

A PLACE FOR INDIGENOUS ECONOMIC SELF-SUFFICIENCY IN A RECONCILED AUSTRALIA¹

LEAH ARMSTRONG*

EXECUTIVE SUMMARY

Indigenous economic self-sufficiency in my view has not received appropriate policy development and strategic thinking. Although there has been a number of reviews undertaken, and currently there is yet another Indigenous business review being done, no government has attempted to quantify what is needed in an Australia wide context.

The title of this discussion paper and the seminar title highlight an important opportunity for Aboriginal people and governments; that is of 'Strategic Thinking'. The Harvard Project on American Indian Economic Development found dependency and powerlessness have long undermined strategic thinking among Indigenous people. Faced with short terms of office, frequent political turnover and endless streams of organisations looking for relief, leaders tend to look for quick fixes for development problems. Strategic thinking around economic development must examine not only the assets and opportunities but of priorities and concerns. It means asking:

What do we want to see on our land in our communities in fifty years time? What kind of society are we trying to build? What do we need to change or create? What do we want to preserve or protect? (*Cornell, 2002*)

In my view, in order to move ahead in achieving economic equality, we need a national commitment backed by a long-term partnership with government community and the private sector. There are a number of things to consider and the major ones that I would like to discuss are:

- Greater partnerships – national overarching economic development policy to improve governance and partnership development;
- Better education outcomes – improved school retention and school to work transition;
- Individual and family aspirations – empowering family units and youth for greater self-sufficiency;
- Local economic development – local flexibility in the design and implementation of policy that acknowledges local and regional interests; and
- Improved Indigenous leadership – Indigenous corporate leadership to properly debate issues in the Australian corporate environment.

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* Leah Armstrong is Executive Director of Yarrteen Aboriginal & Torres Strait Islanders Corporation.

Without sustainable economic equality there can never be a true partnership between Indigenous and non-Indigenous Australians.

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INTRODUCTION

The 'place' of Indigenous economic self-sufficiency is at the core of self-determination. Only through the empowerment of Indigenous Australians to achieve self-determination can we have a reconciled Australia.

Both Indigenous and non-Indigenous people often fail to recognize that true reconciliation and true equality comes to genuine freedom of choice at the individual and family level. And genuine freedom of choice can only arise for those who are in a genuine position to exercise choice.

For too long, there has been an emphasis on the social agenda rather than the economic agenda. This logically results on priority on welfare related issues. While welfare is important, access to welfare services must be accepted as a given and as a citizenship right, it is in my view inappropriate to use equity in access to welfare as the measure for Reconciliation.

Talk on reconciliation and economic self-sufficiency should be allied with constructive innovative actions that deliver hope for the future of our youth and their children.

My vision of a reconciled Australia is a political, social and corporate landscape that has empowered Indigenous people with true freedom of choice.

Within this landscape Indigenous Australians have:

- Freedom from political and bureaucratic interference;
- Freedom to express and maintain cultural values; and
- Freedom to participate in the mainstream economy.

These ideals should not be viewed within a specific timeframe, but progress towards must be immediate and viewed long term.

Thomas Paine said: 'Those who expect to reap the blessings of freedom must undergo the fatigue of supporting it'.

There have been many spokesmen, both black and white, who have quite rightly challenged conventional views. As the Chairman of IBA is on the record as saying: 'We need to ensure that these challenges go beyond rhetoric and that we collectively examine achievable on-the-ground solutions.'

But regardless of how Australians choose to embrace reconciliation, one thing must be made clear. We are a multi cultural society and we openly and willingly respect the rights of individuals moving to Australia to maintain their cultural ties and their beliefs.

This same tolerance must be extended to the first Australians and reconciliation must not come at the cost of compulsory assimilation.

PATHWAYS FOR GREATER ECONOMIC SELF-SUFFICIENCY

The term 'Economic Development and/or Economic Self-sufficiency', within my own experience, has the potential to mean different things to different people. And there continues to be debate over the need to improve the rights of our people before we can progress to a state of economic independence.

Importantly some believe Indigenous economic development should be recognised as the process through which financial and other material resources can be utilised for maintaining and enhancing Aboriginal societies, rather than one concerned only with developing infrastructure or increasing wealth.

