
Submission to the Parliament of NSW Standing Committee on State Development: Inquiry into economic development in Aboriginal communities

12 February 2014

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This submission has been prepared by The Centre for Independent Studies (CIS) for the Parliament of NSW Standing Committee on State Development Inquiry into economic development in Aboriginal communities.

The Inquiry into Aboriginal economic development closely aligns with the CIS's focus on Indigenous economic development as part of our Prosperity Project.

The Prosperity Project is a program of research focused on the practical measures that will enable Indigenous communities to improve their economic outcomes and bring about meaningful and sustainable change. As part of this research, we are looking at how a more enabling environment for Indigenous enterprise could be created, and which models of support and corporate partnerships work most effectively in which context.

We are aware that there is much goodwill in Australia to improve Indigenous outcomes. However, unfortunately, efforts to address Indigenous disadvantage have to date failed to make a significant difference to the lives of many Indigenous Australians. Our Prosperity Project aims to harness the goodwill that exists in the private sector and use it for maximum effect. Starting with a review and examination of government and non-government programs, the Project will help shine a spotlight on how funding for Indigenous programs is being used and where it is having the most impact. The focus will be on how to ensure greater effectiveness and efficiency and where the best returns on investment are.

In seeking to improve Indigenous economic development outcomes, our recommendations are to:

- Recognise that high levels of Indigenous disadvantage are not related to Indigeneity but are the result of ineffective policies and lack of opportunity — specifically in relation to education, employment and private enterprise
- Recognise the diversity of Aboriginal people in NSW and that not all Aboriginal people will require government support; and as a result, funding should be directed to those who need it most and not simply on the basis of Indigeneity
- Ensure that programs are aligned with need and do not duplicate existing programs
- Ensure that government policies and programs enable, rather than constrain, Indigenous entrepreneurship and private enterprise. In particular, government initiatives should not act in competition with private Aboriginal businesses and thus hinder Indigenous economic development initiatives.

We believe it is important to differentiate between the three distinct groups of Aboriginal people in NSW, who all have different needs: those who are already working and in business; the long-term welfare dependent; and those living in regional and remote communities).

Of the 550,000 Indigenous people in Australia identified in the 2011 Census, approximately 65% (360,000) are working and succeeding in society, 22% (120,000) are welfare dependent — with lives similar to other welfare dependent Australians — and 13% (70,000) are welfare dependent and live on Indigenous land where there are limited education and employment opportunities. It is this latter group who experience the most disadvantages and who require the most support.¹

In general, asset accumulation and entrepreneurship among Aboriginal people who are working is not that different to the comparable non-Indigenous population. While Aboriginal people living in cities and towns in NSW may benefit from assistance in establishing their own businesses, they do not have the same levels of disadvantage as those Aboriginal people living in regional and remote communities where there is less education and employment opportunity, and limited access to markets. This fact is supported in statistics that show most Indigenous entrepreneurs are in the south-east corner of Australia where there is higher demand for goods and services.²

As a result, if the NSW government wants to make a noticeable difference to Aboriginal employment and economic outcomes, the focus should be on supporting economic development efforts in outer regional and remote areas where the employment problems faced by Aboriginal people are more acute.

1. Options for sustainability and capacity building of NSW Aboriginal communities into the future, utilising existing community networks and structures

The factors that support Aboriginal economic development are the same as the factors that contribute to any economic development initiatives, and include: human capital; an authorising environment such as institutions — including governing structures and government policy; private property rights; and access to capital and markets.³ These factors are all interconnected. For example, ownership of land and resources requires human capital to realise its potential. In addition, while education is an important contributor to human capital and economic development, it is also an outcome that is achieved as a result of economic development initiatives. There is therefore a synergy that occurs between all the different factors, which helps to create a virtuous cycle of economic development.⁴

In seeking to build the capacity of NSW Aboriginal communities, one of the first things the government needs to focus on is human capital — the collective skills and abilities of people to contribute to performance and productivity. Human capital is any expenditure or investments in training, health and education. By investing in Aboriginal education, the government will create a pathway towards a generation of educated, motivated and highly skilled Aboriginal people.⁵

Investment in education will, in time, help reduce Aboriginal people's dependency on the welfare state and improve their employment opportunities. In order to break the poverty cycle and welfare trap so many Aboriginal people are currently in, the government needs to encourage personal responsibility and independence, which can be achieved only if Aboriginal people have the skill set to do so.

