

**INQUIRY INTO ECONOMIC DEVELOPMENT IN
ABORIGINAL COMMUNITIES**

Organisation: NSW Ombudsman

Date received: 12/02/2016

Our reference: 2016/020033

Contact: Julianna Demetrius

12 February 2016

The Director
Standing Committee on State Development
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Director,

Inquiry into economic development in Aboriginal communities

Thank you for the opportunity to make a submission to the above mentioned Inquiry. We note that the purpose of the Inquiry is to inquire into and report on strategies to support economic development in Aboriginal communities in NSW, including (but not limited to):

- options for building and sustaining the capacity of NSW Aboriginal communities into the future, utilising existing community networks and structures;
- leveraging economic development support, including that provided by the Federal Government and the private sector; and
- establishing and sustaining Aboriginal owned enterprises.

We note that the Inquiry is particularly timely in light of the recent decision by COAG to prioritise the development of a new strategic framework that puts Indigenous economic participation at the heart of the national agenda.

Our submission is informed by our extensive work over more than a decade reviewing the efficiency and effectiveness of service delivery to Aboriginal communities, and identifying ways that government and service providers can work with these communities to deliver tangible improvements. This work includes our statutory responsibility (since July 2014) for monitoring and assessing OCHRE – the NSW Government's plan for Aboriginal affairs.

Since 2011 we have repeatedly stressed that building the economic capacity of Aboriginal communities is essential to addressing entrenched disadvantage more broadly. For this reason, we are pleased that OCHRE includes a commitment by the NSW Government to develop a state-wide *Aboriginal Economic Development Framework* (AEDF) to drive reform. As the AEDF is being prepared concurrent with the Inquiry, we have provided a copy of our submission to Aboriginal Affairs.

We trust that our submission will be of assistance to the Committee.

If further information is required, please do not hesitate to contact Julianna Demetrius, Assistant Ombudsman (Strategic Projects)

Yours sincerely

Professor John McMillan
Acting Ombudsman

Danny Lester
Deputy Ombudsman (Aboriginal Programs)

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1. About this submission

This submission reiterates and extends a number of the observations and recommendations our office has made in previous public reports about the critical importance of building Aboriginal economic capacity. In this regard, it revisits themes contained in our 2011 report to Parliament on the systemic reforms needed to tackle Aboriginal disadvantage, including the development of a state-wide Aboriginal economic development strategy and the establishment of a coordinating body to drive associated reforms.¹

The submission also outlines the feedback we have provided more recently to Aboriginal Affairs and its partner agencies on a range of Aboriginal economic development initiatives contained in OCHRE. Additionally, it draws on a desktop review of existing initiatives, opportunities and challenges for Aboriginal economic development that we commissioned from Ernst and Young in 2015.

In preparing this submission, we have set out what we believe are the key elements of the reforms required to achieve real success in developing Aboriginal economic capacity in NSW, including addressing existing obstacles and making the most of available opportunities. Our intention is that this submission will inform the development of the Aboriginal Economic Development Framework (AEDF), which is being prepared concurrent with the Inquiry.

2. The NSW Ombudsman's work with Aboriginal communities

The NSW Ombudsman is an independent and impartial watchdog. Established by the *Ombudsman Act 1974* (NSW), we are independent of the government of the day and accountable to the public through Parliament. We aim to keep government agencies and some non-government organisations accountable by promoting good administrative conduct, fair decision-making and high standards of service delivery, and protecting the rights of people in NSW.

Since our Aboriginal Unit was established in 1996 to improve Aboriginal people's access to the police complaints system, our work has evolved significantly and, for many years now, has involved overseeing service delivery to Aboriginal communities more broadly. We review the efficiency and effectiveness of service delivery to some of the most disadvantaged locations in NSW, and recommend ways that government can work with communities on the reforms needed to deliver real improvements. In carrying out this work, we have consulted with thousands of Aboriginal people in NSW and hundreds of agencies that service them. We have also consulted with key stakeholders in other jurisdictions, including the Kimberley region of Western Australia, the Northern Territory and the Cape York Welfare Reform communities in Queensland.

Since 2005 we have produced more than 15 major reports and submissions addressing issues of concern to Aboriginal communities. Of particular relevance to the Committee's current inquiry are *Responding to child sexual assault in Aboriginal communities* (2012); *Addressing Aboriginal Disadvantage: the need to do things differently* (2011); and *Inquiry into service provision to the Bourke and Brewarrina communities* (2010).² We have repeatedly highlighted that the disadvantage experienced by many Aboriginal communities in NSW cannot be addressed without seeking to tackle its underlying causes, including economic marginalisation.

In recognition of our track record for independently scrutinising and assisting to improve service delivery to Aboriginal communities, in July 2014 we were tasked with statutory responsibility under Part 3B of the Ombudsman Act for monitoring and assessing designated Aboriginal programs, beginning with OCHRE – the NSW Government's plan for Aboriginal affairs.³ The inaugural Deputy Ombudsman (Aboriginal Programs) – the first such position in Australia – was appointed in October

¹ NSW Ombudsman, 2011, *Addressing Aboriginal disadvantage: the need to do things differently*.

² All reports are available on our website www.ombo.nsw.gov.au

³ Details on OCHRE are available on the NSW Department of Education, Aboriginal Affairs website www.aboriginalaffairs.nsw.gov.au/nsw-government-aboriginal-affairs-strategy/

2014 to lead this work. The Deputy Ombudsman is operationally supported by our Strategic Projects Division, which houses our Aboriginal Unit, and is headed by an Assistant Ombudsman.

As the Committee is no doubt aware, OCHRE has a strong focus on economic development. Relevant initiatives include the development of an Aboriginal Economic Development Framework to drive whole-of-government action; Industry Based Agreements; Opportunity Hubs; the NSW Public Service Commission's *Aboriginal Employment Strategy*; NSW Government procurement policies; reforms to the *Aboriginal Land Rights Act 1983* (NSW); and a Memorandum of Understanding between the NSW Government and the NSW Indigenous Chamber of Commerce (NSWICC).

In October 2015 we released our first public report about OCHRE.⁴ The report noted the detailed feedback we provided to Aboriginal Affairs and partner agencies during the first 18 months of our oversight, including a number of suggestions aimed at strengthening an early draft of the AEDF and advice to inform the Office of Finance and Service's renewed Aboriginal Participation in Construction policy.

3. Why reform is needed

The urgent need to improve economic outcomes for Aboriginal people in NSW is clearly illustrated by the following statistics:

- In 2011, only **44%** of Aboriginal young adults aged 17-24 in NSW were fully engaged in post-school education, training, or employment – compared with 74% of non-Aboriginal young adults.⁵
- Labour force participation in NSW stands at **54%** for Aboriginal people compared to 65% for non-Aboriginal people.⁶ The unemployment rate for Aboriginal people aged 15 years and over is 15% – almost three times that for non-Aboriginal people (5%).⁷
- A majority (**58%**) of Aboriginal people in NSW aged 18-64 receive government pensions and allowances compared with 21% of non-Aboriginal people.⁸ Almost **50%** of Aboriginal Australians aged 18–64 in NSW who reported a principal source of personal cash income said that government payments were that principal source – more than three times the rate for non-Aboriginal people (13%).⁹
- The median income for Aboriginal households in NSW (**\$457 per week**) is just over half that of non-Aboriginal households (\$890 per week).¹⁰
- **40%** of Aboriginal households in NSW own their own home, compared to 67% of non-Aboriginal households.¹¹

Increasing the economic prosperity of Aboriginal people is critical to improving social outcomes in other areas, including health, education, child protection and community safety. As the Empowered Communities design report notes, economic development is also critical to sustaining and renewing Aboriginal cultural and linguistic heritages for future generations.¹²

The broader economy also profits, through tax payable, reduced government expenditure and increased consumption. Deloitte Access Economics modelling estimates that if the gap in employment

⁴ See NSW Ombudsman, 2015, *NSW Ombudsman Annual Report 2014-2015*, p.110.

⁵ Steering Committee for the Review of Government Service Provision (SCRGSP), 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 7A.4.7.

⁶ Australian Bureau of Statistics (ABS), 2011, Cat. no. 6287, *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians, Estimates from the Labour Force Survey 2011*, Table 1 and Table 7.

⁷ *Ibid.*

⁸ SCRGSP, 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 9A.4.4.

⁹ *Ibid.*, table 9A.4.1.

¹⁰ *Ibid.*, table 4A.9.1.

¹¹ *Ibid.*

¹² Wunan Foundation Inc., 2015, *Empowered Communities: Empowered Peoples Design Report*.

outcomes was overcome, the result would be an improvement of \$7.4 billion to the NSW economy, including 41,696 jobs created, by 2031.¹³

Although there has been a significant amount of government expenditure on programs and services for Aboriginal people, the investment in initiatives aimed at delivering economic empowerment has been minimal. Our 2011 Addressing Aboriginal disadvantage report highlighted that the continuing disadvantage experienced by Aboriginal people does not reflect a failure by governments to dedicate financial resources to initiatives aimed at addressing it – in fact, significant public funds have been allocated by successive governments, state and federal. While some gains have been achieved, overall the return on the level of investment made has been poor. Our work strongly suggests that this failure is indicative of poor service planning and design, and weak accountability structures. The result of this approach has been inefficiency and waste, as well as a lack of tangible outcomes for Aboriginal communities.¹⁴

The significant imbalance we identified at the time of our 2011 report between state government spending per Aboriginal person on labour and employment services (\$78) compared to public order and safety (\$3,817) in 2008-09¹⁵ still exists. In 2012-13, NSW Government Aboriginal expenditure totalled \$3.8 billion, with the bulk of this expenditure (\$1.559 billion, or 41%) going towards services and programs relating to 'safe and supportive communities'.¹⁶ Just 6% (\$25 million) went to programs, services and support that allow people to participate in the economy.¹⁷ Of the \$909 million spent in total by the NSW Government on economic participation for all citizens in 2012-13, the Aboriginal share (\$25 million) was less than 3%.¹⁸

Moreover, while total federal and state/territory government expenditure on economic participation per Aboriginal Australian increased by 5% (from \$7,539 to \$7,904 per person) between 2008-09 and 2012-13, it decreased by 12% for labour and employment services and increased by 9.5% for social security support.¹⁹

The paucity of evaluations of previous initiatives to improve economic outcomes for Aboriginal people in NSW presents a challenge to policy makers. Consistent with our own observation in 2011, a review commissioned by NSW Treasury found that the vast majority of Indigenous programs had not been subjected to an evaluation to determine the outcomes achieved, making it difficult to assess what has worked, what may be scaled up, and where improvements are required.²⁰ More recently, the Productivity Commission has highlighted the limited information available on effective interventions for the Council of Australian Governments (COAG) *Closing the Gap* targets, and called for an increased investment in independent evaluations. We continue to highlight the need for rigorous accountability mechanisms for government-funded services to enable regular monitoring and assessment of progress and the outcomes being achieved.

There is an urgent need for robust data to inform policy development in Aboriginal affairs more broadly, and we are closely watching the work of the new NSW Data Analytics Centre (DAC) in this regard. The DAC has been established within the NSW Department of Finance, Services and Innovation and aims to be a world leader in the application of whole-of-government data analytics and insights to support strategic decision making and improved service delivery.

¹³ Deloitte Access Economics, 2014, *Economic benefits of closing the gap in Indigenous employment*.

¹⁴ NSW Ombudsman, 2011, *Addressing Aboriginal disadvantage: the need to do things differently*, pp.3-6.

¹⁵ *Op. cit.*, p.48.

¹⁶ Including public order and safety, community support and welfare, and recreation and culture.

¹⁷ Including labour and employment services and social security. See SCRGSP, 2014, *2014 Indigenous Expenditure Report*, Productivity Commission.

¹⁸ SCRGSP, 2014, *2014 Indigenous Expenditure Report: Factsheet NSW*, Productivity Commission.

¹⁹ SCRGSP, 2014, *2014 Indigenous Expenditure Report*, Productivity Commission, p.17.

