



Supply Nation

The Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs

Submission by Supply Nation to the Inquiry into
The application of the United Nations Declaration on the
Rights of Indigenous Peoples (UNDRIP) in Australia.

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1 Introduction

Supply Nation welcomes the opportunity to make a submission to the Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into the application of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in Australia. Supply Nation considers that the Inquiry creates an opportunity to emphasise the central role that Indigenous procurement and a strong and viable Indigenous business sector plays in ensuring Australia's adherence to the principles of the UNDRIP.

The focus of our submission is on two of the four Terms of Reference outlined by the Inquiry:

- options to improve adherence to the principles of UNDRIP in Australia
- any other related matters

2 About Supply Nation

Supply Nation is the Australian leader in supplier diversity, and since 2009 has worked with Aboriginal and Torres Strait Islander businesses along with procurement teams from government and corporate Australia to help shape today's rapidly evolving Indigenous business sector. Supply Nation's world-leading 5-step verification process provides peace of mind by ensuring that all businesses listed on Australia's largest national directory of Indigenous and Torres Strait Islander businesses, Indigenous Business Direct, are not only Indigenous owned but are also regularly audited for changes in company structure and ownership. Supply Nation partners with its members from the government, corporate and not-for-profit sectors to develop procurement policies that can enable the greater participation of the Indigenous business sector.

More recently, Supply Nation also established an internal research capacity to deliver evidence-based programs—providing a stronger platform to advocate for the needs and benefits of Indigenous Business and Indigenous procurement. As custodian of Australia's most respected database of Indigenous businesses, a focus of our research is to understand the contours, trends and contributions the Indigenous Business sector makes to the broader national economy as well as its contribution to Indigenous well-being and self-determination.

Our research is the product of collaboration with a range of university centres, government and independent research agencies on projects of relevance to Indigenous Australians and Indigenous Business. The data outlined and used to inform our recommendations in this submission draws primarily on Supply Nation's Research Report No.5 – **State of Indigenous Business - An analysis of procurement spending patterns with Indigenous businesses 2019 – 2021**, and Supply Nation's Research and Policy Brief No.4 – **Measuring the holistic impacts of investing in Indigenous businesses: a knowledge review**.

This submission highlights some of the key findings from the reports as they relate to the UNDRIP in Australia. We have also provided full copies of the reports which contain further details on the data and methodologies.

3 The UNDRIP and Indigenous business

The UNDRIP places a key emphasis on the economic self-determination and development of Indigenous peoples. Article 3 of the UNDRIP for instance states that:

Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their **economic**, social and cultural **development**. (emphasis added)

Article 5 of the UNDRIP states that:

Indigenous peoples have the right to maintain and strengthen their distinct political, legal, **economic**, social and cultural **institutions**, while retaining their right to participate fully, if they so choose, in the political, **economic**, social and cultural life of the State. (emphasis added)

Article 21 highlights the importance of Indigenous peoples' rights to improve their economic and social conditions, especially as it pertains to employment, vocational training and retraining, while Article 22, outlines the role that governments have in taking effective measures to ensure the ongoing improvement of the economic conditions of Indigenous people.

Supply Nation believes that having a strong, vibrant and sustainable Indigenous business sector can underpin the Indigenous economic self-determination and development that forms a central concern of the UNDRIP.

In our previous submission to the Government Standing Committee on Indigenous Affairs Inquiry into the **Pathways and Participation Opportunities for Indigenous Australians in Employment and Business** (September 2020), we outlined the important role that Indigenous procurement, facilitated by Supply Nation, has played in driving the growth of Indigenous businesses.

A key insight was that bringing Indigenous procurement levels to 1% of spend in sectors that have had less traction to date, represents an \$8 billion opportunity for the Indigenous Business sector, translating into an increase of circa 90% in Indigenous Business sector revenue, and given that Indigenous businesses tend to employ a higher proportion of Indigenous workers this translates into an extra **19,000 jobs for Indigenous Australians**.

Our policy recommendations highlighted that while higher and more widespread procurement targets are critical to drive changes in spend, they on their own are insufficient to realise the opportunity for Indigenous business. In the context of policies to stimulate economic growth and minimise the effects of recession, realising the opportunity will require policy responses that lift demand, improve supply capacity and capability, and bolster improved connections between procurers and Indigenous businesses.

In addition to connecting suppliers and purchasers, Supply Nation is developing programs to build the capacity, skills and capabilities of our Indigenous businesses, so they can continue to take the opportunities that will be available, as the benefits of having a diverse supply chain become increasingly evident to business and government.