Human capital is the summation of a person's abilities. By being qualified in a multitude of skills, individuals will be far more valuable to employers and the economy. In turn, this creates a generation of Aboriginal people who are more able to adapt to economic fluctuations such as a recession. Raising the quality of Aboriginal children's education will help increase their value as employees.

The Centre for Independent Studies, is currently undertaking service mapping of all Indigenous programs listed on the 'Australian Indigenous HealthInfoNet'. Of the approximately 2400 programs listed, our research has found few programs focus on the essential building blocks needed to enhance the human capital of Aboriginal communities, such as education. Instead, Indigenous programs tend to focus on less prominent issues such as creating cookbooks, writing songs about safety issues and assisting sex offenders in 'psychological recovery'.

However, even when the government does focus on delivering education programs to the most disadvantaged Aboriginal communities, these programs do not necessarily have the desired effect — as evidenced by the latest report on the NSW government's 'Connected Communities' program.⁶ The failure of this program to improve student attendance rates and NAPLAN results highlights the importance of engaging effectively with Aboriginal communities, and properly researching what strategies need to be taken that best fit the social, cultural and economic demographics of different Aboriginal communities.⁷

Over the years there have been a range of different approaches adopted in relation to economic development among Indigenous Australians — these can be categorised into two broad areas: communal and individual. Historically, the emphasis has been on communal economic development initiatives under a 'self-determination' policy agenda. This was associated with the creation of a range of institutions designed to generate greater economic and political autonomy for Aboriginal people — such as the *Aboriginal Councils and Associations Act 1976* that enabled communities to obtain a corporate identity and enter into agreements to receive government funding. The self-determination agenda is also strongly associated with the Aboriginal land rights movement and recognition of native title.⁸ Today, the Land Rights Network is perhaps one of the most important Aboriginal institutions in NSW, and the only one that is independent from government and democratically elected.⁹

Unfortunately, although large tracts of land have been returned to Aboriginal and Torres Strait Islanders, economic development and high living standards on Indigenous lands have not followed.¹⁰ There is growing recognition that Indigenous people are 'land rich but dirt poor' and the latest Social Justice and Native Title report recommends identifying options for leveraging Indigenous property rights for economic development purposes.¹¹ In this regard, the single most important thing the NSW Government could do to improve economic development outcomes on Aboriginal land, is to improve land use options under the *NSW Aboriginal Lands Right Act 1983*.

While functioning institutions and legitimate governance arrangements are required for economic progress, governance and accountability present a particular challenge in many Aboriginal communities. A number of concerns have been raised over the years about the governance arrangements of Land Councils and many Indigenous-run corporations experience financial problems due to difficulties balancing Indigenous cultural expectations with successful business practices and the requirements of government funding bodies.¹² Partnerships and knowledge sharing through mentoring and secondment type arrangements could assist in improving the governance of Aboriginal organisations and corporations. In addition, introducing 'pay for performance' funding models, such as Social Benefit Bonds, could help improve transparency and accountability.

The historical focus on communal economic development has meant less attention has been given to individual economic development initiatives. Individual economic approaches include opportunities for private sector employment and enterprise. Both communal and individual economic approaches are needed for economic development to occur.