²⁰ The Allen Consulting Group, 2011, *NSW Government Employment and Economic Development Programs for Aboriginal People: Review of programs and broader considerations*, Report to the Minister for Aboriginal Affairs, The Hon. Victor Dominello, MP.

Our 2011 report identified the absence of a coordinated, state-wide strategy to improve economic outcomes for Aboriginal people, and a lack of robust governance and accountability mechanisms for driving change, as a major impediment to progress in NSW. (This gap was also noted by the 2012 review of NSW Government Aboriginal employment and economic development programs).²¹ We recommended the development of an integrated, state-wide strategy to build the economic capacity and wealth of Aboriginal people in NSW, and the establishment of a body with overall responsibility for improving Aboriginal employment outcomes and enhancing Aboriginal economic capacity.

The subsequent commitment under OCHRE to develop an Aboriginal Economic Development Framework is a positive, but as yet untested, step forward. In the following sections we outline our views about what is needed to ensure the AEDF is successful.

3.1 What needs to change

Notwithstanding the limited evidence about ‘what works’, we strongly believe that ‘more of the same’ will not lead to improved economic development outcomes for Aboriginal people. A change in approach is urgently required – and key business, non-government organisation (NGO), academic and government representatives have indicated that they agree.²²

Substantial and sophisticated investment in strategic and innovative reforms to increase Aboriginal economic prosperity should be a key priority for the NSW Government; directed by Aboriginal people and furthered through partnership with the private sector and federal government. Successful initiatives, enterprises and entrepreneurs in this state and elsewhere should be identified and showcased.²³

The reform agenda must be driven by a vision of prosperity and independence for Aboriginal people and communities, with Aboriginal people at the centre of decision making. The flipside of the concerning statistics cited earlier is that a sizeable proportion of Aboriginal people in NSW have achieved steady employment, higher incomes and home ownership, and can advise the Government on strategies to assist others to do the same.

The reform agenda should take advantage of the full range of positive opportunities that exist currently – including unique comparative advantages, a solid Aboriginal business sector in NSW and strong interest in the corporate sector for recruiting Aboriginal people and working with Aboriginal enterprises.²⁴ However, the agenda should not be limited to industry and enterprise. It is important to recognise that economic development also involves providing opportunities which equip individuals to successfully participate in the economy. For example, steps towards financial inclusion which help individuals ‘get on their own two feet’, pay off fines or personal debt and gain confidence in managing their household budget are as important as initiatives which support Aboriginal businesses to flourish, or encourage regional industry growth. Thinking about economic development in this way means recognising that strategies need to operate at multiple levels:

► **Individuals** – e.g. building capacity to participate successfully in the economy through financial literacy, quality education and training to secure jobs, home ownership, increased savings, access to credit and sufficient superannuation.

²¹ *Ibid.*

²² NSW Department of Education, Aboriginal Affairs, 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, p.2.

²³ For example, research commissioned by the Westpac Group studied the factors that support economic development and entrepreneurship in Indigenous communities across Australia, New Zealand, the United States and Canada. See Urbis & Westpac Group, 2014, *Enabling Prosperity: Success Factors for Indigenous Economic Development*.

²⁴ For example, the 2014 Business Council of Australia biennial Indigenous Engagement Survey found that over 15,000 Indigenous Australians were working at BCA companies, \$1.7 billion was spent with Indigenous enterprises and joint ventures, and \$72 million was contributed to Indigenous education initiatives. See Business Council of Australia, 2014, *BCA 2014 Indigenous Engagement Survey Report*. Other relevant commitments include Generation One, Creating Parity, Enabling Prosperity, and Reconciliation Action Plans.

► **Enterprises** – e.g. enabling the development of relevant business and technical capabilities to start-up and manage commercial or social enterprises, and sustain or grow these over time, including by supporting access to new markets.

► **Communities and regions** – e.g. linking regional governance structures such as OCHRE's Local Decision Making (LDM) Regional Alliances with relevant economic planning vehicles (such as the NSW Department of Industry's work under the *Economic Development Strategy for Regional NSW* and the federal government initiative, Regional Development Australia); and enabling Aboriginal communities to leverage their assets (including culture, land, royalties, infrastructure and local labour for economic outcomes) where desired and by informed consent.

While there is no linear trajectory between the above domains, success in one has a positive flow on effect to others. On a practical level, this means that the 'headline' indicators of successful reform in the area of Aboriginal economic development should include improvements in:

- Aboriginal employment and income levels;
- home ownership and educational attainment rates;
- growth in the number or size of Aboriginal enterprises;
- tangible outcomes from Industry Based Agreements; and
- partnerships between the private sector and Aboriginal organisations.

It is also critical that both state and federal governments ensure that policy for Aboriginal economic development is integrated with policies for mainstream economic development; this requires more than cross-referencing policy statements or aligning objectives in documents. Aboriginal economic development must be operationally embedded in the everyday goals and work of the agencies vested with economic development responsibilities, and supported by clear measures of performance.

There is a pressing need to improve coordination between existing efforts, particularly government initiatives, to strengthen Aboriginal economic development. In our 2011 report to Parliament we noted that, despite good intentions and work done by individual agencies, the overall approach by government in this area was disjointed and poorly targeted. This continues to be an issue, amplified by the growing number of non-government players and initiatives in the economic development space. A desktop review that we commissioned to help inform our monitoring of OCHRE identified a multitude of current plans and initiatives. These have the potential to create a collective impact if effectively coordinated and monitored – but risk a piecemeal approach if not.

The economic reform agenda also needs to sit alongside strategies for tackling child protection, family violence and other social problems facing many high-need communities. In response to our 2012 report on Aboriginal child sexual abuse, the Government has committed to developing and implementing place-based service delivery reforms, and have launched a number of initiatives to better identify and meet local need. The *Service Delivery Reform Initiative* led by the Department of Premier and Cabinet (DPC), which dovetails with the local government reforms, recognises that things need to be done differently. For example, the Far West Initiative (FWI) aims to develop a new whole-of-government model for service delivery and governance in Far West NSW. While a range of options are still being explored, the FWI recognises the importance of identifying and mobilising local economic development potential as a way of addressing entrenched disadvantage in many towns in rural and remote NSW.

Place-based approaches to service delivery and economic development are increasingly being advocated by Aboriginal representatives and government leaders across Australia. The Empowered Communities agenda recognises the primacy of the local nature of peoples and places, and recommends national and regional institutions support an enabling framework for place-based development agendas.²⁵ Similarly, the recent COAG agreement to develop a new strategic framework for Indigenous Affairs in which Indigenous economic participation is central promises to drive

²⁵ Wunan Foundation Inc., 2015, *Empowered Communities: Empowered Peoples Design Report*.

genuine cooperation between the different levels of government, and with Indigenous leaders, and to support an increased focus on place-based solutions.²⁶

In the context of Aboriginal economic development, a place-based approach might include:

- Identifying the particular economic assets, constraints and opportunities for Aboriginal communities and their regions.
- Whole-of-community or regional planning between relevant government agencies at each level, Aboriginal representative bodies such as LDM Regional Alliances and Aboriginal Community Working Parties, industry leads and educational institutions to scope future growth industries and regions, forecast potential skills shortages and prepare Aboriginal stakeholders to exploit these.²⁷
- Exploring other ways in which local economies can be grown so that Aboriginal people are central actors – for example, fostering local Aboriginal businesses to provide the goods and services consumed by their community.²⁸

The NSW Government has a unique opportunity to lead Australian jurisdictions in adopting this approach in practice – and in doing so, reshape Aboriginal affairs from top-down government interventions to partnerships that respond to local priorities and enable Aboriginal prosperity.

4. Building a strong framework for Aboriginal economic development

While the development of the AEDF is a very positive step, without the right body driving its implementation, in partnership with Aboriginal leaders, it is unlikely to deliver on its promises.

While Aboriginal Affairs must have a pivotal role in the development and implementation of the AEDF, we remain of the view that a state-wide plan of this type needs to be driven by a body with the necessary skills, expertise and influence to deliver outcomes through solid partnerships with Aboriginal leaders and private sector agents. Such a body may be an existing government agency or a newly dedicated board (the Victorian Aboriginal Economic Development Board and the Canadian National Aboriginal Economic Development Board are examples of the latter).

Whichever entity is tasked with driving the AEDF, it is essential that this is achieved through collaboration with key partners, including the OCHRE LDM Regional Alliances, the NSW Indigenous Chamber of Commerce, the NSW Aboriginal Land Council, Supply Nation, the Australian Industry Group, the Business Council of Australia, the Jobs NSW Fund Board, federal and local governments, and relevant non-government service providers.

Our reviews of policies in the area of Aboriginal affairs over many years has shown that in order to deliver on stated commitments, the AEDF will need to:

- Articulate a clear vision of what it aims to achieve over the short, medium and longer term.
- Be supported by regular and open reporting on progress which is informed by a genuine dialogue with Aboriginal leadership on what meaningful indicators of performance should look like.
- Be underpinned by robust governance arrangements which empower individuals with sufficient authority to lead the necessary reforms.

²⁶ Council of Australian Governments, 2015, *COAG Meeting 11 December 2015: Communique*.

²⁷ See for example the Australian Centre of Excellence for Local Government, 2014, *Integrated Long-Term Planning: An Information and Resource Manual for Rural-Remote and Indigenous Councils*.

²⁸ As we noted in our 2011 report, in many of the Aboriginal communities in remote and rural NSW that we have visited, we have seen low levels of Aboriginal involvement with local businesses. Our consultations with Aboriginal communities elsewhere have revealed that NSW is some way behind other states and territories in establishing Aboriginal-owned local businesses such as grocery stores, motels and fuel stations. In NSW there appears to be no current strategy for identifying and facilitating these types of opportunities across the state, and the associated business and technical skill capacity building required.

- Ascribe clear responsibilities to relevant agencies and positions which are in turn linked to individual performance contracts.
- Build in flexibility – adjustments should be made where problems are identified along the way and/or new information comes to light about better approaches.
- Be an integral part of broader regional and state-wide economic development efforts and facilitate place-based approaches to building local economies.

In our view, in order for the AEDF to effect tangible improvements, there is an urgent need to tackle the long-standing barriers which have so far inhibited success in this area. At the same time, there are considerable opportunities to enhance Aboriginal economic development, which the AEDF needs to harness.

We have focused on five key barriers which, if reduced, should make a real difference to Aboriginal participation in the economy; and five existing opportunities which we believe could be further leveraged. The following sections discuss each of these barriers (4.1) and opportunities (4.2) – **Appendix A** summarises our suggested actions in relation to them.

4.1 Address the key barriers to Aboriginal people successfully participating in the economy

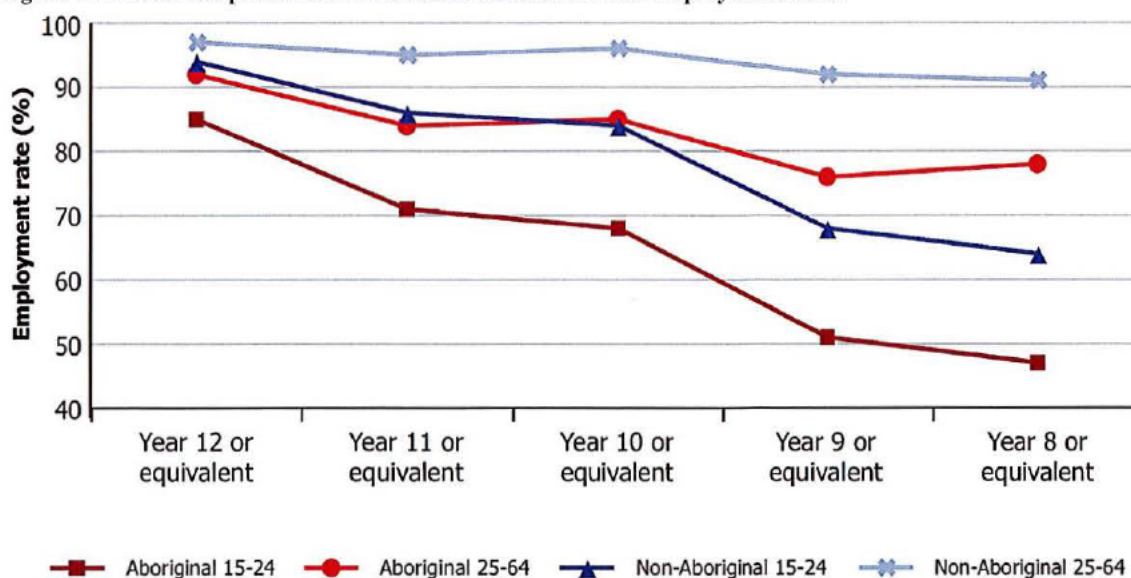
It is critical that the AEDF includes strategies for tackling the most significant obstacles impeding Aboriginal economic development, such as:

- poor educational attainment
- incarceration
- financial exclusion
- lower rates of employment and income, and
- lower rates of home ownership.