Economic development can of course occur in many different ways. What I believe is important is that economic development and economic self-sufficiency is measured in a way which recognizes what is both realistic and practical. This then raises the question of what is economic self-sufficiency and how might it be measured. It is an area, I believe, that has received insufficient attention.

In order to know what needs to occur for a more equitable outcome, at first we do need to reflect on Indigenous circumstances in Australia today. This paper attempts to provide some key policy for the future of our people including what needs to be done and by whom.

It is widely acknowledged that despite over 30 years of government support programs, Australia's Indigenous people still remain, as a group, the most socially and economically deprived sector of the community. This statement should not be seen as an attack on the last 30 years as I think that the current situation is reflective of the size of the initial discrepancy in social and economic terms, between Indigenous and non-Indigenous Australians and the fact that living conditions and income levels for non-Indigenous Australians has continued to grow at a very rapid pace.

While the percentage of the Indigenous population in need is indeed high, a significant number of our people do not access welfare or support programs. They are part of the broader economy of this country.

There are some very positive indicators within the broader economic arena. For example:

- Australian Indigenous self-employment numbers continue to grow although the number, as a percentage of population is still well behind the broader community (*CAEPR paper 176/199*);
- Educational outcomes continue to improve with more and more students going on to tertiary level (*ATSIC report 1998 – ABSTUDY*). Although I do note that there has been some recent slippage in retention rates which happens to coincide with the restructuring of ABSTUDY;
- Employment prospects for well-trained Indigenous people are nearly as good as for the wider community (*CAEPR papers 123/1996, 97/1995*).

Despite a number of positive trends and outcomes, we all know that there are still too many Indigenous people dependent on the welfare system. Firstly, the overall percentage of Indigenous people subject to the welfare system is significant. Secondly, there are whole Indigenous communities with almost 100% participation in welfare or welfare equivalents. Finally, many Indigenous communities do not have an internal history of conventional employment or education from which to compare their current circumstances.

So what do we need to do to ensure that the future is one of equality and not a continuation of the status quo? While many people have different views on what the answer might be, it is unfortunate that in national terms, no government has attempted to quantify what is needed in an Australia wide context, although encouragingly, those responsible for certain programs have certainly set down and committed themselves to specific goals for their particular areas of responsibility.

In my view, in order to move ahead in achieving economic equality, we need to achieve a number of things. The major ones that I would like to discuss are:

- Greater partnerships;
- Better education outcomes;
- Greater emphasis on the individual and family unit rather than “community”;
- Local Economic Development; and
- Improved Indigenous leadership.

PARTNERSHIPS (Government & Private Sector)

The government’s focus in responding to community need is on sharing the obligation to support those in need. This has led to a major emphasis on the promotion and development of partnerships with community and the private sector.

However, benefits from partnerships have often remained geographically limited and focussed on specific issues and not focussed long term. Interest in maintaining partnership interest and broadening this to other activities has often decreased once objectives were being met. Furthermore, partnerships have not been adequately included in improving the effectiveness and appropriateness of decisions in policy development.

One of the things missing in Indigenous affairs is an overarching economic development policy that appropriately ties together the different efforts of the different agencies and different governments. Because of a lack of an overarching policy, we come back to a lack of a definition.

For example, some agencies embrace asset accumulation as an important part of economic development, while other agencies take a strict focus on employment creation.

As identified in the OECD paper *Local Governance and Partnerships, 2001* opportunities to improve governance and partnerships are missed due to

inconsistencies in the national policy framework, a narrow approach to policy implementation and failures in accountability.

The report goes on to suggest that a key strategy to improve governance through Partnerships is to make policy goals consistent at the national level:

Potential to co-ordinate policies at local level is limited by the degree of consistency across the policy objectives pursued by the various government departments at national level.

In order to make partnerships relevant and effective, the partners must aim at common or compatible objectives at national level, which can be pursued more concretely and attained more efficiently in partnerships at local and regional level.

Targeted government initiatives to assist economic development

For some time, Indigenous people have been largely dependant upon various government programs to assist them in asset accumulation (such as acquiring houses or land) or in getting into business.

Home ownership is an important way that Indigenous people can accumulate assets and lessen or escape dependence on government subsidies or social security. There is also evidence, using data from the 1994 National Aboriginal and Torres Strait Islander Survey, that home ownership is significantly associated with a higher probability of mainstream employment, and a lower probability of criminal arrests and family violence.

