

**Submission
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INQUIRY INTO ECONOMIC DEVELOPMENT IN ABORIGINAL COMMUNITIES

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Submission from the Department of the Prime Minister and Cabinet to the New South Wales Government Inquiry into Economic Development in Aboriginal Communities

The Department of the Prime Minister and Cabinet (the Department) welcomes the opportunity to provide a submission to the New South Wales Upper House Inquiry into Economic Development in Aboriginal Communities.

The Department has primary responsibility for Indigenous affairs and most Commonwealth Government Indigenous-specific policy and programmes. The Department also works with other Commonwealth Government departments, state and territory governments, peak bodies, and Indigenous communities and organisations. A particular focus of our programmes and policies are to achieve the government's priorities of getting children into school, adults into jobs, and making communities safer.

Essential to achieving these three priorities is the need for actions and policies that enable economic development for Indigenous Australians. Sustainable economic development brings businesses, jobs, goods and services into local economies. It is crucial to the task of improving living standards and overall quality of life. Achieving this involves improving Indigenous education and employment and building Indigenous wealth by increasing the number of Indigenous businesses operating across Australia, and supporting Indigenous land owners to use their rights in land and water to support their aspirations.

The biggest gains in Indigenous employment and prosperity are likely to be in regional and urban areas where there are more market opportunities and where the majority of Indigenous people live. However, targeted effort and policies are needed to support economic development in remote Australia, where Indigenous disadvantage is at its most concentrated and severe.

The Government's role is to set conditions conducive to business and investment. Economic development relies upon Indigenous entrepreneurship, community support and leadership, in addition to significant private sector investment and involvement.

The Commonwealth and state and territory governments have agreed through COAG to the development of a new strategic framework that puts Indigenous economic participation at the heart of the national agenda. This recognises that economic participation underpinned by cultural participation leads to improved social outcomes.

Indigenous economic development is affected by a broad range of federal, state and territory government policies. Employment, training, education, land tenure and infrastructure policies and measures all have a role to play. It is important for us to determine where our efforts are most beneficial and complement the activities of the states, territories and other private and non-government actors.

A key role for the Commonwealth is setting the broader economic policies that will increase productivity and economic growth across Australia. These include:

- The recently agreed Trans-Pacific Partnership, which offers unprecedented opportunities for Australian businesses, farmers, manufacturers and service providers in the rapidly growing Asia Pacific region.
- The Jobs and Small Business Package, which provides a \$5.5 billion boost to help small businesses invest more, grow more and employ more. The package includes tax cuts for all small businesses with annual turnover under \$2 million, and measures to reduce red tape and encourage entrepreneurship.
- The National Innovation and Science Agenda, through which the Australian Government will invest \$1.1 billion to incentivise innovation and entrepreneurship, reward risk-taking and promote science, maths and computing.

The Australian Government is also working with the states to build the infrastructure that will support innovation in business and help Australians on the move arrive at their destinations quickly, easily and safely. We have made major investments in Australian infrastructure including the national broadband network and the development of Northern Australia.

Innovative economic development opportunities are opening up for Aboriginal and Torres Strait Islander businesses through the roll-out of the National Broadband Network (NBN). The NBN satellite will deliver 'city equivalent' internet connections for the first time in remote communities. Existing and aspiring entrepreneurs and enterprises will have the digital platform they need to link into new markets and sources of finance, fostering the potential for innovation in new digital industries. The Australian Government will spend \$6.7 million over three years to maximise access to the NBN and meet the needs of remote communities.

The Commonwealth also delivers a range of policies and programmes that are targeted towards increasing Indigenous economic participation. Information about these measures, including the development of Northern Australia and reforms to Indigenous land arrangements, is set out in the closing the Gap report.

This submission will focus on measures that are of most relevance to Indigenous economic development in NSW:

- Indigenous procurement policies, which seek to increase demand for goods and services from Indigenous businesses;
- support to establish and develop Indigenous enterprises;
- support for Indigenous employment;
- changes to remote welfare and employment services to improve incentives to work; and
- support for Indigenous land owners and native title holders to use their rights in land and water to pursue economic development opportunities and build their economic independence.

Together, these measures aim to increase Indigenous economic participation through employment and business ownership. They increase both the demand for goods and services from Indigenous businesses and employees as well as their supply.

The Indigenous Procurement Policy

Government procurement of goods and services injects significant amounts of money into the economy each year but up until now Indigenous businesses have not benefitted to the same extent as non-Indigenous businesses. For instance, in 2012-13, Indigenous businesses only secured an estimated 0.02 per cent of Commonwealth Government contracts – around \$6.2 million of the \$39 billion spent.

The Commonwealth Government's Indigenous Procurement Policy (IPP) started on 1 July 2015 and will drive an increase in demand for businesses that are at least 50 per cent Indigenous-owned.