4.1.1 Poor educational attainment

In Australia, education is a critical enabler of employment for Aboriginal people. Modelling by PricewaterhouseCoopers shows that Indigenous employment prospects improve greatly as educational attainment increases, as illustrated in **Figure 1** below.

Figure 1: Relationship between educational attainment and employment rates²⁹



Other research shows that, nationally, Indigenous Australians with university degrees have employment outcomes largely on par with their non-Indigenous counterparts.³⁰

While over 80% of Aboriginal students in NSW performed at or above minimum national standards in National Assessment Program – Literacy and Numeracy (NAPLAN) for literacy and numeracy in 2014,³¹ non-Aboriginal students out-performed Aboriginal students in reading and numeracy in each tested year group.³² While the proportion of NSW Aboriginal students staying at public high school to Year 12 increased to 51% in 2014, this remains well below the rate for non-Aboriginal students (78%).³³ And the state-wide attendance rate of 90% for Aboriginal students in primary schools and 79% for Aboriginal students in secondary schools is lower than the corresponding rates for non-Aboriginal students (94% for primary and 90% for secondary school students)³⁴ and the latter is below COAG's benchmark of 90% attendance for Aboriginal students.³⁵

Furthermore, as we highlighted in our 2012 report about responding to child sexual abuse in Aboriginal communities, the average state-wide attendance rate for Aboriginal students is significantly higher than the attendance rate for Aboriginal students within each region, and can therefore conceal the true extent of non-attendance at school by Aboriginal children. At the time of our report, we found that the attendance rate for Aboriginal students was poorest in two regions (Western NSW and New England) with the highest Aboriginal enrolment rate – 32% of Aboriginal students enrolled in schools within the 12 target communities we examined had missed 30 days or more of school in 2011 and of these, 17% had missed 100 days or more, which is half a school year.³⁶ This significant cohort of

²⁹ Source: PricewaterhouseCoopers, n.d., *Aboriginal Affairs NSW – preliminary analysis of lifetime pathways*, Report commissioned by Aboriginal Affairs, unpublished. Cited in The Allen Consulting Group, 2012, *op.cit.*, p.83.

³⁰ Karmel, T, Misko, J, Blomber, D, Bednarz, A and Atkinson, G, 2014, *Improving labour market outcomes through education and training*, Issues paper no.9 produced for the Closing the Gap Clearinghouse, Australian Institute of Health and Welfare (AIHW) and Australian Institute of Family Studies (AIFS).

³¹ NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.7.

³² Gotsis, T (NSW Parliamentary Research Service), 2015, *NSW School Education: NAPLAN, Measurement and Performance*, Briefing Paper No 12/2015, p.19. A State Priority is to 'increase the proportion of Aboriginal and Torres Strait Islander students in the top two NAPLAN bands for reading and numeracy by 30%'.

³³ NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.15.

³⁴ NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report, Data Appendix*, p.8.

³⁵ In 2014, COAG added a new Closing the Gap target: to close the gap between Indigenous and non-Indigenous school attendance within five years.

³⁶ NSW Ombudsman, 2012, *Responding to child sexual assault in Aboriginal communities*, pp. 253-256.

young people is likely to experience entrenched disadvantage if their educational disengagement is not addressed.

Our analysis of NAPLAN results suggest that educational disadvantage is strongly correlated to location, with Aboriginal students in remote and very remote areas less likely to achieve minimum standards in literacy and numeracy than students living in regional or urban settings. For example, almost 40% of Year 9 Aboriginal students in remote areas of NSW failed to meet the national minimum standard for reading in 2015.³⁷ These results have significant implications for the capacity of students in these areas to progress to further education and training or employment after school.

Overall, Aboriginal students do not do as well as their non-Aboriginal peers in transitioning from school to further study, training or employment. In 2011, only 44% of Aboriginal young adults aged 17-24 in NSW were fully engaged in post-school education, training, or employment – compared with 74% of non-Aboriginal young adults.³⁸ This same year, 39% of Aboriginal people aged 20-64 in NSW had a post-school qualification, compared with 61% of non-Aboriginal peers; of these, 8% had a university degree or above, compared with 28% of their non-Aboriginal counterparts.³⁹ Although a higher proportion of Aboriginal Australians participate in vocational education and training (VET) than non-Aboriginal Australians,⁴⁰ they are more likely to be enrolled in courses leading to lower level qualifications (Certificates I and II).⁴¹ Encouragingly, the latest available data suggests a positive trend in NSW which should be supported, with Aboriginal students enrolled in Certificate III and above qualifications at TAFE increasing by 37% between 2010 and 2014.⁴²

For several years we have been highlighting in our reports to Parliament the critical importance of improving educational outcomes for Aboriginal students and pleasingly, a number of our recommendations have been accepted. The Department of Education's flagship initiative in this area is Connected Communities, which aims to build genuine partnerships between schools and their local Aboriginal communities, and gives executive principals unprecedented authority to tailor education responses to the needs of those communities.⁴³ Through our oversight of OCHRE we are closely monitoring Connected Communities, as well as the Opportunity Hubs initiative which seek to provide clear pathways and encouragement for young Aboriginal people to stay at school and transition into employment, training or further education. Our early observations about both initiatives are detailed in our *Annual Report 2014-2015*⁴⁴ and – with respect to the former – were recently echoed by the interim evaluation of Connected Communities by the Centre for Education Statistics and Evaluation (CESE) in the Department of Education.⁴⁵

Consolidating and further strengthening strategies to improve educational attainment – and transitions to post-school options – for Aboriginal people is critical to achieving the economic outcomes expected under the AEDF. A 2012 review of NSW Government Aboriginal employment and economic development programs found the number of programs focussing on education and training was low in comparison to those directed at creating employment opportunities.⁴⁶ We are particularly keen to see

³⁷ A further 38% of this cohort achieved at the minimum standard (the second lowest of six NAPLAN bands for assessment of Year 9 students) and only 22% of students achieved beyond the minimum level.

³⁸ SCRGSP, 2014, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, Table 7A.4.7.

³⁹ NSW Department of Education, Aboriginal Affairs, 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.14.

⁴⁰ Karnel, T, Misko, J, Blomber, D, Bednarz, A and Atkinson, G, 2014, *op.cit.*

⁴¹ Biddle, N, Brennan, C and Yap, M, 2014, *Effectiveness of traineeships and apprenticeships for the Aboriginal and Torres Strait Islander population*, Resource sheet no.31, produced for the Closing the Gap Clearinghouse, AIHW and AIFS.

⁴² NSW Department of Education, 2015, *Aboriginal Students in NSW Public Schools Annual Report 2015*, p.17.

⁴³ Other positive developments include new funding models to better support Aboriginal students and the development of a Wellbeing Framework for Schools as outlined in NSW Department of Education and Communities, 2014, *Aboriginal Students in NSW Public Schools Annual Report 2014*.

⁴⁴ See NSW Ombudsman, 2015, *Annual Report 2014-2015*, p.110.

⁴⁵ NSW Department of Education, 2016, *Connected Communities Strategy – Interim Evaluation Report, September 2015*.

⁴⁶ The Allen Consulting Group, 2011, *op.cit.* p.73.

that Connected Communities schools provide a pathway to VET and other tertiary education options.⁴⁷ We are also looking to Opportunity Hubs to demonstrate how all schools – not just those linked with a Hub – can develop and maintain clear routes to training and jobs for Aboriginal students via careers advisors and partnerships with local training providers, chambers of commerce, funded employment services, educational institutions and employers. More broadly, we are keen to see good support being provided to students during the critical school-to-tertiary study/work transition phase, and associated monitoring.

Given the clear correlation between higher educational attainment and increased employment prospects, identifying ways to further encourage and support Aboriginal VET students to progress to higher qualifications must also be a strong focus of the AEDF. Even more critically, stronger partnerships and collaborative planning between the VET sector, industry and Aboriginal representatives – such as Local Decision Making (LDM) Regional Alliances and Local Aboriginal Land Councils (LALCs) – are required to ensure training is targeted to areas of future need and results in Aboriginal graduates being competitive for real jobs.

4.1.2 Incarceration

The significant over-representation of Aboriginal people who are incarcerated is a particularly insidious barrier to economic enfranchisement. As at 30 June 2014, Aboriginal people comprised 24% of the NSW adult prisoner population, with an age-standardised imprisonment rate 11 times that for the non-Aboriginal population.⁴⁸ Aboriginal young people are even more highly represented in the state's juvenile detention, with young Aboriginal people consistently comprising around 50% of the average number of young people in custody over the five years prior to 2014.⁴⁹

For obvious reasons, imprisonment has a negative impact on an individual's employment and financial inclusion prospects. It is also expensive for the Government: between \$87,000⁵⁰ and \$237,000 per inmate per annum for adult and juvenile incarceration respectively, on some estimates.⁵¹ There is a clear need to both:

- reduce the numbers of Aboriginal people who are incarcerated by addressing the multiple factors that contribute to their over-representation in custody, and
- ensure that Aboriginal people who are incarcerated have access to pre- and post-release services and facilities that will better equip them for successful reintegration into the community.

Contributing factors to the high rate of imprisonment of Aboriginal people include unemployment; financial stress; welfare dependency; alcohol and substance misuse and abuse; removal from family; intergenerational offending; residence in crime prone areas;⁵² over-representation in convictions for unauthorised and unlicensed driving offences;⁵³ and the disproportionate impact of fines.^{54, 55}

⁴⁷ Current initiatives which connect school students to VET options include TVET, School-based Apprenticeships and Traineeships, and Try a Trade.

⁴⁸ ABS 2014, Cat. no. 4517.0 *Prisoners in Australia 2014*, Table 13 and Table 17.

⁴⁹ NSW Department of Justice, 2014, 'Young people in custody' (webpage), www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/aboutdjj/statistics_custody.aspx

⁵⁰ SCRGSP, 2015, *Report on Government Services 2015*, vol. C, *Justice*, Productivity Commission, table 8A.7.

⁵¹ Just Reinvest NSW, n.d., 'Just Reinvest NSW' (website), www.justreinvest.org.au/.

⁵² ABS, 2009, Cat. no. 4714.0, *National Aboriginal and Torres Strait Islander Social Survey, 2008*.

⁵³ NSW Parliament Legislative Assembly Law and Safety Committee, 2013, *Driver Licence Disqualification Reform*, Report 3/55, November 2013. This inquiry confirmed the over-representation of Aboriginal people among convictions for this offence.

⁵⁴ Our 2009 review of the use of Criminal Infringement Notices found that they are used inconsistently and with greater negative impact on Aboriginal people. See NSW Ombudsman, 2009, *Review of the impact of Criminal Infringement Notices on Aboriginal communities*, p. vi.

⁵⁵ Where sanctions are imposed on Aboriginal people for defaulting on fines, this reduces their capacity to access employment in particular when driver licence sanctions (such as licence disqualifications) are used. As well as this, driver licence sanctions resulting from unpaid fines can result in more serious offences being committed, with this secondary

The need for community based justice interventions which provide diversionary options for driving-related matters, and initiatives which reduce the impact of fines and licence disqualifications on Aboriginal people is well documented.⁵⁶ There is significant support for such interventions amongst communities and frontline service providers. Effective programs are particularly needed in remote communities (with limited transport alternatives), areas of high unemployment and high rates of incarceration due to unpaid fines. The *Work and Development Orders* (WDO) scheme, administered by State Debt Recovery, is one example.

