



# It's The Economy, Stupid: Economic participation only way to Close the Gap

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*"In this time of COVID-19 the focus (still) needs to be economic participation. Governments have dropped the ball. COVID-19 cannot be an excuse not to pick it back up."*



Analysis Paper 11

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# Introduction

The gap between Indigenous and non-Indigenous Australians exists for one reason — too many Indigenous people do not participate in the real economy. The key areas of economic participation are **having a job** and **setting up a business**. Both depend on commerce and private enterprise.

The COVID-19 pandemic — and global government responses to it — saw large sections of the global economy halted overnight, resulting in business failures and increased unemployment.

Australian Bureau of Statistics Labour Force figures, as at March 2020, estimated around 13 million Australians were in employment. Within a month, this figure dropped to around 12.4 million, and further again to just under 12.2 million in May.<sup>1</sup>

There are now an estimated 3.5 million people on JobKeeper, the temporary Australian government wage subsidy for businesses significantly affected by COVID-19. And at the beginning of June, Department of Social Services officials told a Senate inquiry that 1.64 million Australians were on JobSeeker (the recently renamed unemployment benefits), double the number of people receiving unemployment benefits in February.

Almost overnight, huge numbers of Australians have moved from work to welfare and have ceased to participate in the real economy. This will get worse as government programs to soften the burden, such as JobKeeper, are inevitably ended. Many people on JobKeeper will not have jobs to go back to when the program ceases.

Given that around 2 million of the workforce are public servants (working for Commonwealth, state or local governments), employment through commerce and private enterprise is facing a collapse.

The mainstream workforce is facing a similar experience as Indigenous Australians in the 1970s —

a mass movement from work to welfare.

What is the solution to this? And what is the solution to Indigenous disadvantage at a time when so many other people will be facing the similar circumstances?

The answer is the same as before: economic participation.

Initiatives to increase Indigenous economic participation are still required (just as they will be required for many non-Indigenous people too).

This paper assesses where Indigenous policy is, 12 months into this term of the federal government. It is clear that Indigenous affairs has lost its focus on economic participation. With the establishment of the National Indigenous Australians Agency, policy control appears to have shifted from the Prime Minister and Minister to the bureaucrats. There is a waning focus on economic participation; this focus must return, particularly in the light of the immense economic, social and political disruption we are seeing on a global scale since the COVID-19 pandemic arose in March. If it does not return, Minister Wyatt's most significant achievement will be to trash six years of groundbreaking work by the Coalition government in this area.

Indigenous policy needs to get back to these fundamentals with a focus on school attendance, jobs and creating the environment for Indigenous business creation — especially in remote and regional Indigenous communities. Governments can leverage the crisis to take the radical action that has been too hard in the past; including regional economic development, welfare reform, and targeted and deliberate action to move people from welfare to economic participation and use local workforces for local jobs.

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## Indigenous Policy – where are we?

### Closing the Gap targets

Since 2008, the federal government has presented the Closing the Gap report to the Commonwealth Parliament at the beginning of every sitting year. As the title entails, the initiative is about the gap between Indigenous Australians and non-Indigenous Australians on a number of set areas, focusing on specific indicators in health, education and employment, setting empirical targets based around the gap between Indigenous and non-Indigenous

people in those metrics, measuring achievements against the targets and publishing the results. When it commenced in 2008, it was a transformative reform in Indigenous affairs.

The latest report, 2020, was not good news and was a continuation of the flatlining or small progress on the targets since 2008. The federal government has acknowledged the failure to achieve the targets — some of which are not even to close the gap but to halve it.

In December 2018, the Council of Australian Governments announced a refresh of the Closing the Gap targets and released a series of 14 draft targets under seven headings:

1. Family, Children and Youth.
2. Health.
3. Education.
4. Economic Development
5. Housing.
6. Justice, including youth justice.
7. Land and Water.

There are also cross-system priorities to address “racism, discrimination and social inclusion, healing and trauma, and the promotion of culture and language”.

On 2 July 2020 *The Australian* reported<sup>2</sup> that a new Closing the Gap agreement was about to be put to the national cabinet which will be the culmination of this review. This agreement has been negotiated and finalised by Minister for Indigenous Australians, Ken Wyatt, and a coalition of about 50 peak Indigenous organisations, referred to as the Coalition of Peaks, headed by lead convener, Pat Turner. The report provided some further indicators on what the final targets will look like.

I’ve always fully supported the principle and objectives of the Closing the Gap initiative, with measurable outcomes — rather than process and activity — and an objective assessment of whether programs are working, so the Indigenous and wider Australian community can see the progress of their tax dollars.

But I believe, and have said, that the targets are not focussed enough on an important and critical factor: the economic status of Indigenous Australians. I am not aware of any race, community or group of people who have pulled themselves out of poverty without an economy. And poverty is the reason for the gap in so many areas of health and life expectancy.

Commerce and private enterprise are essential to economic development and genuine self-sufficiency. Indigenous communities will not move from poverty to prosperity unless the conditions necessary for private enterprise and commerce to thrive exist in those communities.

For an economy to pull people out of poverty, there must be an environment for investment, creation of businesses, the education of a trained and skilled workforce to take up the jobs that make the businesses profitable — so wages can be paid and taxes generated to build infrastructure, transport, education, health services and all the other services that modern, prosperous societies take as a given.

I support a refresh of the targets – to make them more focussed on economic development. But I believe the draft targets will take Indigenous policy on a different tangent.

