how we help Māori and economically disadvantaged groups prepare now for the future of work may determine how the rest of us can expect to be treated in the future.

Bottom line: Technological adoption by companies and public institutions will transform tasks, jobs and skills. It is likely this transformation may be of a different order to previous transformations because of faster time

¹¹² For example, see R.Borrero, "Indigenous Peoples and the Information Society: Emerging uses of ICTs. A paper prepared for the First WSIS+10 Review Event" UNESCO, Paris, 2016 (soft copy available from the author).

¹¹³ Canadian Council for Aboriginal Businesses paper, "Digital Directions: Towards skills development and inclusion of Indigenous peoples in the new economy", 2018, p. 4 (soft copy available from the author).

¹¹⁴ Longer term, it is estimated that new jobs will offset the loss of existing jobs. For example, see D.Autour, "Why are there still so many jobs? The History and Future of Workplace Automation", Journal of Economic Perspectives 29.3.3; see also World Economic Forum, The Future of Jobs Report 2020, p.29 (link above).

¹¹⁵ A concept referenced in recent Canadian discussions about indigenous peoples and the future of work. For example, see <http://nationtalk.ca/story/indigenous-peoples-in-canada-and-the-future-of-work>

scales and greater complexity.¹¹⁶ It may disproportionately impact economically disadvantaged groups.

No form of procurement will be spared and significant upskilling will be required so that Māori businesses can maintain their access to new procurement opportunities.

On the plus side, social procurement represents a significant opportunity to build capacity and skills relevant to the future of work. The private sector cannot do it alone and NZ governments are well-placed through policy tools and scale to shape how Māori access future procurement opportunities.

4. NEXT STEPS

The author intends to take the following next steps using the knowledge and local and international connections gained from undertaking the Fellowship to:

- implement the learnings gained,
- work towards improving economic development opportunities for Māori, and
- contribute in any way possible towards the further development of social procurement programs, with a particular focus on Māori, and their more widespread adoption and promotion in NZ.

Next Steps

1. Make a formal submission to MBIE regarding extending the Government Procurement Rules to government entities in the NZ public sector and encouraging more comprehensive use of social procurement, utilising US and Canadian recent approaches, as part of this extension– due by 23 November 2020.¹¹⁷
2. Summarised copies of this report, with a cover note explaining purpose, to be forwarded to contacts at Akina, Amotai, TPK, Auckland Council, Wellington Council, Christchurch City Council, Hamilton City Council and The Southern Initiative and meetings will be sought to discuss implications and opportunities arising from the author’s research.
3. Opportunities will be sought to engage leading Iwi in Tāmaki Makaurau to discuss implications and opportunities arising from the author’s research.
4. Opportunities will be sought to engage Tainui in Waikato and Ngai Tāhu in Canterbury to discuss implications and opportunities arising from the author’s research.

¹¹⁶ See IDEOCoLab & Harvard Kennedy School joint paper, “Policy Prototyping for the Future of Work”, 2020, p.3 (soft copy available from the author).

¹¹⁷ See: <https://www.mbie.govt.nz/dmsdocument/11972-discussion-document-extending-government-procurement-rules-to-government-entities-in-nz-public-sector>

Next Steps

5. Opportunities will be sought to write articles for publication and engage with media and other stakeholders on implications and opportunities arising from the author's research.
6. Opportunities will be sought to connect the above stakeholders to international connections made and resources identified by the author.

* * * *



5. APPENDICES

These Appendices comprise:

| No. | Topic of Appendix |
|-----|---|
| 1. | Acknowledgements |
| 2. | Canada – Case Study Examples, Key Terms & Current Federal Indigenous Programs |
| 3. | Attachments x 4 |

APPENDIX 1 – ACKNOWLEDGEMENTS

The Trustees of Winston Churchill Memorial Trust (NZ), with especial thanks to Kay Johnson for her patience, guidance and kindness.

Frae Cairns, Capability Manager, Amotai.

Dr Seán Barnes, Director Social Procurement, Akina.

Daniel Becker, Research & Instruction Librarian at the Harvard Kennedy School Library.

Professor Emeritus Joe Kalt, co-director of the Harvard Project on American Indian Economic Development.

Senior Lecturer Dr Eric Henson of the Harvard University Native American Program (HUNAP).

Robert Pilger, Congressional Research Service, Washington.

Shannon Edie, Executive Director of the Native Hawaiian Organizations Association.

Unnamed representatives from the Cities of Chicago, Memphis, Los Angeles, Atlanta, Milwaukee, Portland.

Cassandra Dorrington, President CAMSC, Founding Member of Supplier Diversity Alliance Canada and Global Supplier Diversity Alliance, Former Chair, Black Business Enterprise Board Canada.