The WDO scheme allows eligible people to repay their fine debt through unpaid work, educational courses, counselling, health treatment, drug or alcohol treatment and mentoring.⁵⁷ It has the capacity to not only reduce the burden of fines on Aboriginal people, but also to improve their economic capacity through developing their employability and providing them with work experience and vocational skills. However, the WDO scheme does not reinstate driver licences for disqualified drivers, meaning that many offenders in remote Aboriginal communities may remain at a disadvantage in accessing employment even after repaying fines or serving sentences. One possible remedy which could be considered is a distinct provisional license for people unable to drive due to unpaid fines or minor traffic infringements, issued to enable them to secure a job.⁵⁸

In NSW the key initiatives that seek to provide adult inmates with the necessary skills to gain employment upon release are employment with Corrective Service Industries,⁵⁹ courses offered by the Adult Education and Vocational Training Institute⁶⁰ and short courses run by TAFE NSW. Last financial year, around a third of inmates in NSW participated in education programs and the participation rate of Aboriginal people was roughly in line with the Aboriginal proportion of the prison population.⁶¹ National justice data suggests that NSW had the second highest rate of fit and eligible prisoners in paid employment (79.7%), after Victoria (88.1%) in 2013-14.⁶² However, the state's position relative to other jurisdiction falls with respect to the rate of prisoners engaged in education and training: 35.1% (compared to 82.7% in the ACT and 59.4% in South Australia).⁶³ And as the former Inspector of Custodial Services reported in 2015, demand for these programs still outstrips supply. The Inspector recommended that places in education and work programs in custody be increased. As Aboriginal prisoners tend to have a shorter average sentence length than non-Aboriginal prisoners – one in five Indigenous prisoners serve sentences of less than 12 months⁶⁴ – there is also a need to ensure that short sentences do not exclude offenders from pre-release programs.⁶⁵

Provision of post-release programs in NSW is primarily provided by NGO service providers funded through the NSW Government's Funded Partnerships Initiative (FPI). While connecting participants with employment services is one of a number of functions of existing FPI programs, few appear targeted to employment and fewer still to addressing the additional barriers that Aboriginal prisoners face in obtaining post-release employment. Initiatives such as the Aboriginal Legal Service's former *Throughcare* program are no longer funded⁶⁶ and there do not appear to be other programs to replace its focus on Aboriginal inmates currently in place.

offending contributing to the overrepresentation of Aboriginal people in custody. See *ibid*, p. 12-13 and Levitan 2013, *NSW Legal Assistance Forum Submission to the Driver Licence Disqualification Reform Inquiry*, p. 10.

⁵⁶ For example, see Levitan 2013, *NSW Legal Assistance Forum Submission to the Driver Licence Disqualification Reform Inquiry* and Forrest A, 2014, *Creating Parity – the Forrest Review*, recommendation 15.

⁵⁷ NSW Office of State Revenue, State Debt Recovery, 2015, 'Work and Development Order' (factsheet), www.sdro.nsw.gov.au/lib/docs/forms/sfs_wdo_009.pdf

⁵⁸ Forrest A, 2014, *Creating Parity – the Forrest Review*, recommendation 15.

⁵⁹ A Government Business Enterprise with the NSW Department of Justice.

⁶⁰ A Registered Training Organisation with the NSW Department of Justice.

⁶¹ NSW Department of Justice, 2015, *Annual Report 2014-2015*, p.56.

⁶² SCRGSP, 2015, *Report on Government Services 2015*, vol. C, *Justice*, Productivity Commission, table 8A.20.

⁶³ *Ibid*, table 8A.21.

⁶⁴ NSW Bureau of Crime Statistics and Research, 2015, *Does going to prison reduce the risk of further offending?*

⁶⁵ Graffam J and Shinkfield A, 2012, *Strategies to enhance employment of Indigenous ex-offenders after release from correctional institutions*, p.6.

⁶⁶ Aboriginal Legal Services NSW/ACT, 2014, 'ALS loses funding for frontline program despite Government assurances', media release 16 June 2014, www.alsnswact.org.au/media_releases/33

For young offenders, the Juvenile Justice Joint Support Program provides funding for community groups and includes an 'Employment Placement and Support' service type which provides assistance in obtaining and retaining paid employment with assistance provided for 26 weeks.⁶⁷ However, only one of the organisations contracted to deliver services under the Joint Support Program from 2013 to 2016 provides this service type, and it is only available in the Sydney Metropolitan region.⁶⁸ This is a clear limitation.

Given the high proportion of inmates who are Aboriginal, identifying and remedying service gaps in the area of pre- and post-release support for Aboriginal inmates is in our view, a priority. Education, training and work experience opportunities should be widely available to inmates to improve their knowledge, skills and employability on release, and post-release support should ideally include connecting ex-offenders with real jobs or further education opportunities. A case study on pre- and post-release programs in the Mid North Coast Correctional Centre and linkages to the OCHRE Opportunity Hub initiative is outlined in the case study below.

Mid North Coast Correctional Centre Intensive Learning Centre

The MNCC ILC provides full time, customised education programs in a dedicated centre for offenders with low levels of literacy and numeracy to equip them for further learning and work opportunities.⁶⁹ It recognises that many offenders have had incomplete or disrupted schooling and poor employment histories. The centre seeks to overcome common barriers that prevent offenders from accessing education resources in correctional centres, such as high levels of inmate movement, restrictions on access to programs, and competition for inmate time. A further pre-release program currently being explored at the MNCC would connect Aboriginal inmates to pre- and post-release employment in local industries with corporate commitments to increase Aboriginal employment. We introduced representatives of the MNCC to the local Opportunity Hub to further explore such prospects.

As the case study illustrates, potential exists to explore support for pre- and post-release work experience and employment programs for Aboriginal inmates with local industries.

4.1.3 Financial exclusion

Nationally, 43% of the Aboriginal adult population was considered severely⁷⁰ or totally financially excluded⁷¹ in 2012, compared with 18% of the Australian adult population.⁷²

Financial exclusion – characterised by lack of access to appropriate and affordable financial services and products – and financial stress are more pronounced for Aboriginal people than other Australians. The affordability of banking services, limited financial literacy, poor or no credit history, and negative experiences with mainstream institutions are all factors that may be at play.⁷³ The interaction between these factors is also an issue. For example, unmanageable personal debt may reflect poor financial literacy and affect an individual's credit rating as well as their ability to accumulate savings.

Studies on financial literacy in Indigenous communities indicate that poor education and lack of job opportunities contribute to poor money management skills among Indigenous people,⁷⁴ who in turn

⁶⁷ NSW Department of Justice, 2015, 'Joint Support Program service types 2013-2016' (webpage), www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/community_funding/joint_support_program_service_types.aspx

⁶⁸ NSW Department of Justice, 2014, 'Joint Support Program organisations' (webpage), www.juvenile.justice.nsw.gov.au/Pages/Juvenile%20Justice/community_funding/joint_support_program_organisations.aspx

⁶⁹ NSW Corrective Services, 2012, draft *Statement of Purpose: Intensive Learning Centres*, unpublished.

⁷⁰ Adults have access to one financial service product.

⁷¹ Adults have no access to financial services or products.

⁷² Connolly C, Georgouras M and Hems L, 2012, *Measuring Financial Exclusion in Australia*, Centre for Social Impact.

⁷³ Reconciliation Australia, 2007, *Banking for the future: a background paper on financial literacy and financial services for Indigenous Australians*.

⁷⁴ Daly A and Preece C, 2009, *An investigation of financial literacy in six Indigenous communities*, Australian National University.

have a higher reliance on family and friends in times of financial hardship.⁷⁵ Living in an urban environment and/or being employed does not necessarily preclude traditional or customary ways of thinking about or managing money.⁷⁶

Addressing financial exclusion requires broadening the choices for financial services and products for Aboriginal consumers. It also requires identifying where and why pockets of financial exclusion occur, and exploring how government can help bring the banking sector to the table to deliver financial services to both individuals and particular communities. Ensuring access to financial literacy programs is also important, which could be facilitated through other relevant government programs.⁷⁷ Achieving this would involve, at a minimum, a partnership between Aboriginal representatives, all levels of government, the Australian Bankers' Association, the Customer Owned Banking Association, the Indigenous Superannuation Working Group and financial inclusion service providers.⁷⁸ A community of practice could be established to pursue reform in this area.

4.1.4 Lower rates of employment and incomes

Both nationally and in NSW,⁷⁹ Aboriginal people are around half as likely to be employed as non-Aboriginal people.^{80, 81} The median income for Aboriginal households in NSW is also lower than other households, and government payments are more likely to be the principal source of personal cash income for Aboriginal people. Factors identified as effective in improving Aboriginal employment outcomes include increasing skill levels via formal education and training, mentoring,⁸² 'employment-ready' programs, targeted labour market programs,⁸³ and explicit Aboriginal employment goals for government programs that deliver goods or services.^{84, 85}

Public sector employment

As the largest single employer in Australia, with workforces based in both urban and regional locations across the state,⁸⁶ the NSW Government can directly increase Aboriginal employment. This is recognised by the *NSW Public Sector Aboriginal Employment Strategy 2014-17* (AES), a commitment under OCHRE which aims to increase both the number and distribution of Aboriginal public sector employees. *NSW: Making It Happen*⁸⁷ also includes doubling the number of Aboriginal people in senior leadership roles in the public sector by 2025 as one of the Premier's key priorities.

⁷⁵ Gerrans P, Clark-Murphy M and Truscott K, 2009, *Financial Literacy and Superannuation Awareness of Indigenous Australians: Pilot Study Results*, Australian Journal of Social Issues, Vol 44, Issue 4, p.417.

⁷⁶ Ibid.

⁷⁷ See for example ASIC, 2015, 'ASIC helps improve financial literacy among Indigenous prison population', media release 15-252MR <http://asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-252mr-asic-helps-improve-financial-literacy-among-indigenous-prison-population/> and Cashman J & Langton M, 2016, 'Closing the gap: Why financial literacy should be a priority', *The Drum*, posted Wednesday 10 February 2016.

⁷⁸ Such as Many Rivers Microfinance, Good Shepherd Microfinance and National Australia Bank Indigenous Money Mentors.

⁷⁹ The latest national data suggests that the Aboriginal population of NSW had a lower rate of employment than all jurisdictions apart from the Northern Territory. See NSW Department of Education, Aboriginal Affairs, 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.9.

⁸⁰ ABS, 2013, Cat. no. 4727.0.55.006, *Australian Aboriginal and Torres Strait Islander Health Survey: Updated Results, 2012-13*.

⁸¹ ABS, 2012, Cat. no. 6287.0, *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians, Estimates from the Labour Force Survey, 2011*.

⁸² Hawke, P, 2015, *Towards increasing young Aboriginal and Torres Strait Islander people's experiences of work through employment services focused mentoring: an urban case study*.

⁸³ Noting that employers wanting to conduct a targeted recruitment strategy for Aboriginal people in NSW must apply for an exemption from the *Anti-Discrimination Act 1977* (NSW). See guidance provided in: Australian Human Rights Commission, 2015, *Targeted recruitment of Aboriginal and Torres Strait Islander people: A guideline for employers*, p.16.

⁸⁴ Gray M, Hunter B and Lohar S, for the Closing the Gap Clearinghouse, 2012, *Increasing Indigenous employment rates*, Issues paper no.3, AIHW and AIFS

⁸⁵ Karmel, T, Misko, J, Blomber, D, Bednarz, A and Atkinson, G, *op.cit.*

⁸⁶ NSW Public Service Commission, 2015, *Workforce Profile Report 2015*, p.29.

⁸⁷ NSW Government, 2016, 'State Priorities' (webpage), www.nsw.gov.au/making-it-happen?qt-premiers_priorities=1

The NSW Public Service Commission (PSC) is responsible for driving the AES and sector-wide initiatives, which include a new centrally-funded Aboriginal Employment and Development Program (AEDP). Pleasingly, in developing the AEDP, the PSC plans to learn from and leverage off existing programs such as the Indigenous Police Recruiting Our Way Delivery (IPROWD).