We emphasised in previous submission that Indigenous procurement plays a central and driving role in the creation of pathways and participation opportunities for Indigenous Australians in terms of jobs and Indigenous business, which is especially pertinent to the economic self-determination and development intent and aims of the UNDRIP.

In this submission to the Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into the application of the UNDRIP in Australia, we provide further and more recent data on Indigenous procurement from our Indigenous business suppliers as well as research in progress on the benefits of investing in Indigenous business.

4 Supply Nation Indigenous businesses

To be eligible for listing on Supply Nation's directory, a business (referred to as 'Suppliers') must be a minimum 50% owned by Indigenous Australians. Supply Nation has two tiers of businesses listed:

- Certified – Businesses that are majority owned (51% or more), controlled and operated by Indigenous person(s)
- Registered – Businesses that are a minimum 50% owned by Indigenous person(s)

Supply Nation has almost 4,000 Suppliers on its national directory, Indigenous Business Direct (IBD) as of October 2022. Research conducted in 2022 by a team at ANU based on almost 3,500 Indigenous businesses registered or certified with Supply Nation, showed that suppliers had an average Indigenous employment ratio of 68% when sole trader businesses are included, and 58% for businesses employing less than 20 employees.¹

It is estimated that Supply Nation Suppliers represent about 20% of all businesses in the Indigenous Business sector. However, the businesses that are registered and certified with Supply Nation are larger than those in the broader Indigenous business sector, in terms of average revenue and employment. As a result, they are estimated to represent 44% of revenue and 51% of employment in the Indigenous business sector.

Sections 5 to 8 summarise key trends in Indigenous business growth, employment and procurement spend and patterns, while section 9 summarises key themes related to the benefits of investing in Indigenous business. Details concerning the data and methodology of the information presented below can be found in the Supply Nation research papers available on our website and in the two research papers attached to this submission.

5 Indigenous business growth

The Indigenous business sector has experienced continued growth across multiple domains, including a 29% increase in the number of Indigenous businesses that secured contracts over the last two financial years (2019 – 2021). Between FY 19-20 and FY 20-21, there was an increase in Indigenous businesses across all types of business ownership with the most growth observed in the number of registered sole traders and partnerships.

The number of Aboriginal Corporations, defined as those entities registered with the Office of the Registrar of Indigenous Corporations (ORIC) under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act) also experienced significant growth. All states and territories in Australia saw an increase in the number of Indigenous businesses with contracts from FY 19-20 to FY 20-21, ranging from a 24% increase in Queensland to a 50% increase in New South Wales (NSW). In FY 20-21, most Indigenous businesses with contracts were in NSW (446), followed by Western Australia (280) and Queensland (234).

The number of Indigenous businesses operating within smaller revenue tiers grew at a greater rate than Indigenous businesses with larger revenues, suggesting that smaller players in the Indigenous business sector are securing opportunities in the marketplace, with a more even spread of revenue reflecting increasing market competition.

¹ Kerry Bodle, Christian Eva, Dennis Foley, Jessica Harris and Boyd Hunter, 'Indigenous employment in the Indigenous business sector', Supply Nation Research & Policy Brief No.3, Supply Nation, June 2022.

6 Employment

Indigenous businesses in Australia are also more likely to employ Indigenous workers at a rate between 40 to 100 times that of non-Indigenous businesses and organisations. The proportional Indigenous employment rate is significantly higher among not-for-profit Indigenous businesses. Not-for-profit Indigenous organisations are more likely to operate in the community and social services sector where the incorporation of Indigenous knowledge may be critical to the services and benefits provided, thus potentially explaining the higher proportional Indigenous employment rate.

The proportional Indigenous employment rate decreases as the revenue of Indigenous businesses increases, suggesting that Indigenous businesses may find it more difficult to maintain higher rates of Indigenous employment as they grow. This difficulty may be due to a limited number of potential Indigenous workers in the local labour market or that they may not require an Indigenous specific approach to the goods or services they provide.

Even larger Indigenous businesses (e.g., revenues over \$10 m) have a proportional Indigenous employment rate at or above 30% - ten times the estimate of the Indigenous proportion of the population (3%) as a whole.

7 Procurement spend

Our most recent report (attached) showed a 39% increase in total spend with Indigenous businesses from FY 19-20 to FY 20-21. This equates to \$2.3 billion spent by Supply Nation members (purchasing organisations) with Indigenous businesses registered or certified with Supply Nation (suppliers). This represents an increase from \$1.7 billion on the previous financial year.