## ***Economic development targets***

Only two of the draft refreshed targets come under the heading economic development. These are

- 65% of Aboriginal and Torres Strait Islander youth (15-24 years) are in employment, education or training by 2028. *The Australian’s* 2 July report said the final target will be 67% with parity by 2051.
- 60% of Aboriginal and Torres Strait Islander people aged 25-64 years are employed by 2028. *The Australian’s* 2 July report said the final target will be 62% with parity by 2049.

There are different ways of measuring employment. Historically, the Closing the Gap report has counted the employment rate as the proportion of Indigenous Australians aged 15–64 years who are employed. In the 2020 Closing the Gap report the employment rate for Indigenous people was 49.1 per cent compared to 75 per cent for non-Indigenous Australians. So these draft targets would seem to be aiming for a 10.9 to 15.9 percentage point increase in employment over 10 years<sup>3</sup>.

The first thing I noticed about the draft targets is they were not set referable the gap between Indigenous and non-Indigenous employment. This is the case with all of the draft targets. Instead of talking about closing the gap to bring Indigenous people into parity, the proposal is to set a separate target for Indigenous people. Even if these targets were met, it doesn’t tell me how close we are to parity. And I found it concerning to see policy moving away from the idea of closing the gap in favour of setting stand-alone objectives for Indigenous people at a lower level than non-Indigenous people. If the employment rate of non-Indigenous people raises to 80 per cent then we want to see the target rise for Indigenous people too. This raises a separate, philosophical question as to whether the targets should be set referable to the gap or to a fixed targeted outcome. The Centre for Independent Studies has previously proposed that the targets should be fixed, not pegged to non-Indigenous outcomes; because the fact that non-Indigenous outcomes fluctuate, means targets are constantly changing. This creates instability for service providers and agencies seeking to reach targets, and can make it hard for them to plan for a few years in advance if the marker is constantly changing. This proposition has merit while the targets are not actually set to closing the gap (for example, the existing targets are to halve the gap). And the more complex the targets become, the more unworkable it is to implement a target referable to a moving non-Indigenous position.

I prefer a target of actually closing the gap – i.e. there is no measurable difference between Indigenous and non-Indigenous outcomes. And I therefore do not favour targets that aim lower; for example, to halve the gap. Surely, for example, we could set a simple target of closing the gap in Indigenous school attendance and the actual aim of service providers

and agencies would be to achieve 100 per cent attendance, for Indigenous and non-Indigenous students alike.

Likewise for unemployment. Service providers and agencies should be aiming to get all people on welfare into a job. However, the measurement of the gap between Indigenous and non-Indigenous people, serves to identify if existing activities around school attendance and employment are working less effectively for Indigenous people. There should also be separate targets for Remote and Very Remote areas, and targets for each state and territory. It would be conceivable that the gap in school attendance and employment could be halved with improvements in school attendance and employment in only large cities and inner regional areas, while a vast gap remained in remote areas. In this sense, targets could appear to be met, while masking a continuing real problem.

According to *The Australian's* 2 July report the final targets will include a target for parity by 2051/2049. While this is good to see, are governments and Indigenous peak bodies really saying that the gap in Indigenous and non-Indigenous employment can't be closed for another 30 years? This is depressing and defeatist – and an admission of failure by those bodies. The solution to moving people from welfare to work is known. The VTEC model pioneered by Andrew Forrest works if properly implemented. What we are missing from governments, agencies and Indigenous peak bodies is the will.

*The Australian's* 2 July report also says there will be a new target that by 2030 that there should be a 15 per cent increase in Australia's land subject to Indigenous people's legal rights or interests. Indigenous land and native title rights can be a springboard to economic participation but is not an economic goal in and of itself. If the land cannot be used as an economic asset, including for home ownership and business operations, then economic participation will not result from it. I have long said that it is not enough for Indigenous people to have land. We need to be capable and prepared for what comes after that.

### **Education targets**

The draft refreshed Closing the Gap targets contained four targets for Education:

1. Increase the proportion of Aboriginal and Torres Strait Islander students in the top two bands of NAPLAN reading and numeracy for Years 3, 5, 7 and 9 by an average of 6 percentage points by 2028.
2. Decrease the proportion of Aboriginal and Torres Strait Islander students in the bottom two bands of NAPLAN reading and numeracy for Years 3, 5, 7 and 9 by an average of 6 percentage points by 2028.

3. Halve the gap in attainment of Year 12, or equivalent qualifications, between Aboriginal and Torres Strait Islander and non-Indigenous 20-24 year-olds by 2020.
4. 47% of Aboriginal and Torres Strait Islander peoples (aged 20-64 years) have completed Certificate III or above, including higher education, by 2028. *The Australian's* 2 July report said the final target will be set at 70% with parity by 2037.

Under the draft targets, the existing target to close the gap between Indigenous and non-Indigenous school attendance would be abolished and there is no mention of this being reinstated in *The Australian's* 2 July report. How do governments and Indigenous peak bodies think any of these targets will be achieved if Indigenous school attendance does not improve?

Research identified in *The Forrest Review*<sup>4</sup> showed that if a child's school attendance falls below 90 per cent (i.e. they frequently miss more than half a day of school a week) their education is considered at risk. If attendance falls below 80 per cent (i.e. they miss a day of school every week) their education is significantly diminished. In other words:

- less than 80 per cent attendance at a school is no better than no schooling at all;
- 90 per cent attendance is required for a child to receive the education required for job-readiness as an adult;
- attendance is even more important than the quality of the school.