IPROWD- NSW Police Force

IPROWD is a unique partnership between the NSW Police Force (Police), TAFE NSW, NSW Aboriginal Housing Office, Charles Sturt University, NSW Aboriginal Education Consultative Group and the Federal Government. It delivers a customised training program to assist Aboriginal people to gain entry to the NSW Police Academy at Goulburn. Originally established in the Western region, the program was rolled out across the state in 2010. It utilises strong community partnerships to assist students with accommodation and support needs, and includes a significant mentoring component, with participants supported from the time they start the program until their confirmation as a Constable – a strong contributor to the program's success.

Since 2008, over 560 Aboriginal people have participated in IPROWD in Casino, Dubbo, Macquarie Fields, Campbelltown, Maitland, Mount Druitt, Broken Hill, Nowra, Orange, Redfern and Tamworth. The program will be delivered for the first time at Lismore in 2016. As at October 2015, 71 participants had joined Police as either sworn or unsworn officers, with a further 11 due to commence in January 2016 and 44 currently being processed by NSW Police Recruitment. Another five students are currently studying at the NSW Police Academy.

Building on the success of the program to date, TAFE NSW has recently launched the “Miimi-djuul”⁸⁸ IPROWD School Program, which involves targeting Year 10 students for entry into a two-year TVET Certificate III. To be initially delivered in Mount Druitt and Dubbo, the program will be considered for further rollout in 2017.

As we noted in our 2011 report, while it is hoped that a significant proportion of IPROWD participants will go on to employment with Police, those who do not are well placed to take up job opportunities in other government agencies as a result of the skills developed through their involvement in the program.

Following evaluation of the AEDP pilot, consideration should be given to targeting high need locations with high rates of unemployment and/or strong demand for government services – particularly health, community services and education – but a shortage of staff to deliver them. It will be important to ensure that this consideration takes places in the context of the broader service delivery reforms being led by DPC as well as other OCHRE initiatives, particularly Local Decision Making and Opportunity Hubs.

As part of our oversight of OCHRE we are monitoring the implementation of the AES. We will be looking for evidence that the PSC is meeting its commitments to consult with Aboriginal people in implementing the strategy; identifying early where agencies are lagging and need support; and facilitating the sharing of lessons and best practice from high-performing agencies and proven initiatives. Depending on progress made, specific agency-level targets may be warranted using a similar approach to the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy.⁸⁹ Given existing links between the public sector and funded service providers, opportunities for career pathways and capability development between these sectors could also be examined.

Additionally, as a significant employer of local people across the state, including in rural and remote regions, local government clearly has a major role to play in increasing the employment of Aboriginal people. There is scope for the goals, approaches and lessons from the AES to be extended beyond the state public sector to build the capacity of local government in this area. In this regard, the current local government reforms – led by the Department of Premier and Cabinet and the Office of Local Government in response to the 2014 report by the Independent Local Government Review Panel –

⁸⁸ Gamillaroi word for sister-little.

⁸⁹ Australian Public Service Commission, 2015, *Commonwealth Aboriginal and Torres Strait Islander Employment Strategy*.

presents an excellent opportunity to revisit the role that councils can play in the area of economic development.

Private sector employment

The majority (approximately 75%) of Aboriginal people who participate in the NSW workforce are employed by the private sector.⁹⁰ Globally, the World Bank estimates that nine in every ten jobs in both emerging and developed economies are created by the private sector.⁹¹ This highlights the need for the NSW Government to encourage and partner with the private sector to further strengthen their commitment to Aboriginal employment.

These efforts should not be divorced from broader job growth initiatives in the state. The \$190 million *Jobs for NSW Fund*, overseen by the Jobs NSW Board,⁹² is a key vehicle by which the Government hopes to stimulate business and grow 150,000 jobs by 2019.⁹³ At present, it is not evident whether creating jobs which will increase employment opportunities for Aboriginal people is a strong focus for the Board. In our view, consideration should be given to how this may be encouraged, such as through its membership, terms of reference or grant guidelines. Other state government initiatives – including payroll tax rebates, infrastructure investment and targeted scholarships – could also be reviewed to see whether more can be done to improve Aboriginal employment outcomes through these mechanisms.

There is also scope for the state government to further influence the private sector by raising awareness among, and increasing the capacity of, industry representative bodies and their members to target Aboriginal candidates for available jobs, including through the Industry Based Agreements (IBAs) initiative under OCHRE. Three IBAs are currently in operation⁹⁴ and the first cohort of 16 Aboriginal apprentices and trainees were engaged with the support of the Master Builders Association of NSW under the MBA IBA.⁹⁵ We believe there is merit in extending IBAs to other industries and we commend the efforts of AA in taking this forward.

However, there is scope to strengthen the capacity of agreements to deliver tangible employment outcomes by better linking them with Opportunity Hubs, the Jobs for NSW Fund and Board, as well as federal initiatives such as the Jobs, Land and Economy Programme, Australian Employment Covenant, Creating Parity agreements, and Industry Employment Initiative. IBAs could also take a regional – as well as an industry – focus and in this regard, leverage off the LDM Regional Alliances and the Economic Development Strategy for Regional NSW.⁹⁶ Finally, existing industry and employer partners could become involved in promoting IBAs to potential partners in other sectors and building their capacity to enter into agreements.

4.1.5 Lower rates of home ownership

Home ownership is a significant vehicle for financial stability, economic activity and intergenerational wealth. It also presents an opportunity for those that wish to enter into small business or other private

⁹⁰ According to the 2011 Census, almost 10,000 Aboriginal people in NSW were employed in the government sector, while over 36,000 were employed in the private sector: ABS, 2011, Cat. no. 2002.0, *Census of Population and Housing - Aboriginal and Torres Strait Islander Peoples (Indigenous) Profile (NSW)*.

⁹¹ World Bank, 2013, *Addressing the jobs challenge in G20 countries - an overview of recent labour market trends and policies*, Washington DC.

⁹² Comprising five private sector representatives and the Secretaries of the NSW Departments of Industry and Premier and Cabinet.

⁹³ NSW Government, 2016, 'State Priorities', (webpage), www.nsw.gov.au/making-it-happen.

⁹⁴ One with the NSW Minerals Council, one with the Master Builders Association of NSW and one with the Civil Contractors Federation of NSW.

⁹⁵ NSW Department of Education, Aboriginal Affairs, 2015, *OCHRE: Two Years On*, p.8.

⁹⁶ NSW Department of Trade and Investment, Regional Infrastructure and Services, 2015, *Economic Development Strategy for Regional NSW*.

enterprise activity by leveraging the equity in their home. Compared to approximately 70% of non-Aboriginal households, only around 40% of Aboriginal households in NSW own their own home.⁹⁷

The Senate Economics References Committee of the Australian Parliament recently concluded that worsening housing affordability is reflected in declining home ownership rates more generally.⁹⁸ Against this background, Aboriginal people face additional barriers to owning their own homes including higher rates of unemployment, low individual and household incomes, lack of family savings or capital, low awareness about what actions are necessary to secure and maintain a loan, and complicated land tenure under native title and statutory land rights regimes.⁹⁹ As these factors are inter-related and overlap with financial exclusion and low employment and income, positive outcomes are more likely to be achieved when strategies are well integrated.

Indigenous Business Australia (IBA) – the national provider of the Indigenous Home Ownership Program (IHOP) – has identified ‘first home owner grants’ and stamp duty concessions as two particularly important strategies for increasing Indigenous home ownership.¹⁰⁰ Although we note that the Senate Committee was not persuaded of the merits of first home owner grants, either generally or as targeted to Indigenous people specifically, there may be merit in considering independently examining the effectiveness of these and other approaches, including the benefits of supplementing the financial products accessible to Aboriginal applicants in NSW. In doing so, it would be useful to consider initiatives operating in other jurisdictions, such as:

- Specific finance to Aboriginal borrowers with low deposit rates and/or reduced charges for mortgage insurance, account keeping fees or fees for voluntary repayments (e.g. Nunga Home Loans in South Australia).
- Financial assistance for the property purchase price or the loan for the buyer’s portion (e.g. Western Australia Aboriginal Home Ownership Scheme).
- Shared ownership which enables approved applicants to buy a share of the home’s value and pay rent on the remaining share (e.g. Help to Buy: Shared Ownership in England which is open to low income, first home buyer, people with long-term disabilities and older people applicants).¹⁰¹
- The IBA IHOP, which aims to provide affordable home loans to Aboriginal and Torres Strait Islander people who do not qualify for bank finance, with set interest rates, deposit requirements and other support arrangements. We note that a recent Australian National Audit Office (ANAO) review of the program identified issues with the IHOP reaching low income applicants and those who cannot access commercial finance, which the IBA has agreed to address.^{102,103}

Nationally, Aboriginal households are six times as likely as other Australian households to live in social housing, and this trend is increasing.¹⁰⁴ Social housing has the potential to facilitate increasing Aboriginal home ownership in NSW through strategies such as ‘sweat equity’ schemes, ‘rent-to-buy’ programs and capacity support for tenants to apply for and maintain a home loan.

⁹⁷ SCRGSP, *Overcoming Indigenous Disadvantage: Key Indicators 2014*, Productivity Commission, table 4A.9.1; and NSW Department of Education, Aboriginal Affairs, 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.10.

⁹⁸ Australian Senate Economics References Committee, 2015, *Out of reach? The Australian housing affordability challenge*.

⁹⁹ Australian National Audit Office, 2011, *Home Ownership on Indigenous Land Program*, Audit Report No.23, p. 35.

¹⁰⁰ Indigenous Business Australia, 2015, *Submission to Home Ownership Inquiry: Aboriginal and Torres Strait Islander home ownership*.

¹⁰¹ Her Majesty’s Government, 2016, ‘Shared Ownership’, (webpage), www.helptobuy.gov.uk/other-housing-options/shared-ownership/

¹⁰² Australian National Audit Office, 2015, *Indigenous Home Ownership Program: Indigenous Business Australia*, ANAO Report No. 11 2015-16, Performance Audit.

¹⁰³ The IBA approved 187 new home loans in NSW in 2013-14, including providing loans and other support to Indigenous tenants renting in remote locations in NSW under the NSW Remote Aboriginal Home Ownership Scheme (NRAHOS) funded by the NSW Department of Family and Community Services – see IBA, 2014, *Annual Report 2013-14*, pp.62-63.

¹⁰⁴ The Australian Senate, Economics References Committee, *op.cit.*, p. 183.

We welcome the Government's objective, articulated in the new 10 year strategy *Future Directions for Social Housing in NSW*, for social housing to be a vehicle for breaking disadvantage and supporting residents' aspirations. It articulates a commitment to test locally based approaches in collaboration with the private sector, not-for-profit sector, and other tiers of government. This will include, among other things, strategies to improve education and employment support to residents and create more pathways out of social housing, including via incentives for residents to transition to the private market where possible. Maintenance contractors will also be required to provide employment and engagement opportunities for tenants.¹⁰⁵ Innovative means of strengthening the pathway from social housing to home ownership for Aboriginal residents must be a central part of this strategy.

The Murdi Paaki Accord¹⁰⁶ negotiated between the Murdi Paaki Regional Assembly (MPRA) and the NSW Government under the OCHRE LDM initiative, identifies affordable and appropriate housing as one of five priority areas. The Accord recognises the potential of social housing to foster home ownership and commits both parties to improving pathways to home ownership in MPRA communities; engaging the MPRA in the roll-out of new social housing; and improving social housing management arrangements to, among other things, explore incentive schemes for tenants.¹⁰⁷ Such strategies may be considered by other Regional Alliances in negotiating their Accords.