The policy puts Aboriginal and Torres Strait Islander businesses at the front and centre of the way the Government does business – whether through direct contracts or through joining the supply chains of some of Australia's largest companies.

By leveraging its own procurement, governments can provide important opportunities for the Indigenous business sector. Governments can also work with major corporate partners to increase the use of Indigenous businesses in their supply chains.

Under the policy, the Government has set a target that 3 per cent of new domestic contracts will be awarded to Indigenous businesses by 2019-20. To ensure demand for Indigenous businesses commences immediately, interim targets are in place, starting at 0.5 per cent in 2015-16, rising each year until 3 per cent is reached in 2019-20.

Targeting the number rather than value of contracts creates incentives to spread opportunities across a broader range of businesses. This is important given that many Indigenous businesses are small to medium in size and have limited experience contracting with government. This approach also allows procurement officers to manage risks by giving Indigenous businesses contracts that match their capability.

In support of the whole of government target, individual annual targets have also been allocated to each government portfolio. To ensure accountability for the target, the Department of the Prime Minister and Cabinet will publish whole of government and individual portfolio performance against targets on the Department's website annually.

The policy has a mandatory set-aside. This requires government buyers to first check with Supply Nation (an Indigenous business listing website) to see if an Indigenous business can provide the goods or services on a value for money basis. This is mandatory for all procurements in a remote area as well as all procurements valued between \$80,000 and \$200,000.

The policy also has minimum Indigenous employment and supplier use requirements for specified contracts valued at \$7.5 million and above. This is designed to encourage major suppliers to government to increase their Indigenous employment and supplier use.

We are already seeing results. In the first six months of the IPP (to 8 January 2016), indicative data shows the Government has awarded 116 contracts to Indigenous businesses valued in total at around \$36 million. This is nearly 6 times more than the Government's procurement commitment for the full 2012-13 financial year. Underpinning these results has been a rapid expansion in

Indigenous business capability, including through a range of innovative and mutually beneficial joint venture and partnership arrangements with non-Indigenous businesses.

Based on these promising early results of the policy, the Australian Government is encouraging states and territories to increase economic opportunities for Indigenous Australians through their investment in public procurement and infrastructure, such as:

- government procurement targets which deliver strong and predictable increases in demand for goods and services from Indigenous businesses;
- requirements that major government contractors and third-party service providers themselves demonstrate significant Indigenous employment and procurement.

Support for Indigenous enterprise development

Funding is available under the Indigenous Advancement Strategy to boost the number of Indigenous-owned enterprises and create jobs. This includes \$25 million to start and grow sustainable businesses or social enterprises in remote Australia. These enterprises will provide real work experience and create real jobs, while providing more goods and services to remote communities. This extra support will build more local capacity to secure and fulfil contracts like housing and construction, rather than using out-of-town contractors.

Indigenous Business Australia (IBA) is a Commonwealth statutory authority with the purpose of assisting the economic engagement of Aboriginal and Torres Strait Islander people. In 2014-15 IBA approved 49 new business loans worth a total of \$18.3 million and provided business support or advice to 365 Indigenous businesses. IBA's services are accessible nationally through a network of offices in regional and metropolitan locations.

Other IBA support provides access to home lending, and for larger Indigenous organisations and investors, access to investments, including joint venture equity arrangements in major assets in a number of industries.

Employment programmes

With 80 per cent of Aboriginal and Torres Strait Islander people living in cities and regional centres, mainstream employment services have a vital role in boosting Indigenous employment. The Government has introduced reforms and invested \$6.8 billion over four years in jobactive – its new employment service for urban and regional centres. For the first time, employment services providers will have specific Indigenous employment targets. Achieving these targets will form part of a jobactive providers' ongoing assessment.

In Sydney, jobactive job seekers are gaining entry level technical skills to work the Sydney Metro North West Rail Link. As well as helping to meet the workforce needs of the project, this collaborative effort has resulted in more than 40 job seekers gaining employment, including seven Indigenous job seekers (more than 15 per cent).

The Australian Government also encourages large companies to increase Indigenous employment and supplier use through the Employment Parity Initiative (EPI). The Initiative is creating a new way of doing business between the Government and Australia's largest employers to ensure that the demand for skilled Indigenous workers continues to grow.

Large national employers with a strong track record of Indigenous employment and a capacity to hire large numbers of Indigenous Australians are invited by the Prime Minister to join the EPI. These companies will increase Indigenous workforce to be representative of Indigenous population levels in Australia, currently 3 per cent. Specifically, the programme aims to get 20,000 more Indigenous job seekers into jobs by 2020. In turn, these employers become champions for Indigenous employment within their business, industry and broader community.

One of the drivers for large companies to sign up to the Initiative is that it can help them to satisfy new government procurement requirements. Since the commencement of the EPI, the Department has entered into 10 grant arrangements with Accor Pacific, Compass Group, ISS Facility Services, Crown Resorts, Sodexo Australia, Hutchinson Builders, Spotless Facility Services, Woolworths Limited, MSS Security and St Vincent's Health Australia. All of the parity employers have operations in NSW.