It follows that if we don't see improvements in the number of Indigenous children who attend school at least 90 per cent of the time, we will never see improvements in Indigenous education — no matter how many resources are applied to improving school quality.

A 2013 study for Department of Education, Employment and Workplace Relations quoted in the Forrest Review said:

*The nature of the relationship between absence from school and achievement, across all sub-groups of students strongly suggests that every day of attendance in school contributes towards a child's learning, and that academic outcomes are enhanced by maximising attendance in school. There is no 'safe' threshold.<sup>5</sup>*

Aggregate school attendance data does not identify whether individual students are receiving adequate education. For example, an aggregate school attendance rate of 70 per cent could mean:

- half of the students are attending 90 per cent and the other half only 50 per cent of the time; or
- all students are attending 70 per cent of the time.

In the first situation half the students are getting an effective education (reaching the 90 per cent threshold). In the second situation none of them are.

School attendance is the responsibility of state and territory governments, and this makes it difficult for the Commonwealth to implement effective policy in this area. Implementation of any policy can also only be effective if it can be measured — and it can only be measured if the states and territories make individualised attendance data available. That is why the Prime Minister’s Advisory Council I chaired fought so hard to have individualised attendance data reported in the annual Closing the Gap Report. It was a battle because the states and territories did not want to provide the data.

From 2016, the annual Closing the Gap Report began to report what it called “consistent attendance” — the proportion of Year 1 to Year 10 students attending school 90 per cent or more of the time by ARIA+ value (remoteness). This data was only for Semester 1, 2015 and excluded New South Wales government schools, who did not supply the data.<sup>6</sup> But it was a start.

The data illustrated just how important this individualised data is. In 2015, the aggregate attendance rate for Indigenous students was 83.4 per cent compared to 93.1 per cent for non-Indigenous students — a 10-point gap. But only 49.0 per cent of Indigenous students met the critical 90 per cent attendance threshold, compared to 79.3 per cent of non-Indigenous students — a 30-point gap. In Very Remote areas, only 21.9 per cent of Indigenous students met the 90 per cent attendance threshold compared to 68.3 per cent for non-Indigenous students — a 46-point gap.

These figures suggest that half the Indigenous students in Australia are not getting effective schooling at all; and in Very Remote areas only a fifth of Indigenous students are getting an effective education.

In the 2019 Closing the Gap report, again, only 49 per cent of Indigenous students attended school 90 per cent or more of the time in 2018, compared to 77 per cent of non-Indigenous students — a 28 percentage point gap. But the report did not disclose the data by remoteness. We don’t know if there is still a 46 point gap in consistent school attendance in Very Remote areas, whether this has improved, or whether it has gotten worse.

In the 2020 Closing the Gap report, consistent attendance data had disappeared altogether. Governments are no longer willing to tell us.

And now it’s proposed to remove all school attendance Closing the Gap targets; even aggregate data.

This is a major disappointment and an abject failure by the Commonwealth, state and territory governments and their bureaucrats, including the

NIAA, in their responsibilities to improve Indigenous education.

If consistent attendance data does not improve, all the other targets are a waste of time. You can measure percentage points and results in all the NAPLAN bands you want — or you can measure none of them — it will make no difference. Without school attendance, the draft refreshed Education Closing the Gap targets will be pointless. I can tell you now that they won’t be achieved.

Without consistent attendance data, we also don’t know if the Remote School Attendance Strategy (RSAS) is working. A major reform introduced by the new Coalition government in 2014, this was a community-focused program utilising local providers who employ and deploy teams of school attendance supervisors and school attendance officers to help Indigenous children get to school in 84 schools in remote communities across Australia. The COVID-19 pandemic saw schools closing in many states and territories. But even before this, I believe the focus on school attendance had waned. I’ve been told by people on the ground that the RSAS barely operated in South Australia during 2019.

### ***Incarceration targets***

The draft targets included a target to “reduce the rate of Aboriginal and Torres Strait Islander young people in detention by 11-19% and adults held in incarceration by at least 5% by 2028.”

Governments will be under particular pressure to implement incarceration targets, given the recent global Black Lives Matter protests; which in Australia have focussed on Indigenous deaths in custody. On 9 June 2020, in the wake of Australian Black Lives Matter protests, *The Australian* reported on 9 June 2020<sup>7</sup> that the Morrison government was proposing to scrap the draft Closing the Gap target of an 11-19 per cent reduction in Indigenous youth imprisonment by 2028 in favour of higher, more ambitious targets. In a statement the same day, federal Minister for Indigenous Australians, Ken Wyatt, stressed that reducing the number of deaths in custody requires looking at the factors contributing to incarceration rates and the way in which systems are handling these incidents, and stated:

*“But we also need to remember that reducing the number of Indigenous people in contact with the justice system, through addressing the underlying factors that lead to offending, is just as key in addressing the number of deaths in custody.”*

However, he also stated that:

*“The Morrison Government is progressing with the Closing the Gap refresh in partnership with the Coalition of Peaks,<sup>8</sup> and while we’re still in final negotiations, it has been agreed that there*



*will be justice targets contained within that agreement that focus on incarceration rates.”<sup>9</sup>*

The Australian’s 2 July report says the final targets will be substantially higher, with a targeted reduction of at least 15 per cent for Indigenous adults and by 30 per cent for Indigenous youth by 2031. Parity to be achieved by 2093. Setting blatant incarceration reduction targets is madness and will not work. It will see pressure on courts to impose reduced or non-custodial penalties on Indigenous offenders; and pressure on police and prosecutors not to bring charges, even when they are justified by the severity of the offence. Indigenous crime mostly impacts Indigenous victims. Most Indigenous prisoners are incarcerated for offences that involve violence, with just under half for homicide, acts intended to cause injury or sexual assault. Indigenous prisoners make up over 18 per cent of all prisoners incarcerated for homicide, despite being 3.3 per cent of the Australian population.<sup>10</sup>

Of course, if Indigenous people are being treated more harshly than non-Indigenous people in the criminal justice system for the same actions that should be corrected — and it is already unlawful. But I do not believe that is the driver of higher incarceration rates.