4.2 Harness existing opportunities

As well as targeting current barriers to Aboriginal success in the economy, the AEDF needs to leverage the positive opportunities available. In this part we highlight five significant prospects on which policy reforms can build:

- Existing mainstream economic development efforts
- Assets and comparative advantages of Aboriginal communities
- Appetites for collaboration and partnerships
- Solid Aboriginal business sector
- Government procurement

4.2.1 Spread the benefits of mainstream economic development initiatives

Our 2011 report to Parliament observed the need to bridge the structural disconnect within government between Aboriginal and mainstream economic development policy. This remains the case. An important objective should be ensuring that mainstream economic development strategies actually reach and benefit Aboriginal people.

To facilitate this, the AEDF should align with the *NSW Economic Development Strategy* and form a component of the *NSW Economic Development Framework*, with consistent actions and performance measures which are regularly monitored and assessed. The economic policy mandate, funding, expertise and influence of the Department of Industry (DoI) should be leveraged to deliver the outcomes sought by the AEDF, through ensuring that improving Aboriginal economic outcomes is explicitly embedded in the goals and work of the agency.

In pursuing this objective, the DoI should be guided by Aboriginal Affairs and relevant Aboriginal representatives on tailoring mainstream initiatives to improve uptake by, and outcomes for, Aboriginal stakeholders. Aboriginal Affairs also has an important role in brokering cross-government solutions to identified impediments to progress.

Through our monitoring of OCHRE, we will look for evidence that Aboriginal-specific policy reforms are integrated with the NSW Government's broader economic development agenda.

¹⁰⁵ NSW Department of Family and Community Services, 2015, *Future Directions for Social Housing in NSW*, p.4.

¹⁰⁶ Murdi Paaki Regional Assembly and the NSW Government, 2015, *Murdi Paaki Local Decision Making Accord*, aboriginalaffairs.nsw.gov.au/wp-content/uploads/2013/07/Murdi-Paaki-Accord-2.pdf.

¹⁰⁷ *Ibid*, p.12.

4.2.2 Recognise the assets and comparative advantages of Aboriginal communities

The AEDF should recognise and support the individual achievements, strengths and assets which Aboriginal stakeholders and communities may leverage for economic benefit. The required support includes ensuring Aboriginal people and communities have access to independent advice, effective governance to enable collective decisions, timely and adequate information, capacity building where necessary and the power to make free and informed decisions.

Through our work we have identified the key assets and comparative advantages of Aboriginal communities as including:

- **Being a predominantly young population** – with potentially greater familiarity with digital technologies, at an earlier stage in their working life, and with more flexibility to take employment and entrepreneurial risks.
- **Residing overwhelmingly in urban and regional centres** – where existing economic opportunities are concentrated and significant future economic growth is expected. As we observed in our 2011 report to Parliament, support to grow local businesses and job mobility is vital for Aboriginal communities in remote areas with a limited economic base.¹⁰⁸ The value of supporting sustainable livelihoods on country where these options are constrained warrants further exploration.^{109, 110} Regional and remote communities may also be well positioned to exploit new market opportunities emerging from the global shift to a lower-carbon economy, such as solar and wind power generation; and new technologies such as 3D printing.¹¹¹
- **Accumulating funds through grants, native title settlements, royalties and commercial activities** – which present opportunities for investment.¹¹²
- **Holding significant social capital** – the networks, shared norms, values and understandings that facilitate cooperation¹¹³ which may provide a ready basis for social enterprises and the emerging ‘collaborative consumption’ or ‘trust economy’ that trades access rather than ownership rights, using online platforms.¹¹⁴
- **Maintaining the world’s oldest living culture** – which may be leveraged, where desired, through commercial opportunities in art, food and cultural tourism (noting that the protection of collective and individual intellectual property is central to such endeavours).
- **Being partners to, and beneficiaries of, corporate social responsibility commitments** such as Reconciliation Action Plans (RAPs).¹¹⁵

Utilising Aboriginal land for wealth creation

Land holdings and ownership or management rights under the *Aboriginal Land Rights Act 1983* (NSW) (ALRA) and *Native Title Act 1993* (Cth) – including to minerals and water in some cases – constitute one of the most significant assets available to Aboriginal communities for wealth creation.

¹⁰⁸ NSW Ombudsman, 2011, *Addressing Aboriginal disadvantage: the need to do things differently*, chapter 6.

¹⁰⁹ Kennet R, Tran T, Talbot L, Heffernan T, Barton M, Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), 2015, *Implementing native title: Indigenous leadership in land and water livelihoods*, Report of a workshop at the 2015 National Native Title Conference.

¹¹⁰ Pew Charitable Trusts and Synergies Economic Consulting, 2015, *Working for Our Country: A review of the economic and social benefits of Indigenous land and sea management*, pp.22-28.

¹¹¹ Terzon E, 2015, ‘Plastic Fantastic: Indigenous community taking to 3D printing to turn plastic waste into phone cases and sunglasses to boost school attendance’, *ABC News*, posted 6 November 2015, www.abc.net.au/news/2015-11-06/plastic-fantastic-indigenous-community-recycling-plastic-waste/6918498

¹¹² In this regard we note the recent launch of Indigenous-designed and -led principles for investment to guide the management of such assets. See Indigenous Business Australia, 2015, *Indigenous Investment Principles*.

¹¹³ Organisation for Economic Cooperation and Development (OECD), 2007, *OECD Insights: Human Capital, How what you know shapes your life*, p.102.

¹¹⁴ See for example Botsman R and Rogers R, 2010, *What’s mine is yours*; Botsman R and Keen A, 2015, ‘Can the sharing economy provide good jobs?’, *The Wall Street Journal*; and Reidy C, 2014, ‘The sharing economy spooking big business’, *The Conversation*, <http://theconversation.com/the-sharing-economy-spooking-big-business-19541>

¹¹⁵ Reconciliation Australia, 2014, *RAP Impact Measurement Report*.

The NSW Aboriginal Land Council is the largest self-funded Aboriginal representative organisation in Australia and has a key role to play in creating economic opportunities for Aboriginal people.¹¹⁶

Local Aboriginal Land Councils (LALCs) also seek to deploy their land for a range of economic uses, including development applications for residential subdivision, commercial development, motel and conferencing facilities, constructing new homes for members, commercial leasing activities, and the disposal of land and sale of homes to LALC members.¹¹⁷ ALRA land has been shown to have significant potential for wealth creation, where desired and prudent. As the native title system matures, the means by which native title rights can support economic development is also increasingly in focus, with both the Australian Human Rights Commission and COAG examining this objective in 2015.

We will watch with interest the outcome of the NSW Crown Lands Review, as well as the implementation of the NSW ALRA reforms (that commenced on 1 July 2015), which include expediting resolutions of outstanding claims and clarifying how LALCs can engage in business enterprises. The Committee's current inquiry into regional planning processes in NSW will also be relevant. Further, in December 2015, the NSW Government and other jurisdictions agreed to implement the recommendations of COAG's report on an investigation into Indigenous land administration and use, which considered how native title and statutory land rights regimes could better enable traditional owners to readily attract private sector investment and finance to develop their own land with new industries and businesses.¹¹⁸ It will be critical for the NSW Government to ensure that rights to, and benefits from, Aboriginal land are maximised through these various reform processes.

A significant constraint on Aboriginal owners using their land to accrue economic benefit is the deteriorated state of the land and infrastructure of former reserves and missions transferred from Crown to LALC control. We welcome Aboriginal Affairs' focus on this issue under its solution brokerage powers and will monitor the outcome closely.

4.2.3 Facilitate collaboration and partnerships

Improved economic outcomes for Aboriginal people cannot be realised by government alone. Aboriginal stakeholders must take a leadership role in shaping, implementing and monitoring relevant strategies. As well, commercial expertise, jobs and capital investment are needed from the private sector, while the non-government sector plays an important role in supporting social enterprises, filling market gaps and capacity building.

Collaboration and partnerships between these different stakeholders are essential to change the status quo and in our view, the NSW Government could play a more active role in facilitating these through the AEDF. Experience drawn from such collaborations formed under mainstream economic development strategies – such as the Sydney Manufacturing Industry Agglomeration Project,¹¹⁹ Communities Plus program,¹²⁰ industry taskforces established with sector representatives and the Annual Business Leadership Forum – could inform targeted collaborations with Aboriginal stakeholders and the private sector on Aboriginal economic development. Our own experience is that

¹¹⁶ NSWALC has committed \$16 million over five years to support initiatives under its Economic Development Policy, and continues to pursue opportunities in the resource industry, such as through exploration tenements under the Mining and Petroleum Acts. NSWALC, 2014, *2013-14 Annual Report*, p.12.

¹¹⁷ NSWALC, 2014, *2013-14 Annual Report*, p.13.

¹¹⁸ COAG Senior Officers Working Group, 2015, *Investigation into Indigenous Land Administration and Use*, Report to the Council of Australian Governments.

¹¹⁹ Whereby the NSW Department of Premier and Cabinet (DPC) brought together the three levels of government and industry to support manufacturing and employment growth in the south and south-west Sydney. DPC reports that it has identified current challenges the industry faces and opportunities for government and industry to support future growth, with nine priority actions agreed for implementation by both government and industry. See NSW Department of Premier and Cabinet, *Annual Report 2014-15*, p.26.

¹²⁰ Communities Plus will be an ongoing program that seeks non-government and private sector partnerships to redevelop Land and Housing Corporation sites throughout metropolitan Sydney and regional NSW. See NSW Department of Family and Community Services, 2015, *Future Directions for Social Housing in NSW*, p.8.

taking the lead to bring together parties with common objectives and complementary functions, and supporting them to develop a partnership, can produce significant results. For example, in relation to economic development outcomes, we have:

- Assisted Westpac Bank and the Murdi Paaki Regional Assembly (MPRA) Regional Alliance to reach an in-principle agreement to consider a potential future working partnership strategy under the MPRA LDM Accord.
- Introduced the NSW Indigenous Chamber of Commerce to the federal Export Finance and Investment Corporation to broaden the access of Aboriginal businesses to loans for export markets.
- Brought together the Energy and Water Ombudsman, NSWALC, NSW Aboriginal Housing Office and Good Shepherd Microfinance to consider ways to better assist Aboriginal households to reduce and manage energy costs, which can amount to substantial debts if left unaddressed.

We welcome the approach taken by Aboriginal Affairs to broaden input into the draft AEDF by convening a roundtable in late 2015 with representatives from industry, Aboriginal business and other representatives, government, academia and non-government sectors.^{121,122} In recognition that no single sector can effect change, there was broad agreement by participants that one of the five pillars underpinning the framework should be 'establishing enduring, mutually beneficial partnerships'.¹²³ Once the broad direction of the AEDF is settled, it will be critical that the NSW Government works to convert this goodwill into concrete commitments, and to measure the tangible outcomes that result.

The OCHRE Local Decision Making initiative is one significant vehicle for pursuing effective collaborations and partnerships. The initiative seeks to empower Aboriginal regional governance bodies (Regional Alliances) to make informed decisions about funding and service delivery for the local communities they represent. The model aims to progressively delegate powers to Regional Alliances through agreements with the NSW Government (Accords) as capacity is proven and once pre-determined conditions are met.

The Murdi Paaki Accord, the first to be struck, builds on many years of partnership between the MPRA and successive governments at different levels. The Accord nominates economic development – including by identifying business and employment opportunities; a regional tourism strategy; and engaging emerging industries in the region – as one of five priorities.¹²⁴ It will be crucial that the NSW Government continues to work with Regional Alliances and other Aboriginal representative bodies to secure better economic development outcomes.¹²⁵ Industry Based Agreements (IBAs), another OCHRE initiative, provide a further vehicle for the Government to forge economic development partnerships (see also section 4.1.4).

Whatever form they take, collaborative undertakings in the area of economic development should be informed by lessons learned¹²⁶ and best practice,¹²⁷ which includes: enabling full and effective participation of Aboriginal people in the design, implementation and evaluation of collaborative undertakings; building the capacity of both Aboriginal and non-Aboriginal parties to participate equally and meaningfully; ensuring equal access to accurate and timely information; and, importantly, adequate resourcing – for too long, government and other parties have assumed that Aboriginal

¹²¹ NSW Department of Education, Aboriginal Affairs, 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*.

¹²² *Ibid*, p.2.