Emily Given, Business Development Manager, Indigenous Services Canada.

Ngāti Paoa Iwi Trust Board and Ngāti Paoa Group Investments Ltd of Tāmaki Makaurau with whom I was privileged to work over a 3 year period from 2016 to 2019 in roles that gave me

the opportunity to better understand need, opportunity and missing pieces. In particular, NPGIL CEO, Dan Karehana, and NPGIL Chair, Brett Rhind, and Matua Gary Thompson.

Finally, to my children Lara and Tom, and Jess Wiseman who is my anchor, chief whip, sounding board and beloved partner.

APPENDIX 2 – CANADA

Case Study Examples, Key Terms & Current Federal Indigenous Programs

A. Case Studies & Key Terms explained

Explanations of the key procurement terms that relate to the Canadian Federal Government's Procurement Strategy for Aboriginal Businesses (PSAB) discussed above, and case studies of indigenous businesses who have succeeded in obtaining procurement contracts, are set out below.

If you click on the embedded [buyandsell](#) links below you will see what the Indigenous businesses won. They are contactable for case study purposes.

PSAB Mandatory Set-Aside: A mandatory set-aside is used for procurements that are destined for an area, community or group in which Indigenous people make up at least 80% of the population and where the Indigenous population will be the recipient of the good, service or construction.

Examples:

- Creel Survey South Thompson River Sport Fishery – [view on buyandsell.gc.ca](#)
- Crime Prevention in Indigenous Communities – [view on buyandsell.gc.ca](#)

PSAB Voluntary Set-Aside: Also known as “**selective set-asides**”, voluntary set-asides may be employed if Indigenous capacity exists and operational requirements, best value, prudence, probity and sound contracting management can be assured.

Examples:

- Repair of lighting system at La Romaine Wharf – [view on buyandsell.gc.ca](#)
- Office seating – [view on buyandsell.gc.ca](#)

Indigenous Participation Component (IPC): Also known as an “**Aboriginal Participation Component (APC)**”, an IPC is a portion of the value of a contract that is set-aside for Indigenous participation, which can be direct or indirect (or both). A direct IPC refers to Indigenous sub-contracting, employment

and training. An indirect IPC refers to scholarships, grants, and bursaries.

Examples:

- Emergency Towing Vessels – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)
- Multi Role Boat – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)
- Light Icebreaker – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)
- Naval Large Tugs – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)
- Public Service Health Care Plan Administrative Services – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)

PSAB Conditional Set-Aside:

When it is impossible to determine Indigenous business capacity, a conditional set-aside can be used. This means that a procurement is open to Indigenous and non-Indigenous businesses. However, if two or more Indigenous businesses submit a bid, then the procurement is set-aside under PSAB.

Examples:

- Automated Microbiological Water Quality Monitoring Systems – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)
- Temporary Accommodation Facilities – [view on buyandsell.gc.ca](https://buyandsell.gc.ca)

B. Glossary & Federal Programs supporting Indigenous capacity building

Glossary –

Accompanying this report, and noted in Appendix 3, is a copy of Indigenous Services Canada's 2020 Indigenous Procurement Glossary.

Federal programs supporting Indigenous capacity building –

The two main Canadian Federal programs supporting Indigenous capacity building are:

- ESDC's Indigenous Skills Employment and Training Program <https://www.canada.ca/en/employment-social-development/programs/indigenous-skills-employment-training.html>
- ISC's Post-Secondary Partnerships Program: <https://www.sac-isc.gc.ca/eng/1100100033691/1531934968283>

In addition, accompanying this report, and noted in Appendix 3, is a copy of a linked spreadsheet outlining other capacity building/development programs that exist in Canada. It is current at October 2020 and was prepared in support of this report by Indigenous Services Canada.

APPENDIX 3 – ATTACHMENTS

Additional documents forming part of this report are separately attached and comprise:

- (a) **Excel spreadsheet** listing current Indigenous capacity building development programs operating in Canada, sourced from Indigenous Services Canada, October 2020.
- (b) **Indigenous Procurement Glossary**, sourced from Crown-Indigenous Relations & Northern Affairs Canada, October 2020.
- (c) **Directory of City of Chicago listing Assist Agencies** supporting social procurement initiatives in the City of Chicago, sourced from Department of Procurement Services, City of Chicago, November 2020.
- (d) **Research Sources** – as part of the background research, the author located and reviewed and has listed a number of reports and papers relating to the following topics that may be relevant to readers:
 - i. US
 - ii. Canada
 - iii. Other Countries
 - iv. Future of Work