Higher Indigenous incarceration rates largely come down to two things: the high level of violent offences; and reoffending (with more Indigenous prisoners having prior convictions). Both these factors lead to higher sentences and more prison time. And that means more deaths in custody.

Black Lives Matter protesters quote 432 Indigenous deaths in custody since 1991. This is not the number of deaths caused by police or corrective services; the vast majority are not. If a prisoner dies from suicide or cancer, is killed by another prisoner or has a fatal accident evading police, it’s a death in custody. This was one of the findings of the Royal Commission into Aboriginal Deaths in Custody (1987-1991) which concluded that Indigenous people are more likely to die in custody because they’re more likely to be in custody.

Indigenous people represent 17 per cent of deaths in custody despite being only 3 per cent of the Australian population. But Indigenous people also make up over 27 per cent of all prisoners. So Indigenous prisoners are actually less likely to die in custody than non-Indigenous prisoners. This is in part due to actions taken to prevent Indigenous deaths in custody since the 1991 Royal Commission.

The justice system should operate the same way for Indigenous and non-Indigenous criminal activity alike. Indigenous people should not be treated more harshly than non-Indigenous people, nor more favourably.

The only way to reduce high rates of Indigenous incarceration is to reduce the high rates of crime.

If Indigenous children do not go to school and then into the workforce, they are much more likely to end up in juvenile detention and/or on a path where they end up incarcerated. This is my conclusion having sat on numerous government reviews and enquiries into Indigenous incarceration, crime prevention and recidivism over decades. It is also supported by research.<sup>11</sup> Yet it has been proposed that the school attendance target be abandoned and that the target for Indigenous youth employment be only 67 per cent.

The targets to reduce Indigenous incarceration are the wrong targets. We need targets to reduce crime, particularly in Indigenous communities, and to reduce reoffending, including programs and targets for prison-to-work. Imagine how differently the focus of governments, authorities and Indigenous peak bodies would be if their responsibility was to reduce violence instead of the punishment for it.

## Indigenous Advancement Strategy

When the Coalition Government won the Federal election in late 2013, it set a new direction for Indigenous Affairs, with the core focus on what was seen as the missing elements — including economic and business development.

The Indigenous portfolio was brought under Prime Minister & Cabinet so the Prime Minister would have a direct role in Indigenous Affairs. Some 150 program areas were brought within a new Indigenous Advancement Strategy (IAS) with five program areas: 1. Jobs, Land and Economy, 2. Children and Schooling, 3. Safety and Wellbeing, 4. Culture and Capability and 5. Remote Australia Strategies.

Enabling and encouraging Indigenous people to set up businesses became a cornerstone of Indigenous Advancement Strategy.

The gap between Indigenous and non-Indigenous Australians exists for one reason: too many Indigenous people do not participate in the real economy. Lack of economic participation underpins all areas of Indigenous disadvantage. And lack of economic participation is the main barrier to achieving parity.

Economic participation is about having the financial means to meet your needs, without government benefits or charity, - which means having a job or operating a business - and the foundations necessary to do that, the most important of which is education.

That is why in January 2016, as Chair of the Indigenous Advisory Council, I wrote to then prime minister Malcolm Turnbull that:

*“If you don’t believe we can get Indigenous kids to school and Indigenous adults to work, then you should simply abandon the Closing the Gap objectives. Everything else is a waste of time and money because the gap will never close.”*

## ***Education is the foundation***

Education underpins economic participation. You can participate in the real economy without any education but it is much more difficult. Even in low skilled jobs today a level of literacy can be required for things as basic as being able to read safety instructions or labels. If a child misses out on an effective education then they will need to catch up as an adult with intervention and case management to transition into the workforce. Anyone can be trained into a job. But a great deal of Indigenous disadvantage would never even exist if every Indigenous child went to school every day. We know this is not happening.

Research cited in *The Forrest Review* that confirms there is little employment gap for Indigenous and non-Indigenous Australians educated at the same levels:

*"Almost 40 percentage points of the difference in employment outcomes between first Australians and other Australians can be attributed to differences in educational attainment. At the Certificate III and above level of education there is virtually no employment gap between first Australians and other Australians."<sup>12</sup>*

Research also shows that employment and earnings outcomes for Indigenous university graduates are comparable or superior to non-Indigenous graduates.<sup>13</sup>

## ***Jobs are fundamental***

For most people — whether Indigenous or not — economic participation means having a job.

The federal government's centrepiece employment program is jobactive. This involves a network of jobactive providers whose role is to help jobseekers find jobs. It is supported by 'mutual obligation' requirements that make engaging in certain activities (eg work for the dole) or actively looking for work (eg applying for jobs) a condition of unemployment benefits. Mutual obligation requirements were suspended during the COVID-19 restrictions.