2. Leveraging economic development support, including that provided by the Commonwealth Government and the private sector

In recent years there has been growing recognition by government of the vital role Indigenous businesses play in improving the social and economic outcomes of Indigenous Australians. A wide range of federal, state and territory government policies and programs offer support to Indigenous businesses. These include statutory authorities, such as Indigenous Business Australia, which provides grants and low cost loans, and business mentoring and business development assistance, and the Indigenous Land Corporation (ILC). However, a recent review of the ILC and IBA found these organisations were not providing access to capital in a timeframe or of a scale required to effectively stimulate Indigenous economic development.¹³ The range and number of these different programs has also been criticised as being “confusing and daunting to emerging Indigenous entrepreneurs”.¹⁴

In July 2015, the federal government implemented a new Indigenous procurement policy that aims to award 3% of its business to indigenous suppliers by 2020.¹⁵ In 2014, the federal government spent approximately \$39 billion a year on various contracts, but only a very small proportion of those contracts (less than \$6 million) went to Indigenous businesses. The federal government is hoping that the number of federal contracts awarded to Indigenous businesses will rise from 250 to more than 1500 a year by 2020.¹⁶

The NSW Government also promotes Aboriginal entrepreneurs through government procurement opportunities and by its promotion of Supply Nation — a not-for-profit organisation that connects Indigenous owned businesses with opportunities in corporate and government supply chains.¹⁷

While governments play a role in creating an enabling environment for Indigenous enterprise, government does not create business; the private sector does. In the quest to improve Indigenous economic outcomes, partnership with business is essential because it is business that creates wealth, generates jobs, and gives rise to demand for a supply chain of other businesses. In the last five years there has been a noticeable increase in the level of corporate and philanthropic support provided to Indigenous businesses. This includes initiatives such as: Jawun; the Business Council of Australia’s Indigenous Engagement Task force; Reconciliation Action Plans; The Australian Employment Covenant; Supply Nation; and Many Rivers microfinance.

Jawun is the brainchild of Noel Pearson and is a partnership model that emphasises working *with* Indigenous people, rather than simply providing services *to* them; and the support provided generally consists of non-financial support such as secondments and mentoring arrangements.¹⁸ Supply Nation aims to connect Australian corporate and government organisations with Indigenous businesses suppliers, and though initially established with government funding, is now a ‘fee for use’ service.¹⁹ The Business Council of Australia (BCA) Indigenous Engagement Taskforce is comprised of CEOs from some of Australia’s largest companies, and aims to identify, promote and share the experiences of member companies in supporting Indigenous economic development among Aboriginal and Torres Strait Islander Australians.²⁰ The BCA’s latest Indigenous Engagement Survey found that collectively its members had spent more than \$1.7 billion on Indigenous enterprises and joint ventures and contributed \$72 million towards education initiatives.²¹

Reconciliation Australia’s Reconciliation Action Plan (RAP) Program provides another mechanism for engagement between Indigenous and non-Indigenous organisations, and there is evidence of an increasing number of partnerships being established between companies and Indigenous-related organisations as a result. According to Reconciliation Australia, more than 1100 organisations have

either endorsed a RAP or are in the process of developing one.²² Businesses and organisations with RAPs have provided \$41.7 million in *pro bono* support to Indigenous organisations and purchased \$20.2 million in goods and services from Supply Nation accredited businesses.²³ At the same time, there is some evidence many activities in these RAPs are tokenistic at best, and that the most valuable partnerships between non-Indigenous businesses and Indigenous businesses occur when people have invested money into the businesses and have 'skin in the game' such as through joint venture partnerships.²⁴

The business sector has particular strengths it can share with Indigenous businesses — in particular, the ability to invest for long-term gains, and the freedom to take risks and be innovative. Successful business people learn from their mistakes and are not afraid of failure. At the same time, the responsibility that comes from owning your businesses creates an imperative for business people to succeed.²⁵

In addition to the support provided by the government and corporate sectors, there are various Aboriginal business support networks that exist to support Indigenous businesses, such as the Koorie Women Mean Business (KWMB) Incorporated in Victoria, the Darebin Enterprise Centre and Indigenous chambers of commerce. KWMB is an organisation of and for Indigenous women living in regional, rural, and metropolitan Victoria, and provides services to support Indigenous women in their business. The Darebin Enterprise Centre has an Indigenous Business Incubator that supports individual business owners and community organisations to build and strengthen Indigenous businesses.²⁶ Supporting peer-support initiatives such as these, could be an economical way for the government to support fledgling Indigenous businesses.