¹²³ *Ibid*, p.2.

¹²⁴ Murdi Paaki Regional Assembly and the NSW Government, 2015, *op.cit.*, p.9.

¹²⁵ Effective self-determination has been established as a fundamental factor in successful economic performance for American Indian Native nations in the USA. See Cornell, S and Kalt, JP, 2015, 'About Us: The Harvard Project on American Indian Development', (webpage) hpaied.org/about/overview.

¹²⁶ See for example Cultural & Indigenous Research Centre Australia (CIRCA), 2015, *NSW Government: Murdi Paaki LDM Accord negotiation evaluation*, Report for Aboriginal Affairs.

¹²⁷ See for example the United Nations Permanent Forum on Indigenous Issues and Australian Human Rights Commission, 2005, *Engaging the marginalized: Partnerships between indigenous peoples, governments and civil society*.

representatives will readily volunteer their time and expertise for free when comparative parties command sitting and consultation fees.¹²⁸

4.2.4 Build the capacity of Aboriginal organisations to increase enterprise development

Social return on investment analysis commissioned by Supply Nation suggests that Aboriginal owned businesses: create \$4.41 of economic and social value for every dollar of revenue generated; employ more than thirty times the proportion of Aboriginal people than other businesses; and reinvest revenue in their communities.¹²⁹

Over the last 20 years, the number of Aboriginal-owned businesses in Australia has tripled from approximately 4,600 in 1991 to 12,500 in 2011. Recent research involving 120 Aboriginal business leaders found that, on average, their businesses had annual revenue of \$2.7 million and employed about 23 workers, of which around 60% were Aboriginal.¹³⁰ Public listings on state government directories suggest that there are between 200 and 600 Aboriginal-owned businesses in NSW.¹³¹ Most are in the arts/cultural sector, followed by the education and training sector, and the construction sector. Approximately 8% of employed Indigenous people in NSW were owner-managers of enterprises or contributing family workers (self-employed).¹³²

The growth of the Aboriginal business sector is all the more remarkable given it is generally accepted that the development of Aboriginal businesses and entrepreneurship has more limited access to financial and human capital than non-Aboriginal counterparts.¹³³ Participants at the roundtable on Aboriginal economic development convened by Aboriginal Affairs in late 2015 highlighted the need to build, grow, maintain and resource the capacity and capability of Aboriginal community, business sector and leaders as one potential pillar for the AEDF.¹³⁴ Aboriginal entrepreneurs, business leaders and enterprises are important role models for Aboriginal people and communities and their success is evidence that achieving financial independence is possible for others. This group of stakeholders are also well placed to advise government on the key impediments to Aboriginal people starting and maintaining businesses in NSW.

For example, access to finance is one well-documented barrier.¹³⁵ Whereas non-Aboriginal small business operators may fail, regroup and try again,¹³⁶ the capacity for Aboriginal enterprises to recover and try again is more limited where equity is constrained. Commercial loans must adhere to specific criteria under national banking regulation which can be difficult for Aboriginal applicants to meet. Indigenous Business Australia business loans in NSW / ACT comprise approximately 25% of the total

¹²⁸ In this regard we note that the NSW Indigenous Chamber of Commerce is a key partner for government on Aboriginal economic development, with a dedicated Memorandum of Understanding outlining its role as a conduit between Aboriginal businesses and government. However, as it is not funded to perform this role, the effectiveness and sustainability of the partnership are tenuous.

¹²⁹ Burton R and Tomkinson E, 2015, *The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers*.

¹³⁰ Longitudinal research by Dr Michelle Evans and Dr Ian Williamson, discussed in Long C, 2015, 'Loaded: the Indigenous businesses competing in the open market', *Sydney Morning Herald*, 3 November 2015.

¹³¹ NSW Indigenous Chamber of Commerce, 2015, 'NSW Aboriginal Business Portal' (website), <https://nswicc.com.au/directory/> and NSW Department of Industry, 2015, 'Aboriginal business directory' (website), www.industry.nsw.gov.au/buy-from-nsw/suppliers-in-nsw/aboriginal-business-directory.

¹³² NSW Department of Education, Aboriginal Affairs, 2015, *The Aboriginal population of NSW in 2015: Policy options and challenges*, p.11.

¹³³ Cape York Partnerships, 2014, *Tribal Wealth: An inclusive prosperity agenda*, G20 Cairns, p.13.

¹³⁴ NSW Department of Education, Aboriginal Affairs, 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, pp.2-3.

¹³⁵ See for example Urbis & Westpac Group, 2014, *Enabling Prosperity: Success Factors for Indigenous Economic Development*; Australian House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, 2008, *Open for Business: Developing Indigenous enterprises in Australia*; and Victorian Aboriginal Economic Development Group, 2010, *Moonda Wurrin Gree: Pathways to a Better Economic Future*.

¹³⁶ ABS, 2015, Cat. no. 8165.0 *Counts of Australian Businesses, including Entries and Exits, Jun 2010 to Jun 2014*.

loans portfolio and total \$17.4 million in value.¹³⁷ NSWALC financial support is directed to LALCs and LALC-operated enterprises.

There would appear to be scope for government to create or support innovative approaches to facilitate Aboriginal enterprise and entrepreneur access to capital, including via venture capital, fostering joint ventures, investment funds, social benefit bonds and other forms of investment used in mainstream economic development efforts.¹³⁸ Access to capital should enable Aboriginal communities, enterprises and entrepreneurs to explore the feasibility of business ideas, seed start-ups, and grow existing businesses.¹³⁹

While Aboriginal communities have deep community, cultural and traditional skills, there is also considerable scope to strengthen technical competencies. There are a range of existing initiatives and resources directed towards building Aboriginal business, governance and leadership capacity. Increasingly, it is recognised that capacity building approaches are more effective when founded on established relationships – such as by mentoring, coaching, secondment of staff or institutional partnerships – rather than one-off training courses, short term interventions or stand alone written materials. Relationship-based models are generally longer term, involve two-way learning between the parties, are tailored to the individual needs of each participant, and enable capacity building to take place via practical, real-world application. They are not limited to improving the skills of individuals but can also incorporate group and institutional capacity building. Ensuring that both parties are competent in cross-cultural communication and knowledge sharing is a key feature of effective capacity building which we have promoted in a number of our reports to Parliament.¹⁴⁰

The primary NSW Government initiative to support Aboriginal enterprise development currently in place is the long-running Aboriginal Enterprise Development Officer (AEDO) grants program administered by State Training Services in the Department of Industry.¹⁴¹ The program funds non-profit, community based sponsor organisations to recruit Aboriginal staff as Aboriginal Business Advisors (ABAs). ABAs work with Aboriginal people who are considering setting up their own business or expanding their current business. ABAs are also expected to work with schools and Opportunity Hubs to develop small business enterprise development pathways for Aboriginal students.¹⁴²

The 2012 review of state government Aboriginal employment and economic development programs, including the AEDO, identified considerable overlaps in the activities and geographic distribution of these programs as well as insufficient monitoring of outcomes and a lack of holistic or sustained support.¹⁴³ It will be important that the development of the AEDF has regard to the review findings, and that consideration is given to how the AEDO and associated programs can be strengthened to support the desired outcomes of the framework. We would expect to see strong links formed between the AEDO and other Aboriginal business support programs and sources of potential Aboriginal entrepreneurs and enterprises, including Aboriginal employee groups, Aboriginal and mainstream chambers of commerce, peak industry bodies and other representatives from the private sector, schools, Opportunity Hubs and training providers.

Additionally, although the NSW Indigenous Chamber of Commerce (NSWICC) is the peak body for Aboriginal businesses in the state, and expected to act as a conduit between the sector and the

¹³⁷ IBA's total loan portfolio was 335 loans as at 30 June 2014, with a 'face value' of \$67 million. 84 of these loans (worth \$17.4 million) are to businesses in NSW/ACT.

¹³⁸ For example: Social Benefit Bonds, the Social and Affordable Housing Fund, the Premier's Innovative Initiative, the Jobs for NSW Fund and Regional Tourism Infrastructure Fund.

¹³⁹ NSW Department of Education, Aboriginal Affairs, 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, p.3.

¹⁴⁰ See for example NSW Ombudsman, 2010, *Improving service delivery to Aboriginal people with a disability*, and NSW Ombudsman, 2010, *Inquiry into service provision to the Bourke and Brewarrina communities*.

¹⁴¹ NSW State Training Services, 2015, *The Aboriginal Enterprise Development Officer (AEDO) Program: 2015-16 Program Guidelines*.

¹⁴² *Ibid*, p.7.

¹⁴³ The Allen Consulting Group, 2011, *op.cit.*, , p.72.

Government, there are no clear referral pathways or other mechanisms for collaboration between the NSWICC and existing Aboriginal business support programs. This should be addressed. We have also encouraged the NSWICC to connect with Federal Government agencies which support small and medium enterprises to access finances for export contracts to grow their reach to global markets, and note that recent research finds that most Aboriginal businesses are not engaged in international trade.¹⁴⁴ The NSW Supply Chain Accelerator Program may also be relevant. In finalising the AEDF, further consideration could be given to this area of capacity building and feedback sought from stakeholders about whether other supports are needed.

Finally, we have observed that information about available capacity building support could be better promoted to Aboriginal stakeholders and potential purchasers of Aboriginal goods and services, and rationalised to reduce duplication and gaps. For example, there are currently two online NSW Government funded Aboriginal business directories – one hosted by the Department of Industry¹⁴⁵ and the other auspiced by the NSWICC¹⁴⁶ – containing inconsistent listings. The NSWICC and other stakeholders have called for the creation of a ‘one-stop-shop’ for resources and assistance¹⁴⁷ which we endorse.

4.2.5 Use government procurement processes to incentivise the government/private sector to engage Aboriginal enterprises

Directing part of the government’s spend on goods and services (procurement) to Aboriginal enterprises and/or encouraging suppliers to employ Aboriginal staff is another means by which government can directly influence Aboriginal business development and economic outcomes. Supply Nation, the Business Council of Australia and the Prime Minister’s Indigenous Advisory Council have all observed that procurement is a useful vehicle to incentivise business to act on commitments for Aboriginal economic development. The Forrest Review of Indigenous Jobs and Training noted that the United States and Canada have effectively employed this strategy for decades.¹⁴⁸ Since OCHRE was launched in April 2013, the NSW Government estimates that \$58 million of the \$22 billion total expenditure on procurement that is able to be tracked was directly spent on Aboriginal businesses.

The NSW Government *Procurement Policy Framework* governs the purchasing of goods and services by public sector agencies in NSW. The framework does not articulate a policy position in relation to procurement of goods and services from Aboriginal businesses, but refers to the NSW Procurement Board’s *Direction 2013-14: Scope for government agencies to support Aboriginal businesses*.¹⁴⁹ The direction allows agencies to purchase goods and services valued up to \$150,000 from a recognised Aboriginal business provided the supplier’s rates are reasonable and consistent with normal market rates, and the agency obtains at least one written quotation.

Additionally, the *Aboriginal Participation in Construction* (APIC) policy¹⁵⁰ applies to certain government construction projects and recommends ‘target spends’ (i.e. a percentage of the total estimated value of the contract) on support for Aboriginal participation via employment, enterprise engagement or contribution to a nominated foundation. Individual agencies are responsible for setting

¹⁴⁴ Longitudinal research by Dr Michelle Evans and Dr Ian Williamson, discussed in Long C, *op.cit.*

¹⁴⁵ NSW Department of Industry, 2015, ‘Aboriginal business directory’ (website), www.industry.nsw.gov.au/buy-from-nsw/suppliers-in-nsw/aboriginal-business-directory

¹⁴⁶ NSW Indigenous Chamber of Commerce, 2015, ‘NSW Aboriginal Business Portal’ (website), <https://nswicc.com.au/directory/>

¹⁴⁷ NSW Department of Education, Aboriginal Affairs, 2015, *Report from the Roundtable on Aboriginal Economic Development 23 September 2015*, p.3.

¹⁴⁸ Forrest A, 2014, *op.cit.*, chapter 7.