The greatest barriers to closing the gap in Indigenous employment are chronic, long term unemployment and intergenerational welfare dependence; particularly (but not exclusively) in remote and regional Indigenous communities. Most people in these situations will find it near impossible to get a job on their own. There are usually significant barriers to employment and may even be structural disincentives that make it impractical for them to work, through no fault of their own. There is no point just telling these people to keep applying for work. And work-for-the-dole and CDP, as currently structured, have never been shown to deliver a path to real employment.

The best model for welfare-to-work is the Vocational Training and Employment Centre (**VTEC**) model that

was developed through Andrew Forrest's Australian Employment Covenant and mining businesses. It is built around the principle that once a person has successfully completed training they will be guaranteed a job. What Andrew Forrest learned in building the model was that, for people who had been dependent on welfare for a long time or in some cases had never worked at all, skills training wasn't enough. Most had multiple barriers to employment. So the VTEC model includes case management to help people overcome all barriers to employment and to remain in the job for at least six months. The VTEC model's development identified the six-month retention period as a critical threshold point between someone falling back into unemployment versus staying in the workforce indefinitely.

VTECs have been adopted by the Australian Government as part of its Indigenous employment strategy.

## ***Businesses create jobs***

Jobs are created by business; which is built on commerce, enterprise and private capital.

Being able to participate in the real economy through setting up a business is a vitally important pathway to Indigenous economic participation.

Indigenous people are disproportionately represented in remote and regional areas. In those areas, people can't always rely on there being an employer offering long term, stable or full time work. In those remote Indigenous communities where there's currently no real economy, small business and entrepreneurship are essential to building an economy.

Indigenous people who can identify work in regional and remote areas from which they could generate an income can set themselves up as a sole trader or small business to do it. And there is actually a lot of unmet demand in remote areas, and opportunities for business creation to meet it.

Because many of the activities that currently do go on in these communities are paid for by governments, through the Indigenous Procurement Policy (and state and territory equivalents), government agencies can be required to procure goods and services for those activities from a local Indigenous business. So a person in a remote Indigenous community who sets themselves up as a sole trader or small business can ask government to award the contracts — which provides a reliable initial income stream to kick start the business.

The small business sector is also an important employer, especially in regional and remote Australia. Small businesses are more likely to be located in regional areas than larger businesses.<sup>14</sup> New small businesses mean job creation. Also, Indigenous-owned businesses generally have higher rates of Indigenous employment. Therefore, new Indigenous-

owned small businesses will, in turn, create more jobs for Indigenous people.

Economic growth and development in regional and remote Australia requires commercial and profitable small to medium enterprises in those areas — and more of them. This is how all small, remote areas in global history have developed.

## Indigenous Procurement Policy

The government's cornerstone policy to encourage Indigenous employment and business creation is the Indigenous Procurement Policy (IPP), which assists Indigenous-owned businesses to be awarded government contracts. It comprises three core components:

- Commonwealth and Portfolio Targets setting percentage number and value targets of Commonwealth procurement contracts to be awarded to Indigenous owned businesses in a financial year for each portfolio. Currently, targets are 3 per cent for the number of contracts and 1 per cent for the value of contracts (increasing by 0.25 per cent each year to 3 per cent in 2027-28)
- Mandatory Set-Aside that requires Commonwealth officers seek an Indigenous-owned businesses first for remote contracts and all other contracts wholly delivered in Australia valued between \$80,000-\$200,000; and to use them if they can meet the contract's requirements and are deemed to be value for money.
- Mandatory Minimum Indigenous Participation Requirements that embed minimum Indigenous participation requirements in the contracts for procurements valued at or above \$7.5m in designated industries; with each organisation's past performance against these requirements to be used to evaluate the awarding of future contracts.

The policy idea has been picked up by state, territory and local governments, and within the private sector.

When the IPP was launched on 1 July 2015, around \$6 million in Commonwealth procurement spending was going to Indigenous-owned businesses. By 30 June 2019, 19,527 contracts had been awarded to 1,935 Indigenous businesses by the Commonwealth and its major suppliers; with total value of \$2.7 billion. For the 2018-2019 year, Commonwealth portfolios reported 6,315 new contracts (both direct contracts and sub-contracts) to 775 Indigenous businesses generating \$754 million in economic activity for Indigenous businesses.

Remote performance, however, is lagging. As at December 2019, the government had reported a total of 2271 new contracts in remote areas since 1 July 2015, with total value of \$249.6 million. In the 2018-2019 year, there were 579 new contracts delivered in remote areas, valued at \$34.2 million.

The NIAA reports that this data is incomplete because "collecting remote contracts data is a manual process and is still underway." It's unclear to me why this data is hard to come by. The federal government has dedicated Government Business Managers, Indigenous Engagement Officers and other government employees living and working in remote Indigenous communities throughout Australia, whose job is to coordinate all government activities within the communities they serve — and who should be able to identify and report on government contracts awarded to local Indigenous businesses.

Remote communities have the greatest need for new business creation, and government spending currently represents most of the contract opportunities in those communities. There needs to be a focussed effort to create local Indigenous-owned businesses to undertake government contracts in remote Indigenous communities.

## Indigenous Business Sector Strategy

The federal government also set aside funds to provide capital and finance for Indigenous businesses to set up and expand. One was the Indigenous Enterprise Development Fund in 2015, whose purposes was to match commercial lending to fund commercially sustainable businesses. The Indigenous Entrepreneurs Fund (IEF) was set up in 2016 to provide small non-repayable grants to support Indigenous-owned businesses who find it difficult to access mainstream finance.