As a result of low income levels, location and land title issues and access to mainstream financing, Indigenous home ownership rate is only about 30 per cent, compared to 70 per cent in the general Australian community.

We have all heard the rhetoric, which assumes that lending to Indigenous people will be a loss-making proposition. The banks will cite responsibilities to shareholders, not being a charity, and the high risk of investing outside of major centres. They will of course all be able to point to examples, albeit limited, of where they are providing support to particular individuals or communities.

In simple terms there seems to be two ways forward:

1. The first is the carrot and stick approach adopted by the United States. This approach is based on banks being required to provide measured support to low-income earners and First Nation people. While this support is 'voluntary' failure to be able to demonstrate acceptable levels of support will be used at the federal level to prevent proposed bank restructuring such as branch mergers etc (*US Community Reinvestment Act 1977*).
2. The second approach focuses on accepting the banks' commercial arguments and designing programs to give comfort to banks. For example, at the US federal level, programs are in place to encourage banks to provide housing loans to First Nation people by federally backed mortgage guarantee facilities. These programs are designed to overcome difficulties including land title issues (*US Community*

Development Financial Institution Fund and US HUD 184 Program). In Canada, the banks have adopted an aggressive marketing approach to First Nation groups without any government pressure. *(Bank of Montreal and Royal Bank community policy statements)*

Greater attention might also be given to Indigenous asset accumulation, which can then be used as security to raise funds for other activities. As an example, the Navajo people in the United States were unable to attract banking support for small business and housing loans on their traditional land. As a result, they used an income stream from mining to progressively acquire commercial property in a range of major centres. With debt servicing it took some 15 years to build up this asset base.

They then returned to the banks asking for loans for housing and business activities and were able to offer the banks comfort with the collection of external assets. Not only did they achieve their objectives, they have also achieved a AAA (triple A) credit rating. *(Mr Roger Boyd US Treasury – CDFI Fund).* There is certainly a capacity in Australia to adopt a similar approach.

Support for Indigenous small business formation or growth is also critical. Recent small business surveys reinforce the fact that the small business sector plays a critical role in the Australian economy *(National Small Business Survey 1990–2003 sponsored by ANZ)*

However, Indigenous participation in the private sector is appallingly low. This applies both to self-employment as a small business owner, and general employment in the private sector. These outcomes continue to be low despite many programs over many years aimed at increasing participation, such as business support programs or programs providing financial encouragement to the private sector to employ Indigenous people.

A report issued in 1993 by CAEPR stated that self-employment has been regarded as an important avenue for the social and economic advancement of some disadvantaged groups such as migrants. As measured by the census data it had at that time, however, self-employment remained of little importance to Aboriginal people. In 1986, only 1.3 per cent of the Aboriginal working-age population was self-employed compared with 10 per cent of other Australians of working age.

A 1999 CAEPR study report updates the earlier report and advised on more recent trends in Indigenous self-employment. There was some evidence of a relative improvement in the number of self-employed in the Indigenous employed, with an increase in the number of Indigenous self-employed relative to other self-employed.

There is also evidence that the incentive for the ownership of small businesses (self employment) arises from a number of sources. The first is exposure to a family business that provides hands on practical training. The second is employment in a business in a similar field that also provides exposure to the requirements of running a small business. Very few Indigenous people have the capacity to learn from such opportunities as in most cases, these opportunities do not exist. There is a paucity of Indigenous owned

businesses, which can act as positive role models, and Indigenous participation in the private sector workforce is appallingly low.

Therefore to achieve future equality, we must:

- Continue with a range of specific targeted programs to encourage and assist Indigenous participation in commercial activities in the broader economy;
- Recognise that due to the lack of previous practical experience by many Indigenous small business owners, **ongoing** mentoring and other forms of support are essential; and
- Implement initiatives tailored to local community resources/advantages and ensure economic development programs are given appropriate support to ensure their viability and success through longer-term commitments.

Partnerships with the private sector

For the private sector, the challenges are to deal with Indigenous people as equal Australian citizens in terms of employment opportunities and investment potential.

Just as industry has come to grips with emerging changes such as environmental protection to ensure a sustainable future for everybody, the private sector should view investing in Indigenous Australians as an investment for the future.