¹⁴⁹ NSW Procurement Board, 2013, ‘Direction 2013-04’ (webpage), <http://www.procurepoint.nsw.gov.au/direction-2013-04>

¹⁵⁰ NSW Government ProcurePoint, 2015, ‘Policy framework for construction’ (webpage), www.procurepoint.nsw.gov.au/policy-and-reform/nsw-procurement-reform/construction/policy-framework-construction

the targeted project spend on each project, in line with their policy goals.¹⁵¹ We provided feedback to the Office of Finance and Services on a draft of the APIC policy, suggesting, among other things:

- giving consideration to making it mandatory, when calculating the targeted project spend, to assess the suitability of local Aboriginal businesses/companies as potential contractors and, if unsuccessful, to report on the reasons why
- including in the target spend, some form of capacity building with Aboriginal businesses to help grow the economic capability of certain communities, and
- that the targeted project spend be increased when the project is taking place in a location where the Aboriginal community is the predominant beneficiary.

We understand our feedback helped to shape the final version of the current APIC policy and will be considered in the development of future equivalent policies for other 'category spends' of state government expenditure guided by the AEDF. Ensuring that sufficient compliance mechanisms are built into these policies will be particularly important. Consideration could also be given to creating a consolidated policy on Aboriginal procurement applying across all types of state government expenditure, as has been done at the federal level.

It will also be essential to ensure that APIC and similar, related policies are practically linked with other OCHRE initiatives, including Local Decision Making, Industry Based Agreements and Opportunity Hubs. In this regard, we note that the Murdi Paaki Local Decision Making Accord commits the Department of Premier and Cabinet to developing a strategy for the Murdi Paaki region that identifies and increases the proportion of government spend going to local businesses under the current procurement framework.¹⁵² Consideration should be given to similar commitments in future Accords. The APIC also has obvious application to mainstream economic development strategies, particularly the \$20 billion *Rebuilding NSW* package, \$22 billion social and affordable housing construction program and work to remedy deteriorated housing and infrastructure on Aboriginal community land under the third Aboriginal Affairs solution brokerage declaration. A strong and practical connection should be evident between the APIC and these significant infrastructure agendas.

Additional strategies the NSW Government could employ to support the growth of public sector procurement from Aboriginal businesses include planning and publicising a pipeline of contracts or works so that enterprises and individuals can bid for projects staggered over time, enabling the experience gained on one project to be drawn on in bidding for, winning and delivering later opportunities. The NSWICC, Supply Nation and industry peak bodies could also be resourced and encouraged to facilitate the provision of mentoring by experienced Aboriginal enterprises to emerging businesses. Industry Based Agreements are a logical platform to support this.

The successes and failings from different sectors and other jurisdictions should inform new policies as they are rolled out. Following from the recent agreement by COAG to develop a new strategic framework with Aboriginal economic participation at its heart, leaders will discuss a range of actions at the next meeting including innovative approaches to procurement.¹⁵³ Similarly, the lessons learned from the government's practical experience in Aboriginal procurement should be shared with the private sector to encourage and equip other businesses to engage Aboriginal suppliers.¹⁵⁴

¹⁵¹ Contractors may allocate up to 50 per cent of the targeted project spend to expenses that are indirectly related to the project, but that contribute to the education and employment goals outlined in OCHRE. Two foundations currently approved for this purpose are: the Literacy for Life Foundation and the Master Builders Association of NSW Foundation.

¹⁵² Murdi Paaki Regional Assembly and the NSW Government, 2015, *op.cit.*, p.24.

¹⁵³ Council of Australian Governments, 2015, *COAG Meeting 11 December 2015: Communique*.

¹⁵⁴ For example, research by the Aboriginal Enterprises in Mining, Exploration and Energy Limited (AEMEE), gas company QGC and the Centre for Social Responsibility in Mining found that efforts to raise Indigenous employment throughout the mining boom had been patchy, in part because of a lack of guidelines. See Barnes R, Harvey B and Kemp D, 2015, *Benchmarking leading practice in Aboriginal business procurement in the extractive resources sector*, A report prepared by CSRM for AEMEE under the AEMEE and QGC Partnership Agreement, Centre for Social Responsibility in Mining.

Appendix A: Summary of suggested actions

The table below summarises our key suggested actions made in our submission above.

Section in submission	Area of focus	Suggested actions for the NSW Government
Strengthening accountability		
4	Building a strong framework	Task a body with the necessary skills, expertise and influence to deliver the AEDF through solid partnerships with Aboriginal leaders and private sector agents.
		Include a robust accountability framework for the AEDF including: a clear vision over the short, medium and longer term; regular and open reporting on progress; individuals empowered with sufficient authority to lead the necessary reforms; clear responsibilities ascribed to relevant agencies and positions which are linked to individual performance contracts; flexibility to enable adjustments when problems are identified and/or new information comes to light; and integration with broader regional and state-wide economic development efforts and place-based approaches.
Addressing the key barriers		
4.1.1	Education	Consolidate and strengthen strategies to improve educational attainment for Aboriginal people, including for the significant cohort of young people disengaged from education.
		Ensure that Connected Communities schools provide a pathway to vocational education and training (VET) options.
		Ensure that Opportunity Hubs demonstrate how all schools – not just those linked with a Hub – can develop and maintain clear routes to training and jobs for Aboriginal students.
		Provide good support to students during the critical school to tertiary study/work transition phase, and establish effective monitoring.
		Identify ways to further encourage and support Aboriginal VET students to progress to higher qualifications.
		Facilitate stronger partnerships and collaborative planning between the VET sector, industry and Aboriginal representatives to ensure training is targeted to areas of future need and results in Aboriginal graduates being competitive for real jobs.
4.1.2	Incarceration	Ensure community based justice mechanisms which provide diversionary options for driving-related matters, and initiatives which reduce the impact of fines and licence disqualifications on Aboriginal people are available – particularly in remote communities, areas of high unemployment, and areas with high rates of incarceration due to unpaid fines.

		<p>Explore options to permit disqualified drivers to drive, with conditions, in order to secure a job.</p> <p>Increase places for inmates in pre-release education and work programs, and ensure that short sentences do not affect access.</p> <p>Identify and remedy service gaps in pre- and post-release support for Aboriginal inmates to make education, training and work experience opportunities widely available, and connect ex-offenders with real jobs or further education after release – including through exploring partnerships with local industries.</p>
4.1.3	Financial exclusion	<p>Work with Aboriginal and market representatives to broaden the choices for financial services and products for Aboriginal consumers, and enable access to financial literacy programs.</p> <p>Identify where and why pockets of financial exclusion occur, and explore how government can help bring the banking sector or others to the table to deliver financial services to both individuals and particular communities.</p> <p>Consider establishing a community of practice with Aboriginal representatives, all levels of government, industry representatives and financial inclusion service providers to pursue reform in this area.</p>
4.1.4	Employment	<p>Target high need locations with high rates of unemployment and/or strong demand for government services – but a shortage of staff to deliver them – in implementing the NSW Public Sector Aboriginal Employment Strategy (AES). Ensure this consideration takes place in the context of broader service delivery reforms being led by DPC, and other OCHRE initiatives.</p> <p>Identify early where agencies are lagging in implementing the AES and need support. Depending on progress made, specific agency-level targets may be warranted.</p> <p>Examine opportunities for career pathways and capability development between the public sector and funded service providers, and consider the scope to extend the goals and approaches of the AES to local government.</p> <p>Encourage and partner with the private sector to further strengthen their commitment to Aboriginal employment. These efforts should not be divorced from broader job growth initiatives in the state which aim to create 150,000 jobs by 2019 – such as the work of the <i>Jobs for NSW</i> Board, payroll tax rebates, targeted scholarships and infrastructure investment.</p> <p>Raise industry awareness and capacity to improve Aboriginal employment outcomes, including through further Industry Based Agreements (IBAs) under OCHRE.</p> <p>Strengthen IBAs to deliver tangible employment outcomes by better linking them with existing Indigenous employment initiatives, encouraging a regional focus, and linking IBA partners across sectors to promote IBAs and build broader capacity to enter into new agreements.</p>
4.1.5	Home ownership	<p>Examine options for appropriate mechanisms to address financial and other hurdles to Aboriginal home ownership in NSW, aligned with strategies to address financial</p>

		exclusion and low employment and income levels.
		Implement strategies to facilitate social housing operating as a vehicle for increased Aboriginal home ownership.
Harnessing existing opportunities		
4.2.1	Mainstream economic development initiatives	Ensure that mainstream economic development strategies actually reach and benefit Aboriginal people.
		To facilitate this, ensure the AEDF aligns with the <i>NSW Economic Development Strategy and Framework</i> with consistent actions and performance measures which are regularly monitored.
		Ensure that improving Aboriginal economic outcomes is explicitly embedded in the goals and work of the Department of Industry, with advice from Aboriginal Affairs and relevant Aboriginal representatives on tailoring mainstream initiatives.
4.2.2	Assets and comparative advantages of Aboriginal communities	Recognise and support the individual achievements, strengths and assets which Aboriginal stakeholders and communities may leverage for economic benefit, including: being a predominantly young population residing overwhelmingly in urban and regional centres; with access to accumulating funds through grants, native title settlements, royalties and commercial activities; holding significant social capital; maintaining the world's oldest living culture; being partners to and beneficiaries of corporate social responsibility commitments; and owning a notable land base under the Aboriginal Land Rights Act and Native Title Act.
		Required support includes ensuring Aboriginal people and communities have access to independent advice, effective governance to enable collective decisions, timely and adequate information, capacity building where necessary and the power to make free and informed decisions.
		With respect to land assets: ensure that the rights to, and benefits from, Aboriginal land are maximised through the implementation of the NSW ALRA reforms, NSW Crown Lands Review, and the COAG investigation into Indigenous land administration and use.
4.2.3	Collaboration and partnerships	Play a more active role in facilitating collaboration and partnerships between Aboriginal representatives, the private sector, the non-government sector and government.
		Ensure collaborative undertakings are informed by lessons learned and best practice, which includes: enabling full and effective participation of Aboriginal people in the design, implementation and evaluation of collaborative undertakings; building the capacity of both Aboriginal and non-Aboriginal parties to participate equally and meaningfully; ensuring equal access to accurate and timely information; and adequate resourcing.
4.2.4	Capacity building for Aboriginal enterprises	Have a clear understanding of the key impediments to Aboriginal people starting and maintaining businesses in NSW, and ensure that business supports address these. This may include creating or supporting innovative

		approaches to facilitate access to capital for Aboriginal communities, enterprises and entrepreneurs to explore the feasibility of business ideas, seed start-ups and grow existing businesses.
		Consider how the Aboriginal Enterprise Development Officer and associated Aboriginal business supports can be strengthened to bolster the desired outcomes of the AEDF, informed by evaluation evidence and through feedback sought from relevant stakeholders. Explore options for, referral pathways or other mechanisms for collaboration between the NSW Indigenous Chamber of Commerce and such supports.
		Promote information about available capacity building support to Aboriginal stakeholders and potential purchasers of Aboriginal goods and services, and work with partners to rationalise these to reduce duplication and gaps, such as via a 'one-stop-shop' for resources and assistance.
4.2.5	Government procurement	Give consideration to creating a consolidated policy on Aboriginal procurement which applies across all types of state government expenditure, as has been done at the federal level. Lessons learned from the operation of the Aboriginal Participation in Construction (APIC) policy should be taken into account in developing any future equivalent policies – including the need for sufficient compliance mechanisms.
		Ensure a strong and practical connection between the APIC and mainstream economic development strategies – particularly the \$20 billion <i>Rebuilding NSW</i> package – as well as relevant OCHRE initiatives such as Opportunity Hubs and Local Decision Making.
		Consider planning and publicising a pipeline of contracts or works so that enterprises and individuals can bid for projects staggered over time.
		Resource Aboriginal business and industry peak bodies to facilitate mentoring of emerging Aboriginal businesses by experienced Aboriginal enterprises.
		Share the successes and lessons learned from experience in Aboriginal procurement with the private sector to encourage and equip other businesses to engage Aboriginal suppliers.