In May 2017, the federal government announced it would develop an Indigenous Business Sector Strategy to support Indigenous entrepreneurs and increase Indigenous economic participation through business. As part of this, it flagged a new Indigenous Entrepreneurs Capital Scheme, initially expected to provide larger, repayable funding amounts for the establishment or expansion of Indigenous-owned businesses that cannot access mainstream finance.

In 2018, the federal government announced the Indigenous Business Sector Strategy to support Indigenous entrepreneurs and increase Indigenous economic participation through business. Initial actions included:<sup>15</sup>

- Indigenous Business Hubs in major cities — to provide business advice, support, and connections for Indigenous businesses — and Project Specific Support Hubs to support to Indigenous businesses seeking opportunities from major infrastructure or service delivery projects. In addition, 12 Indigenous Remote Business Incubators have since been set up in CDP regions as part of a 24-month pilot.<sup>16</sup>
- Indigenous Entrepreneurs Capital Scheme (IECF) to unlock a wider range of finance and capital products for Indigenous businesses who are looking to transition to mainstream banking.

- Doubling the microfinance footprint across Australia to support more entrepreneurial activity and economic development in regional and remote locations.
- Investing in a digital platform that will help Indigenous businesses navigate the support system and in high quality data collection and evaluation to track what works.

It was an ambitious strategy to help Indigenous people build sustainable businesses building from the IPP and 'supercharge' Indigenous business through a focus on access to finance, business support and networks. It was also an innovative strategy. Nothing like this had been seen in Indigenous policy before. I expected it would have some rough edges in the implementation — like any ambitious and innovative strategy — and would need to be adapted and improved. In particular, from my work on the ground in remote communities, I was aware that businesses in remote areas in particular were struggling to access funding from the IEF; with approval decisions slow, and decision makers trying to pick winners and imposing the very approval criteria these businesses can't meet (and which the IEF was intended to overcome).<sup>17</sup>

What I didn't anticipate was the pace and momentum of the Indigenous Business Sector Strategy falling away which it has done in the past 12 months.

The IEF ceased on 30 June 2019, having delivered \$37.49 million of the originally intended \$90 million to only 111 Indigenous businesses. An apparently slimmed-down version of the IECF, originally touted as a \$200 million funding pool, is being delivered through Indigenous Business Australia; which has been provided with \$17 million to facilitate and fund the engagement of a selected bank to deliver an IECF pilot project. Access to financing by Indigenous businesses, particularly in remote and regional Australia, is a

huge barrier to Indigenous business creation and the development of real economies in Indigenous communities. This is a critical area of focus for policy makers.

The Indigenous Business Sector Strategy remains on the NIAA website but there appears to be little focus on or enthusiasm for it by those who develop and implement Indigenous policy. I've observed little focus from the NIAA in starting and sustaining Indigenous businesses or building real economies in regional and remote Indigenous communities where this is most needed.

Reading *The Australian's* 2 July report on the agreement about to be taken to national cabinet, it is evident where this focus has been instead. According to *The Australian*, under that agreement: "Indigenous organisations will be handed unprecedented power, responsibility and funding to improve health and education outcomes for Aboriginal and Torres Strait Islander people" suggesting that local Indigenous organisations will take a greater role in decision-making and delivering services to their communities.

I have no objection to devolution of decision making to local levels. It was the model under the old ATSIC structure and it worked well enough. (ATSIC's problems were at the top rather than in on-the-ground service delivery.) Local decision making can also provide greater accountability provided organisations are charged with delivering clear outcomes and not just carrying out activities.

But rearranging the bureaucratic structures is fundamentally inward-focused and consumes a huge amount of time and energy; time and energy that has not been spent focused on building business and economic activity in Indigenous communities so they are less dependent on bureaucratic structures to begin with.

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## Where To now?

It is vital the federal government does not lose focus on the main game of Indigenous economic development. The shock to the Australian economy from the COVID-19 pandemic makes this even more critical.

### Refocusing on school attendance

The Closing the Gap targets should include a targets to *Close the gap between the proportion of Indigenous and non-Indigenous students who attend school at least 90 per cent of the time* with each state and

territory having its own separate target as well as a national target. In other words:

- the target for the federal government would be to *Close the gap between the proportion of Indigenous and non-Indigenous students across Australia who attend school at least 90 per cent of the time*
- the target for the Northern Territory government would be to *Close the gap between the proportion of Indigenous and non-Indigenous students in the Northern Territory who attend school at least 90 per cent of the time*

And these targets should be imposed on relevant government agencies via KPIs.

The National Partnership Agreement between the Commonwealth and the states and territories should be renegotiated so that payments are linked to actual attendance. A condition of Commonwealth funding should be that states and territories enable collection and publication of consistent attendance data. There is no privacy concern about this data. It is all anonymous. It is no more a privacy concern than setting a target based on NAPLAN results.

This will focus all the relevant governments and their bureaucrats on how to improve attendance. If the RSAS has not worked, then find out why — and make the appropriate adjustments to address that and implement it with measurement and accountability. But no school attendance program will work until the state and territory governments and departments take proper accountability. States and territories are responsible for education and receive substantial Commonwealth funding for it. They are supposed to enforce the law that states all Australian children must attend school. Yet generations of Indigenous children don't attend school. It's time for state and territory governments and their departments to do their job.

## Jobs, business and welfare reform

Government restrictions to address COVID-19 have seen businesses shut down and jobs lost; with over 1.6 million Australians on JobSeeker and around 3.5 million people on the JobKeeper wage subsidy.