Indigenous participation with the private sector is essential to:

- Encourage employment opportunities in sustainable activities which are not dependant on ongoing government support or subsidies and with proper financial rewards;
- Develop the confidence and expertise to consider self-employment;
- Encourage the formation and growth of small businesses to generate new self employment and other employment opportunities; and
- Develop sustainable economic activity in geographic areas in which larger businesses do not operate or where support activity (such as contracting) to larger businesses can be pursued.

However, we must recognize that in certain areas there are no realistic employment opportunities. Therefore both governments and the private sector must look at innovative ways to encourage a market driven approach as the fiscal enticer to bring industry and corporate Australia to communities.

Some suggested innovative strategies might include:

- Industry incentives;
- Taxation incentives;
- Creating economic development zones; and

- Legislating to create a requirement for Indigenous involvement in the expenditure of government contracts.

In addition, innovative partnerships are also important for Aboriginal communities who have accumulated substantial land assets i.e. NSW Land Councils, to seek appropriate advice on sustainable investment models.

Sustainable models that address:

- Land development with ongoing sustainable freehold tenure; and
- Passive investments that provide solid financial base for future active investments with higher employment outcomes.

The importance of these suggestions is that it does not seek special treatment specifically for Indigenous people. It is about creating an environment to encourage private sector investment and hopefully partnerships.

BETTER EDUCATIONAL OUTCOMES

Education and training are key drivers of economic growth, a higher standard of living and a socially cohesive community. Although most social/educational institutes have held this view for many years it is valuable to acknowledge the recognition from members of the Business Council of Australia (BCA) who have agreed that education is the single most important short, medium and long-term priority for Australia.

The importance of appropriate education and training cannot be underestimated in giving Indigenous people the capacity to aspire to sustainable employment with real wages which is not dependant upon ongoing government programs.

Without real jobs with real income levels, the whole debate of economic equality for Indigenous people falls away. Factors contributing to Indigenous Australians having far less access to learning throughout life than other Australians and much less association with the training and careers that come with paid work include:

- Lower retention rates and significantly high early school leaving.
- Emphasis on lower level courses contributing to relatively low skill levels;
- Apprenticeship and traineeship retention rates are significantly lower and low participation rates in private sector traineeships and apprenticeships;
- Geographic and social isolation which is compounded by the decline in rural industries that have traditionally been employers of Aboriginal labour; and
- Poor English literacy and numeracy levels.

As a result of poor outcomes in respect of education attainment, real jobs and real wages, average income levels, including family incomes, are two-thirds the Australian average.

However, what research also shows is that Indigenous people who have higher education are able to secure employment at rates not dissimilar from the non-Indigenous population. This reinforces the need for focused further education/training to prevent early school leaving and to support transitional programs – school to work programs - to maximise employment opportunities.

Many young Indigenous people who leave school early and do not go on to any further education and training represent a significant cost to society in the form of higher levels of unemployment and receipt of welfare payments, higher rates of crime and increased health costs.

The challenge for parents, communities, private sector and governments, are to look for local solutions that meet the needs of our young to improve their literacy and numeracy and encourage them to stay at school.

Calls from institutes, such as the BCA, support the notion that **governments are placing too much emphasis on pilot programs when what is needed is sustainable, recurrent funding for initiatives that tackle early leaving.** (*Cost of Dropping Out – BCA 2003*)

INDIVIDUAL AND FAMILY ASPIRATIONS

My experience with Yarnteem Aboriginal & Torres Strait Islanders Corporation has confirmed the view that programs aimed at the individual or family unit, have the potential to have a more sustainable affect than broad based programs or community-based programs. Programs falling under the general heading of economic development appear to be the most successful - here I am referring to education, employment, business creation and asset accumulation.

Yarnteem has advocated the way forward for our people is to continue to place a greater emphasis on the economic development of the individual and family and the consequential development of the means for financial independence at this level. We must empower our family units and our youth to enable them to participate in education, employment and business development opportunities and make informed decisions.

Key outcomes achieved through strategies targeted at families and individuals by Yarnteem include:

1. Assistance for Aboriginal Small Businesses through:
 - Business planning & mentoring;
 - Start-up loans; and
 - Business incubation.
2. Employment:
 - Over 100 Apprenticeships and traineeships with mainstream small businesses; and
 - Labour hire and contract employment.