The Commonwealth's Indigenous Procurement Policy (IPP), state and territory-based Indigenous economic and procurement plans and Reconciliation Action Plans (RAPs), have been important drivers of Indigenous procurement. Government accounted for **one-third of total spend with Indigenous businesses** as of FY 20-21, but commitments from the private sector have also played a substantial role in the development of the Indigenous business sector.

Purchasing organisations from major industries, including government (government agencies at local, state, and federal levels), mining, construction, facilities management, and real estate maintained strong engagement annually with Indigenous businesses.

Indigenous businesses in the marketing and communications, food and hospitality and events management industries experienced significant revenue growth in FY 20-21. This may be suggestive of a 'bounce back' to pre-COVID-19 revenue levels or growth because of new market opportunities.

Purchasing organisations in industries such as travel and tourism, aviation and retail and domestic goods and services, reduced their spend with Indigenous businesses, which may be due to the greater adverse effects of COVID-19 in these sectors.

While several industries in which Indigenous businesses provide goods and services experienced a significant increase in the number of contracts awarded, this increase in the number of contracts, however, did not always correspond to an increase in contract value.

8 Procurement patterns

Procurement is focused in a few sectors, with spend going to sectors where awareness is greatest and where more large firms exist (e.g., construction, admin and support services including facilities management and HR services), as well as areas of inherent competitive advantage (e.g., design, certain HR services) and areas of non-core spend (e.g., office supplies and services). Spend remains narrowly focused with a range of underlying drivers preventing Indigenous businesses securing procurement opportunities.

Spend in many sectors is limited due to lack of awareness, size / capability / experience of businesses, the challenge of adding new suppliers, business risk in switching from incumbents and perception or bias issues. Indigenous business presence is limited in some sectors due in part to higher barriers to entry. Indigenous business numbers are substantially below population share and the average Indigenous business is smaller than businesses in the broader economy.

9 The benefits of investing in Indigenous business

Previous research by Supply Nation has highlighted the benefits of investing in Indigenous business. Our Sleeping Giant report, a Social Return on Investment (SROI) analysis of Supply Nation Certified Suppliers, calculated that every dollar invested in Indigenous businesses, returned, on average, \$4.41 worth of economic and social value. It also highlighted a range of other cultural and community benefits of investing in Indigenous businesses that are difficult to measure and do not lend themselves readily to existing SROI models.

Together with the Interplay project, a scientific social technology developed from the ground up in Indigenous communities nationally, Supply Nation is developing a more culturally meaningful model to measure and monitor the broader holistic benefits of investing in Indigenous businesses that builds and extends on our earlier SROI analysis.

Demonstrating the value of investing in Indigenous businesses beyond economic value is crucial to support the growth of Indigenous businesses and their broader wellbeing impacts for communities and societies, areas also covered in the UNDRIP.

A review of the literature as part of this project, which informs the development of a framework to measure the personal, economic, social, cultural and environmental impacts of investing in Indigenous businesses, identified the following key themes:

9.1 Indigenous values and worldviews

Indigenous values and worldviews lie at the core of Indigenous businesses, based upon holistic concepts of communality and interconnectedness. Values of communality and reciprocity are deeply embedded in Indigenous cultures through spiritual beliefs passed on through antiquity, creating an implicit commitment to community and caring for the natural world. These inherent values are essential seeds for cultural, social and environmental flourishing. Their interrelationship with Indigenous business as a vehicle for economic prosperity is evident in:

- Working for the community: a primary motivation and desired impact for Indigenous business owners and employees is to 'work for the community'.
- Service to culture and community: culture and the importance of nurturing and protecting cultural identity, knowledge and practices through business and its flow on effects to communities are prioritised. These

include employment and skills development for Indigenous people and the strengthening of cultural and community assets.

- Indigenous businesses place high value on aligning with community goals and aspirations and being accountable back to the community through their business.
- Relationships and networks: connections and networks are highly valued and achieved through involvement in Indigenous businesses. This includes strengthening relationships in one's own community and culture as well as improving intercultural understandings and relationships, across cultures. Business enables people to build networks and resources outside their own culture and community as well as the capacity to bring together and create opportunities within the community.
- Indigenous employment: Indigenous businesses have an employment rate for Aboriginal and Torres Strait Islander people that is 60% higher than other businesses. In turn, Indigenous employees find their employment creates safe spaces for families and culture, strengthens connection to culture, creates opportunities for healing and training, and relates to feelings of pride in the business. As was outlined previously, Indigenous employment rates vary across sectors, being higher in the not-for-profit sector particularly amongst community and social services and in smaller businesses.
- Establishing place: caring for Country including land, sea, flora, fauna and people is highly valued in all Indigenous cultures. Being involved as an owner or employee of an Indigenous business enables people to strengthen their connection with 'place' in several different ways ranging from improving housing security to improving land tenure arrangements and working towards and achieving environmental outcomes including protection, restoration and other components of caring for Country. The deep knowledge and commitment to caring for the land and sea carried by Indigenous people has created opportunities for culture-based economic development with cultural, social and environmental benefits.