At the same time governments have increased existing welfare payments. A temporary Coronavirus Supplement of \$550 per fortnight is paid on top of JobSeeker and other allowances (including parenting payments), roughly doubling them. This isn't just for those out of work because of shutdowns. Long term welfare recipients, not financially affected by shutdowns, receive it too.

JobKeeper is \$1,500 per fortnight, including for those previously on lower wages. So some JobKeeper recipients get more than before, even if they're not working because their employer's business is shut.

Effectively, there has been a mass transition of millions of Australians from work to welfare. We do not have the statistics yet, but it seems likely that Indigenous people who have been placed into jobs by VTECs and employment programs and who are new to the workforce, would be particularly at risk of again dropping out of the real economy. It will also be harder for those programs, as there are so many more people unemployed competing for fewer jobs.

This economic crisis is not a reason to abandon the focus on jobs or the VTEC program that trains people for a guaranteed job. It's actually a reason to expand that program. I believe the VTEC model should be adopted across the board (for Indigenous and non-

Indigenous people alike) as the sole employment program for all people who have been on welfare benefits for a year or more, and for those with complex or multiple barriers to employment.

In remote communities, CDPs should be replaced by VTECs that train people for a guaranteed job and deal with barriers to employment; with participation in the VTEC program becoming the mutual obligation requirement. CDP income generating activities should be 'spun out' to privately owned businesses operated by jobseekers. There are jobs and job opportunities in remote communities and we need a considered approach to moving people from CDP to jobs and enterprise (see further discussion on this below).

This economic crisis is also not a reason to abandon welfare reform and initiatives to move people from welfare to work. It's a reason to *increase* that focus.

The Coronavirus Supplement and JobKeeper measures are temporary. But once government gives, it is very hard to take away. Some have called for the Coronavirus Supplement to continue until 2021 (in the hope the job market may recover) and the welfare sector will leverage it in demands for permanent increases. Labor and the Greens want JobKeeper expanded and extended.

Obviously the government can't afford to pay \$1,300 to \$1,500 per fortnight to 5 million or more people. These payments must end. But when they do, there'll be a transitional shock. People who've become used to more, will have to revert to less. Those who lost jobs because of government shutdowns, and are already living on less, will move to an even lower payment. Some on JobKeeper will lose their job when employers have to pay them again. The longer the temporary payments continue, the greater the shock will be — and the harder, politically, it will be to remove them. But the longer someone remains out of the workforce, the harder it is to get back; and the greater likelihood of long term welfare dependency affecting generations — as it did for Indigenous people when so many moved from work to welfare from the early 1970s. We do not want to see that repeated with millions of Australians

Over coming months you'll hear the refrain: "but there are no jobs." Aboriginal people in regional and remote Australia have been told this for decades. It's a lie. There are jobs and the most important priority for all governments now is to enable the environment for the creation of more. This means ensuring the conditions are right for people to start businesses and employ people to meet demand for goods and services. The focus on Indigenous business needs to return. It is not a 'nice to have' post-COVID-19. It's an imperative.

It must also involve training people to do the jobs that are there. Australia has had sustained skills shortages in trades, and labour shortages in agriculture, for example. It may be that demand for workers has waned. But at the same time, it is much harder to

bring in overseas workers with the borders shut and quarantines imposed. Our country relies on hundreds and thousands of overseas workers every year to fill jobs like working as cooks and picking fruit, including in some regions of Australia with the highest levels of Indigenous unemployment. We need to be directing and training long-term unemployed and displaced workers to fill these jobs.

## Building economies in remote Australia

A gap exists between Indigenous and non-Indigenous Australians; but increasingly, a gap is developing between remote and urban Indigenous communities. These gaps can be closed without the need for indefinite handouts, but through the normal progression to full commercial participation and building real economies in those areas.

Remoteness is not a barrier to economic development. Every city and town in Australia started as a remote community with 'no jobs'. You would struggle to find a more remote place in the world than Sydney in 1788 or Melbourne or Perth in the early 1800s and they had literally no jobs when colonists first settled there. The problem for remote Indigenous communities actually isn't a lack of jobs, but that the jobs which do exist are mostly done by people from outside the community — or not done at all.

And, unlike Australia in the 1800s, even though it may take a day or more to physically travel to a remote Indigenous community, communication is instant. Telephony, internet, mobile and satellite mean that no place in Australia is anywhere near as isolated as the early colonies.

Also, with remoteness comes a vast Indigenous estate — recognised interests over nearly three-quarters of Australia's land. This can be leveraged to assist Indigenous people in remote and regional Australia to join the real economy.

Australia's remote resource-rich regions — some the size of countries — can be self-sustaining economies with jobs and commerce too. Real economies in Indigenous communities can develop in the same way they did in the Australian colonies and in all other small settlements in global history: through jobs and small enterprises. Indigenous people need to acquire skills, find employment or set up small businesses, gain independence and a livelihood.

In 2017 I developed a detailed model for the Department of Prime Minister and Cabinet for how to kick start business creation in remote Indigenous communities. It included how to design approval

criteria for accessing business funding, delivering business support services, criteria for assessing readiness of and opportunities within different communities and KPIs for measuring the model's performance. The work has been done. What's required is action.

It is also time to take a serious look at the regulatory constraints that lock up Indigenous communities, including the barriers to private asset ownership and commerce, and the challenges of community decision making. I have seen this all over Australian in remote Indigenous communities on collectively owned land under land rights legislation; where there is demand for shops and other services and private home ownership, but the regulatory constraints attached to the collective land ownership, and the bureaucracy of the representative bodies such as land councils, make this impossible. Djambawa Marawili's fight for private land ownership in North East Arnhem Land, which the Centre for Independent Studies has highlighted, is an example of this. Indigenous communities need investment. We need to create an environment that will enable and foster investment and flow of capital into Indigenous communities.