Unlike program delivery, which tends to be a more passive form of support, supporting Indigenous businesses is a form of active assistance. When Indigenous people receive support for a business initiative, they actually have to do something. Most of the time, they are the ones who came up with the business idea and it is something they are passionate about; but they do not have the funds to get the idea off the ground or the business acumen to know where to start. Supporting Indigenous businesses can help to foster individual responsibility and personal accountability.

Yet, while on the surface there appear to be many benefits in the government supporting Indigenous businesses, there are always unintended consequences of any government action. Since the implementation of the federal government's new Indigenous procurement policy, there have been growing concerns about 'black cladding' businesses.²⁷ These are businesses that pretend to be Indigenous in order to win contracts under the federal government's procurement policy. Although 'black cladding' business may not be as big an issue as some fear, it does point to the need to ensure that where there are joint venture partnerships, Indigenous business partners have a genuine role in the management of the business.

In many cases, Indigenous businesses are competing successfully in the open market without any support from government. A recent study of 120 Indigenous businesses leaders found on average their businesses had an annual revenue of \$2.7 million and employed about 23 workers, of which approximately 60% were Indigenous.²⁸ These successful businesses may not need or want any support from government. In fact, sometimes when the government has tried to support Indigenous economic development it has created an un-level playing field. For example, when the NSW National Parks and Wildlife Service established an 'Aboriginal Discovery Tours' business to provide employment to Aboriginal people, it caused financial hardship to a private Aboriginal tour business that had been operating in the same area for more than 20 years.²⁹

Government-run businesses do not tend to be as profit-orientated as privately-run businesses, as there is always the expectation the government will step in and prop up the business if it fails. Because the NSW National Parks and Wildlife 'Aboriginal Discovery Tours' did not have to pay licensing fees to use the National Park and other operating costs such as public liability insurance, they were able to charge less for their tours than the private tour companies. Not able to compete on price or against the marketing power of the NSW National Parks and Wildlife Service, one of the private tour operators had to scale back the number of people it employed from seven employees to two, and another tour operator closed down.³⁰ This example illustrates the need for government to investigate the potential impact of any actions they take to 'help' support Aboriginal employment and economic development.

3. Establishment and sustainability of Aboriginal owned enterprises

Currently, the main economic development model on Aboriginal land is a public/private model known as 'Indigenous corporations', which are primarily community owned, not-for-profit organisations. The *Corporations (Aboriginal and Torres Strait Islander) Act 2006* enables Aboriginal people to form Aboriginal owned and controlled corporations on Aboriginal land, but there is little opportunity for private enterprise. Most Indigenous corporations secure the majority of their capital from government grants for the provision of key services such as healthcare and land management. However, in 2011-12 the top five corporations acquired 83.1% of their income from self-generated sources.³¹ Identifying what these successful corporations are doing differently to other less successful corporations is something the Centre for Independent Studies will be focusing on as an important first step in improving the self-sufficiency and sustainability of Indigenous corporations.

The Centre for Independent Studies (CIS)

The Centre for Independent Studies is the leading independent public policy think tank in Australasia. Founded in 1976, our work is informed by a commitment to the principles underpinning a free and open society:

- individual liberty and choice, including freedom of association, religion, speech and the right to property
- an economy based on free markets
- democratic government under the rule of law
- an autonomous and free civil society

The CIS works on aspects of social and economic policy affecting both Australia and New Zealand. The Centre prides itself on being independent and non-partisan in its funding and research. It is funded by donations from individuals, companies, and charitable trusts, as well as by subscriptions and book sales.

‘Independent’ in our name means:

- we are politically non-partisan
- our research is not directed by our supporters
- we are financially independent of government

¹ Estimates based on Helen Hughes and Mark Hughes 2010, *Indigenous Employment, Unemployment and Labour force Participation: Facts for Evidence Based Policies*, Policy Monograph 107, The Centre for Independent Studies, Sydney. Figures revised following 2011 Census.

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