

Submission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs

Inquiry into Indigenous Businesses



**Department of Employment,
Education, Training and Youth Affairs
(DEETYA)**

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INQUIRY INTO INDIGENOUS BUSINESSES

1. Introduction

The programmes administered by the Department of Employment, Education, Training and Youth Affairs (DEETYA) are not specifically for Indigenous business. Labour market programmes and vocational education and training programmes assist Indigenous Australians to find employment. While the bulk of this activity is directed towards mainstream private sector employment, opportunities for employment in Indigenous businesses are growing.

The Aboriginal and Torres Strait Islander Commission (ATSIC) is the principle Commonwealth agency supporting Indigenous business. The programmes administered by the Department provide assistance aimed at increasing the skill level of Indigenous people through its labour market programmes and associated education and training programmes. In turn this activity can help to satisfy the skill requirements of businesses. If appropriately targeted these labour market programmes can support the skill requirements of Indigenous businesses. In particular, the New Enterprise Incentive Scheme (NEIS) can support the development of Indigenous small business.

This submission describes those programmes administered by the Departments that are most relevant to Indigenous business and outlines trends and new approaches to the application of these programmes. The Inquiry's Terms of Reference are addressed in the body of the submission.

The Aboriginal Employment Development Policy (AEDP) was introduced in 1987 to establish a comprehensive strategic framework to improve the economic situation of Indigenous Australians. The AEDP aimed to reduce unemployment by targeting new public, community and private sector opportunities and by supporting the development of Indigenous owned enterprises. It is the AEDP that sets out the framework for application of programmes and services administered by the Department to meet the employment and training needs of the Indigenous Australian community.

ATSIC, with the support of the Department, recently published a review of the AEDP and circulated a discussion paper titled "Pathways to sustained economic development for Aboriginal and Torres Strait Islander Peoples". The outcome of this work has yet to be submitted to Government.

While the AEDP will not achieve its goal of reaching employment equity for Indigenous Australians by the year 2000 the strategies have been successful in containing Indigenous unemployment despite the growing Indigenous working age population. However, this largely has been achieved through significant increase in the Community Development Employment Program (CDEP) and employment in the public sector. Indeed over 70% of those Indigenous people that are employed are employed in the public sector.

The review found that since the introduction of the policy the number of self employed Indigenous people has grown by over 50 percent. However, this growth has been from a small base and largely in areas most directly influenced by government policy. There has been little improvement in private sector employment.

In November 1995 an international study team organised by the Local Employment and Economic Development (LEED) Program of the Organisation of Economic Cooperation and Development (OECD) visited Australia. The study team recommended that the issues identified be further developed at an international conference on economic development sponsored by the Department and ATSIC in September 1997.

The Conference “showcased” a number of Indigenous businesses successfully operating in an increasingly sophisticated business world and highlighted the need to broaden and expand the level of entrepreneurial skills, and the need to nurture and support existing Indigenous businesses. The conference findings included:

- there is an urgent need to accelerate the drive towards economic development;
- Indigenous people are taking responsibility of their future and that governments are there to assist;
- Indigenous communities must move quickly away from dependency on public funded employment towards private sector employment;
- improved outcomes in education, training and employment must continue to be a priority;
- education and training must include a strong focus on economic development;
- CDEP should be a tool for economic development rather than an end in itself;
- vocational training providers must improve the relevance and delivery of services, particularly to remote communities;
- better planning and coordination is needed between all levels of government;
- Indigenous communities should try to ensure that economic development is not at the expense of cultural or social values;
- community generated plans for economic development are a crucial first step in enabling Indigenous groups to make their own decisions;
- the private sector becoming more involved in Indigenous economic development is good for business;
- Indigenous/private sector partnerships provide excellent opportunities for future economic development;
- information about ideas and best practice should be distributed in a more regular and structured way;
- ownership of land can be a crucial ingredient for economic independence.

A prominent theme throughout the Conference was the pressing need for entrepreneurial skills for Indigenous communities and for individuals so that they are in a position to make appropriate business decisions.

2. Programmes administered by DEETYA relevant to Indigenous business development

New Enterprise Incentive Scheme (NEIS)

NEIS assists unemployed people to establish their own business. The assistance provided includes small business management training, income support and on-going business advice and mentor support for the first year of business operation. Managing agents are contracted by the Department to provide these services. Assistance is specifically directed towards unemployed people in receipt of Commonwealth allowances.

A number of NEIS Managing Agents considered that the provision of short preparatory small business training often proves beneficial in assisting Indigenous people to develop their business idea and be better placed to take advantage of the NEIS programme. As a consequence, in 1997 DEETYA developed a 40 hour pre-NEIS accredited training curriculum aimed at assisting people develop business concepts and self development skills. The Preparatory Small Business Training Course was registered in 1997.

In addition, the Department has worked closely with ATSIC in 1997-98 in the development of guidelines and implementation of the Indigenous Business Incentive Programme (IBIP). This cooperation enabled the IBIP to dovetail with NEIS, to tap into NEIS and pre-NEIS training modules as a prerequisite for IBIP finance and grants, and to utilise the expertise and infrastructure of NEIS Managing Agents who became more sensitised to the particular needs of Indigenous Australians.