9.2 Culture through work

The ways in which Indigenous businesses work within culture or bring 'culture through work' include integrating cultural knowledge and values into business, learning about, and strengthening culture through work, cultural leadership, culturally safe workplaces and culture-based products and services.

- Cultural leadership: cultural leadership builds and strengthens cultural identity for Indigenous business owners, employees and the businesses themselves. This occurs predominantly through growing genuine systems of Indigenous governance and leadership and embedding knowledge and strategies for learning from Elders and Indigenous leaders in the business.
- Culturally safe workplaces: feeling culturally safe in the workplace is a critical condition for successful Indigenous employment and a key reason that Indigenous employees will stay or leave a job. Culturally safe workplaces are defined by factors such as:
 - respecting family and cultural responsibilities
 - flexible, less formal working arrangements to balance work with cultural obligations and customary practice
 - celebrating cultural events and practices
 - cultural sensitivity in the workplace
 - respecting and learning about other cultures
 - strengthening intercultural relations and cross-cultural communication
 - mentoring, learning on the job, training and career development opportunities

- Culture based products and services: many Indigenous businesses grow cultural knowledge and awareness through delivering products and services that draw from cultural wisdoms, knowledge and practices. These culture-based products and services range from artworks and stories that value and promote Indigenous cultural heritage to nature-based enterprises that apply Indigenous knowledge to solve contemporary challenges such as land and wildlife management.

9.3 Empowerment through work

Business offers Indigenous people and communities the opportunity to prosper and grow through cultural identity and Indigenous ways of working, with further growth achievable with support from mainstream economies and wider networks.

- Personal empowerment: the personal empowerment benefits for Indigenous business owners and employees include feeling proud, feeling good, being able to support family and community, strengthening culture, restoring personal and community pride, financial stability, building capabilities and capacity and gaining opportunities for career development.
- Capacity and capability building: the opportunity and benefit of developing business skills and other capabilities is an essential part of success for Indigenous businesses, particularly in areas of business management, business development, financial management, accounting, commercial literacy, research and development, business networking and English literacy and numeracy.
- Support to overcome barriers: Indigenous business owners and employees often must overcome structural barriers when they participate in the economy including structural racism, working across worldviews and intercultural spaces, adapting to different knowledge systems, interrupting cultural synergies and the impacts that their participation in enterprise have in disrupting their own cultural and social networks.

9.4 Summary

The previous section (which draws on our Research and Policy Brief No.4) identified that investing in Indigenous businesses creates value in the following ways:

- Indigenous values and worldviews
- working for the community
 - connecting with culture and community
 - relationships and networks
 - Indigenous employment
 - establishing place
- culture through work
 - cultural leadership
 - culturally safe workplaces
 - culture based products and services
- empowerment through work
 - personal empowerment
 - capacity and capability building
 - overcoming barriers

Supply Nation is working with The Interplay Project to develop a holistic framework that provides deeper insights into the personal, economic, social, cultural and environmental impacts of investing in Indigenous businesses. These findings will inform the development of a holistic framework to measure the impacts of investing in Indigenous businesses, a useful complement for monitoring progress in Australia's adherence to the principles of the UNDRIP as well as better understanding and acknowledging the contribution of the Indigenous business sector to enhancing the rights of Indigenous Australians.

10 Conclusion

Supply Nation believes that Indigenous procurement and a strong and viable Indigenous business sector plays a key role in ensuring Australia's adherence to the principles of the UNDRIP. A vibrant and sustainable Indigenous business sector not only provides a foundation for the economic self-determination and development aspects of the UNDRIP but contributes to the overall well-being of Indigenous Australians through its wider personal, social, cultural and environmental impacts.

While higher and more widespread procurement targets are critical to drive changes in spend, they on their own are insufficient to realise the opportunity for Indigenous Business, and require policy responses that lift demand, improve supply capacity and capability and bolster improved connections between procurers and Indigenous Businesses. With these additional measures, Indigenous procurement can continue to play a central and driving role in the creation of a healthy Indigenous business sector which is critical to achieve the vision contained within the UNDRIP.