The Government is also implementing its commitment to support around 5,000 Aboriginal and Torres Strait Islander people to receive practical training for a guaranteed job through Vocational and Employment Centres (VTECs). VTECs offer Indigenous-specific services based on community engagement and cultural competence. They provide wrap-around support beyond the assistance to Indigenous job seekers offered by jobactive and the Community Development Programme, as VTECs are designed to complement these programmes. There are currently seven VTECs operating across NSW, including in Sydney and the surrounding region, Western NSW (office in Dubbo), the North Coast (office in Kempsey), South Coast (office in Nowra), New England and Riverina (office in Orange).

Funding under the Indigenous Advancement Strategy's Jobs, Land and Economy Programme aims to improve workplace and entrepreneurial skills of Aboriginal and Torres Strait Islander people to improve employment outcomes. The programme targets its investment where it can maximise employment opportunities for Aboriginal and Torres Strait Islander people.

Community Development Programme reforms

In remote Australia, the Community Development Programme (CDP) is tackling passive welfare and helping to make communities better places to live. The unique circumstances in remote Australia, such as low population densities, seasonal labour markets, and high levels of welfare reliance, require a different approach to employment and participation than urban Australia.

Since 1 July 2015, remote job seekers are required to participate in community development activities for up to 25 hours per week in return for their income support. This helps people to gain the skills and experience necessary to find paid work, where it exists, and enables them to build self-esteem and contribute to their community in the absence of paid work.

To smooth job seekers' transition to work, job seekers are able to do long-term work experience in hosted placements under the programme. This also gives employers the opportunity to get to know job seekers before offering them a job. The opportunity to spend time in a real work environment can be an important step in a job seeker's transition from unemployment to a paid job. As of December 2015, 620 Indigenous job seekers had been placed in hosted placements in industries including childcare, fisheries, landscaping and conservation, hospitality and construction.

Community development activities can be used to meet community needs that might otherwise be met by local businesses. The programme will be designed to ensure that the roll out of these activities does not crowd out opportunities for private enterprise. Instead, incentives are provided to convert community development activities into real businesses that pay proper wages.

In the first six months of implementation, CDP has supported Indigenous Australians into 2,778 jobs. There was also a significant increase in the number of remote Indigenous job seekers contributing to their communities and developing skills while they look for work – from 46.7 per cent at 30 June 2015 (under the former Remote Jobs and Communities Programme) to 68.5 per cent at 31 December 2015.

On 2 December 2015, the Government introduced legislation into the Parliament to reform remote welfare and strengthen the CDP. This will improve compliance arrangements so that ‘no show no pay’ becomes a reality in remote Australia, and provide better incentives to work by raising the amount of paid income a person can earn and still receive income support. These reforms will be rolled out progressively from 1 July 2016.

Indigenous land and native title

Indigenous Australians have significant rights and interests in land and water under a range of schemes in NSW, including under the *Native Title Act 1993* (Cth) and *Aboriginal Land Rights Act 1983* (NSW). This is a significant asset base for Indigenous Australians that has not reached its full potential in supporting their economic independence and in turn their social, cultural and physical wellbeing.

On 11 December 2015, COAG agreed to implement the recommendations of the Report of the Investigation into Indigenous land administration and use (the Investigation) subject to jurisdictions’ unique circumstances and resource constraints.

The Investigation identified that Indigenous land can and does support economic development. The Report sets out a cohesive policy direction for governments to support Indigenous peoples’ use of their rights in land and waters for economic development. The Report identifies five key areas where governments should focus their efforts:

- gaining efficiencies and improving effectiveness in the process of recognising rights
- supporting bankable interests in land
- improving the process for doing business on Indigenous land and land subject to native title
- investing in the building blocks of land administration, and
- building capable and accountable land holding and representative bodies.

Implementation of the recommendations of the Investigation’s Report is underway. It is important that all governments work to support Indigenous land owners and native title holders be able to use their rights in land and water in line with their aspirations. The Commonwealth Minister for Indigenous Affairs will provide a Report back to COAG in late 2016 on the progress of implementation.

Further information and a copy of the Report is available at <http://www.dpmmc.gov.au/indigenous-affairs/about/jobs-land-and-economy-programme/coag-land-investigation>.

Next steps

The initiatives outlined above are designed to support the development of Indigenous-owned businesses, strengthen the Indigenous business sector, improve Indigenous employment outcomes and maximise opportunities for Indigenous land owners and native title holders to use these assets to support their economic independence. The Australian Government will closely monitor the effect of these initiatives to ensure the expected outcomes are delivered.

The Department of the Prime Minister and Cabinet welcomes the opportunity to speak further with the NSW Government about any of these initiatives.

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