IBIP has already assisted 90 indigenous clients to undertake NEIS training on a fee for service basis with a further 79 in training and 195 expected to receive training before the end of June 1998. This represents a significant increase on the numbers of Indigenous people who have started business through NEIS in previous years.

From its consultations with the National NEIS Association the Department considers that the NEIS core curriculum is appropriate for Indigenous clients. There may be value, however, in developing additional training aids tailored for (a) urban Indigenous people, and (b) rural and remote communities. Also there is a place for using the short preparatory business training modules developed by DEETYA as an introduction to more intensive training.

The Department has a new network of 42 Employment Development Officers to ensure that remote and rural communities, in particular Indigenous communities, have information about and access to the Department's programmes and services. These officers will pay particular attention to Indigenous business development and will be trained to assist these communities to access NEIS and IBIP.

Business Incubators funded under the Regional Assistance Programme

Incubators, which are operated by non-government organisations, assist the establishment and early development of new micro-businesses. They encourage employed and unemployed people to set up small businesses, reduce the failure rate of those businesses and assist them to operate efficiently, creating new jobs as they expand and graduate from the incubator.

In providing support to general purpose, community-based incubators, DEETYA aims to generate regional economic activity and create employment by encouraging unemployed people to set up self employment ventures, particularly through linkages with the New Enterprise Incentive Scheme.

By far the major supporter of incubators in Australia has been local government, although considerable support has also been provided by State and Territory governments, universities, the corporate sector as well as the Commonwealth Departments of Industry, Science and Technology; Housing and Regional Development; Communications and the Arts; and Employment, Education, Training and Youth Affairs.

During 1996/97, some \$12 million was provided through the Regional Assistance Programme to support 46 business incubators, 25 of which were newly established.

Regional Assistance, under which incubators are funded, is disbursed through the network of 57 **Area Consultative Committees (ACCs)**. ACCs comprise Government and industry representatives whose principle role is to provide a conduit between Government assistance and local labour market needs.

Training for Aboriginal and Torres Strait Islanders Programmes (TAP)

The Department delivers a number of mainstream labour market programmes. In addition, DEETYA provides special assistance to Aboriginal and Torres Strait Islander people through the Training for Aboriginals and Torres Strait Islanders Programme (TAP). This programme provides support for recruitment and career development through pre-employment training, wage subsidies, mentoring and other assistance where this assistance is likely to result in a permanent job or an upgraded position. Increasingly, this assistance is linked to structured and accredited training.

(a) TAP Direct Assistance

TAP Direct Assistance is available for individuals placed through the CES and contracted case managers, and may include:

- compulsory or essential training costs (not HECS);
- wage subsidies based on award rates of pay (usually, to a maximum of 50% for the period of training);
- ancillary allowances based on individual needs;
- mentor support; and
- other allowances associated with attendance at approved courses.

The bulk of this activity is directed towards accredited training and in particular traineeships and apprenticeships.

Most labour market programmes, including TAP Direct Assistance, will be “cashed out” to fund the new Job Network competitive employment services market from 1 May 1998. Under the Job Network, providers will be paid a fee to place disadvantaged jobseekers into employment and will be able to use the fee to provide training to suit the needs of individual jobseekers.

Indigenous jobseekers will be targeted to receive at least the same share of Job Network intensive assistance as they received previously under the Department’s labour market programmes. Job Network members will undoubtedly seek out Indigenous businesses as a source of employment outcomes. They will be able to package assistance to suit the specific needs of the job seeker and the requirements of the business.

(b) TAP Employment Strategies

Employment Strategies is an element of TAP. It provides for the development of medium to long term Aboriginal and Torres Strait Islander recruitment and career development programmes with organisations capable of securing placements in targeted regions or industries.

The objectives of Employment Strategies are to:

- increase the number and status of Aboriginal and Torres Strait Islander people in ongoing employment, taking into account the need for an appropriate geographic, industrial and occupational spread of employment opportunities; and
- improve the career prospects of Aboriginal and Torres Strait Islander employees, with a particular focus on increasing the number of employees in managerial, professional, technical and skilled occupations.

Employment Strategies provides for longer term (up to 3 years) agreements with employers to provide assistance to increase the number and status of Aboriginal and Torres Strait Islander staff that they employ. This assistance can involve a flexible set of measures directed at training and recruiting Aboriginal and Torres Strait Islander staff. These strategies, however, should not fund normal in-service training responsibilities of the employers.

While assistance under an Employment Strategy is flexible, it is based on the precept that it be used for recruitment and career development over and above that which the organisation would normally be expected to provide. Employment Strategies are intended to assist Aboriginal and Torres Strait Islander people to attain positions which an employer would normally expect to fill.

Funding under an Employment Strategy can cover development costs (including consultancies), preparatory training costs, wage subsidies and ancillary allowances, mentor support, development of cross-cultural awareness training, career development costs (linked to an upgraded position), marketing and project evaluation.