3. Education & Training:
 - 100 Indigenous students in School to Work transition programs; and
 - Indigenous 'Practice Firm' enterprise education program.
4. Housing loan refinancing through mainstream banks.

The importance of family economic self-sufficiency provides the basis for individual self-sufficiency and breaking the circle of generational welfare dependency. Research on intergenerational welfare indicate that children of welfare recipients may have less exposure to on-the-job experience, and fewer job search skills and informal job contacts through their parents lack of participation in the labour market.

Government policies aimed at increasing capacity and reducing welfare dependence should recognise the critical relationship between these policies, and importance of individuals and family self-sufficiency.

MEETING NEED THROUGH LOCAL ECONOMIC DEVELOPMENT

The demographics of the Indigenous population of Australia are dynamic. To quote from a recent ANU report:

Indigenous Australians today face a diversity of economic circumstances. At one end of the spectrum are those residing in urban settings and engaging with the market economy, with varying degrees of success, like other Australians. At the other end are those who reside in remote parts of Australia and maintain important aspects of the Indigenous economy.

This report goes on to identify that 73% reside either in towns or cities, with the remaining 27% residing in small Indigenous towns, pastoral stations or outstations. There is a real risk that reports like this may oversimplify the range of problems by trying to categorise Indigenous people.

For me, economic equality might be measured by testing whether Indigenous people at specific locations, have the same choices, access to the same education and training opportunities, similar employment outcomes and similar family income levels as other Australians living in that particular area.

For example an Indigenous person renting in Sydney who aspires to own their own house in Sydney would have significantly different expectations of income needs, than an Indigenous person living in a remote community. The current and immediate future needs of these two people are fundamentally different and one cannot assume that one of these people will 'logically' be better off than the other.

Indigenous economic development should be advanced through **local flexibility** in the design and implementation of policy and a more active, area based approach that suits local and regional capacities and takes account of local and regional interests.

Indigenous economic development must also be underpinned by solid governance skills. Without real local responsibility and decision-making, there

is little prospect of sustainable long-term development – particularly if the ‘drive’ of this development is imposed from external sources.

IMPROVED INDIGENOUS LEADERSHIP

Encouraging structural reform will, however, be a wasted effort if we are not in a position to capitalise on any changes that do occur.

Indigenous Australians should be entitled to expect quality leadership from within our own ranks. Our history is important to us, but perhaps for too long many of our leaders have been looking backwards rather than looking forward. If we genuinely want life to be better for our children and their children, we need to embrace the challenges and move forward.

If we look to overseas models such as New Zealand, Canada and the United States, Indigenous leaders at the national and community levels sponsored the change process. In those countries, Indigenous spokesmen and community leaders saw the need to adopt a more statesman like role so that they could properly debate issues and offer constructive advice not only to governments, but more importantly, to their own people.

Whilst the first and important step rests with our leadership at the community or local level, the visibility of leadership in the corporate and political arenas are vital if we want to have meaningful dialogue and have our rights respected.

Corporate Indigenous leadership should be strongly advocated as we move to an economic environment where business is the key driver in Australia’s future.

Whilst acknowledging the paucity of Indigenous owned enterprises compounds the availability of Indigenous corporate leaders, it may be prudent for governments to facilitate mentoring of Indigenous people by corporate leaders to gain valuable knowledge and skill development.

This leadership is essential to help break down what has the potential to become systemic reliance on welfare.

CONCLUSION

The future should be seen with optimism. The challenge for Indigenous leadership is to provide quality leadership and to ensure that economic development is a major part of the agenda for dialogue with communities, governments and the media.

Without sustainable economic equality there can never be a true partnership between Indigenous and non-Indigenous Australians.

The current gap is very wide, but we should not be depressed thinking that equity is unachievable; let’s get on with creating possibilities.

What we do need is a clearer definition of economic independence that, in my mind, is both locally focused and achievable. In going forward, we should not be looking to governments to pay for or necessarily broker outcomes. What we need is an achievable national commitment, backed by the

promotion of an active and long-term partnership with the government, community and the private sector.

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I would like to acknowledge my fellow members contribution to Indigenous economic development and their role in empowering our people to achieve economic self- sufficiency.

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