The COVID-19 pandemic and the need to revive the economy provides an opportunity for review of the land rights and native title legislation, to consider how they can improve economic prosperity for the people living on those lands; the traditional custodians.

For remote and regional Australia to grow, there needs to be greater infrastructure; the right infrastructure that creates economic opportunities and creates businesses and jobs. Regional infrastructure projects were committed to in the 2019 election and we can expect more coming out of this recession to help boost jobs. This is a great opportunity for people in those communities — Indigenous, non-Indigenous and both working in partnership — to create businesses to participate in those projects.

Tourism is another area where there are great opportunities for the creation of Indigenous businesses and jobs in remote Australia. COVID-19 restrictions have hit the tourism industry harder than perhaps any industry. But at the same time, there is a prospect of increased demand for tourism in low populated areas, in addition to greater interest in domestic tourism by Australians.

For many decades now, we have been segregating Indigenous people from the mainstream economy. We need to desegregate and have engagement by Indigenous people and communities in the mainstream Australian and global economy.

## Glossary

<b>ARIA+</b>	Accessibility/Remoteness Index of Australia (ARIA+), Hugo Centre for Migration and Population Research (Hugo Centre), The University of Adelaide
<b>CDP</b>	Community Development Program
<b>IEF</b>	Indigenous Entrepreneurs Fund
<b>Remote</b>	ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 5.92 and less than or equal to 10.53 as defined in the ABS Remoteness Areas.
<b>RSAS</b>	Remote School Attendance Strategy
<b>Very Remote</b>	ABS Remoteness Areas for Australia, SA1 average ARIA+ value range greater than 10.53.
<b>VTEC</b>	Vocation Training & Employment Centre

## Endnotes

- 1 Australian Bureau of Statistics 6202.0 - Labour Force, Australia, May 2020 and 6202.0 - Labour Force, Australia, April 2020.
- 2 "New power deal to close indigenous gap", Paige Taylor The Australian 2 July 2020
- 3 This assumes that the 2028 year was set as 10 years from the date of the draft targets and the period for achievement of the refreshed targets would be 10 years from the date the refresh is implemented
- 4 The Forrest review : creating parity, Andrew Forrest, Department of the Prime Minister and Cabinet at page 87
- 5 Hancock, KJ, Shepherd, CCJ, Lawrence, D & Zubrick, SR 2013, Student attendance and educational outcomes: every day counts, report for the Department of Education, Employment and Workplace Relations.
- 6 Closing the Gap Prime Minister's Report 2016, Commonwealth of Australia, 2016. Data is for Semester 1 2015 for all states and territories other than New South Wales.
- 7 "More ambitious targets to reduce indigenous incarceration", Greg Brown and Paige Taylor The Australian 9 June 2020
- 8 The Coalition of Peaks is a representative body of around fifty Indigenous community controlled peak organisations that entered into entered a formal Partnership Agreement on Closing the Gap with the Council of Australian Governments in March 2019.
- 9 Statement by The Hon Ken Wyatt AM MP "Indigenous Incarceration Rates" 9 June 2020
- 10 4517.0 - Prisoners in Australia, 2019, Australian Bureau of Statistics, 5 December 2019
- 11 For example, School attendance and retention of Indigenous Australian students Issues Paper No 1 produced for the Closing the Gap Clearinghouse Nola Purdie and Sarah Buckley, September 2010 (Australian Government) which concludes "Research has also shown a strong positive relationship between truancy and crime (Beresford & Omaji 1996) as well as between failure to complete high school and criminal activity (Chapman et al. 2002)"
- 12 The Forrest review : creating parity, Andrew Forrest, Department of the Prime Minister and Cabinet at page 84
- 13 Indigenous Strategy Annual Report, January 2020, Universities Australia at page 22
- 14 Nicholls, S & Orsmond, D "The Economic Trends, Challenges and Behaviour of Small Businesses in Australia", Reserve Bank of Australia, 2015 available at [www.rba.gov.au/publications/confs/2015/nicholls-orsmond.html](http://www.rba.gov.au/publications/confs/2015/nicholls-orsmond.html)
- 15 Indigenous Business Sector Strategy: Supercharging Indigenous Business Start-Up and Growth 2018–2028, Australian Government
- 16 Department of Prime Minister and Cabinet, Annual Report, 2018-2019, Australian Government
- 17 Report to the Department of Prime Minister and Cabinet on the Indigenous Business Sector Strategy entitled "Economic Participation through Business and Entrepreneurship" by Nyungga Black Group Pty Ltd, November 2017. Not published by the Department.

## About the Author



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He is the author of *Speaking My Mind – Common Sense Answers for Australia*, and *Warren Mundine – In Black and White*.

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## Related Works

Jeff Bennett, Michael Potter and Tony Makin, *Lower Company Tax to Resuscitate the Economy* (CIS Policy Paper 31, July 2020).

Tony Makin, *A Fiscal Vaccine for Covid-19* (CIS Policy Paper 30, June 2020)



Analysis Paper 11 (AP11) • ISSN: 2209-3753 (Online) 2209-3745 (Print) • ISBN: 978-1-925744-60-6

Published July 2020 by the Centre for Independent Studies Limited. Views expressed are those of the authors and do not necessarily reflect the views of the Centre's staff, advisors, directors or officers.

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