Increasingly these Strategies are being developed with Indigenous businesses and with joint ventures, particularly in the mining and tourism sectors.

The Australian Chamber of Commerce and Industry (ACCI) has a Commonwealth funded employment strategy in place. The agreement provides funding for ACCI to employ a National Manager, an Indigenous Promotions Manager and nine Indigenous Employment Program Managers.

The aim of the strategy is to increase access by Aboriginal and Torres Strait Islander people to permanent employment in the private sector through a partnership between government, employers and state/territory chambers of commerce.

Through this strategy ACCI also encourages Indigenous businesses to become members of local chambers. This links Indigenous business to the support provided by the chamber and the opportunity to network with other businesses.

(3) Vocational Education and Training

Access to a well trained and skilled workforce is an essential ingredient to the success of business. Vocational education and training programmes administered by the Department and through the Australian National Training Authority (ANTA) have a strong business focus, and Indigenous Australians and Indigenous businesses are increasingly recognising the value of structured training.

A range of initiatives have been developed to improve the relevance of the vocational education and training system to Indigenous people. In particular the Department has established a task force on school to work pathways for Indigenous Australians to identify strategies and

techniques for improving the application of vocational education and labour market programmes to the needs of Indigenous people. The task force will examine departmental programmes and services and suggest ways in which the range of assistance available might be better linked, including with those provided by other agencies.

The following outlines briefly vocational education and training assistance programmes that would be relevant to Indigenous business.

New Apprenticeships

The New Apprenticeships scheme provide greater flexibility and extra support for employers of apprentices and trainees, particularly those in small and medium sized businesses.

The Government's reforms will introduce the following benefits for employers:

- simpler, more streamlined apprenticeship and traineeship services through a one-stop “New Apprenticeship Centre”;
- less red tape;
- access to part-time arrangements;
- flexibility to vary the mix of training and productive time under new industrial relations arrangements;
- a choice of training provider under User Choice and the ability to customise training to suit business needs; and
- apprenticeships and traineeships qualifications developed by industry based on nationally approved industry Training Packages.

Indigenous people are increasingly taking advantage of entry level training through apprenticeships and traineeships. Over 5,000 Indigenous Australians commenced traineeships last financial year. Indigenous businesses are building their workforce through structured entry level training. Many have significant numbers of trainees in their workplace.

The Australian National Training Authority (ANTA) funds projects which aim to improve participation and outcomes for disadvantaged groups, including Indigenous people. These include:

- the development of several pilot strategies to improve training participation and employment outcomes for Indigenous people in rural and remote areas; and
- the development by the South Australian Department of Employment, Technical and Further Education of curriculum for Aboriginal Community Management.

The Commonwealth-funded Access Programme provides pre-apprenticeship and pre-traineeship training for people disadvantaged in the labour market and in need of preliminary training before they can successfully participate in an apprenticeship or traineeship. Assistance is only provided where there is a real likelihood that an apprenticeship or traineeship will eventuate. Although funding is performance-based, the Access Programme is well placed to assist Indigenous people who require pre-apprenticeship or pre-traineeship training.

Small Business Professional Development Program

The Small Business Professional Development Programme (SBPD) aims to find ways of providing relevant quality professional development to small business to enable them to select appropriate training and/or to train their own staff. There are a number of pilots and projects under way based on strong cooperation between industry, trainers and enterprises in regions and various industries. Models include mentoring and networking as well as specific skill development to enable small businesses to assess their own staff.

The programme has contributed significantly to understanding the practical challenges involved in getting the message about 'training' into small businesses. It has also led to the trialing of models which will suit particular situations. And it suggests there is no 'one size fits all' approach.

At this stage the following models have led to some development of training cultures and practices within participant's businesses:

- the **training practitioner development models**, which created several pools of qualified workplace trainers and assessors who are now using their skills to recognise the skills of existing staff and to train new staff;
- the **business management consultancy models** and the **cooperative business management improvement models**, which helped small business operators see the connection between structured approaches to training and improved business management.

As many small businesses only take part actively in the national training system on their own terms, it is important for programs such as the Small Business Professional Development Programme to exist to enable different approaches to be trialed and evaluated.

A national formative evaluation of the 1996/97 program is complete and a report has been published.

Calendar year 1997 is intended to be the last year of the programme.

(4) Linkages with ATSIC business programmes

Under a Program Service Agreement (PSA) signed between DEETYA and ATSIC in April 1995, Indigenous Australians are encouraged to participate fully in NEIS. If ineligible for NEIS assistance, access is available to NEIS training alone on a fee for service basis, subject to agreement of funding by ATSIC, with access to start up capital under ATSIC business development programs.

Despite these measures, participation in NEIS by indigenous Australians has consistently been less than 1 per cent (51 people in 1996-97). It became increasingly apparent in 1997 that there is a need to develop a more coordinated approach to servicing the needs of indigenous people who wish to enter self-employment, particularly those in rural and remote locations.