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Cheryl Scarlett
The Secretary
Standing Committee on Aboriginal and Torres Strait Islander Affairs
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Ms Scarlett,

Thank you for your email dated the 11 April 2005 inviting a submission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry into Indigenous employment. In response to the inquiries Terms of Reference we make the following submission which indicates a range of positive factors that we have identified in our work that serve to produce a successful outcome for Indigenous people in the labour market.

In order to better understand the particular special policy measures which are required in response to Indigenous labour market disadvantage it is important to take account of the factors that make it difficult for many Indigenous people to find employment. It is also important for the development of effective policy to take account of the lessons which can be learned from previous policies aimed at improving labour market outcomes. Therefore our submission also draws attention to the constraints on the achievement of labour market success that our research has identified.

Indigenous entrepreneurs and self-employment

Qualitative research on Indigenous businesses within urban areas provides examples of Indigenous Australian business success (Foley 2000; Foley 2005). An interesting finding is that the majority of successful business studies by Foley were unable to obtain financing from traditional lending sources or financial assistance from government in business formation support. In fact, many commenced business with capital start-ups as low as \$5,000, often obtained from family, friends and/or cash advances from credit card facilities. Credit card finance was also used during cash flow fluctuations in the growth stage of the businesses.

The positive Indigenous business examples described by Foley (2000; 2005) include: auto spare parts retailer, art gallery, auto-garage operator, artefact manufacturer and retailer, apiarist, book retailer, bed and breakfast owner/operator, a corner late-hour retail store, a education consultant, an employment consultant, a fruit and vegetable retailer, a hospitality consultant, an internet and information technology consultant, a steel fabricator, a timber mill owner/operator, a motelier, and a restaurateur. Other businesses examined in more recent studies include a plumbing wholesaler, a tiler, a tourist operator and small legal firm. The commonalities among the successful Indigenous businesses in Foley's research were:

1. *Positivity*: a positive attitude that is the driving force in the pursuit of business success,
2. *Image*: an aim to project a positive image of their business which includes the use of a non-indigenous accountant to indicate legitimacy (accountability) in their business counteracting negative social stereotypes against Indigenous businesspeople,
3. *Education and Industry Experience*: there is a strong relationship between education, industry knowledge-experience and business success,
4. *Networking*: a strong development of networking channels of business contacts,
5. *Family*: a common shared positive relationship between family and business, and
6. *Discrimination*: a common level of public and institutional discrimination that affects the day-to-day activity of the business.

It is particularly noteworthy that even successful Indigenous businesses felt they had to deal with discrimination from customers, suppliers etc. Even though discrimination is obviously not a positive factor, it appears to be an integral part of the Indigenous experience in contemporary Australian society that must be dealt with in some way.

Of the successful businesses studied, some 60 per cent sought government agency advice on commencing business, and assistance in business plan preparation. Only 80 per cent of those seeking assistance received business plan support. Of those who sought business advice 71 percent spoke of a negative experience with ATSIC (the then peak body for Indigenous people). Approximately 75 per cent of those studied who sought assistance from ATSIC reported poor to bad experiences. Only 24 per cent of the participants had a positive experience with ATSIC. Several participants voiced concerns about the trustworthiness of ATSIC due to an alleged lack of confidentiality in relation to their handling of entrepreneur's business information. They also expressed fear of a small number of ATSIC staff negative attitudes in dealing with them. About 16 per cent of the participants did not seek any support from ATSIC in any form; they either

did not need business advice or obtained it from independent professional providers (Foley 2005: 193-4).

There are many successful Indigenous businesses found in the Foley (2000; 2005) studies, however success does not equate directly to government funded business programmes. Perhaps the most important issues that emerged from the Foley (2000; 2005) studies is the need for micro-finance in Australia. There is a demonstrated need for access to initial start up capital and working capital for Indigenous business people. This would enable and foster Indigenous Australian enterprises. With success in business, Indigenous Australians become economically independent. It is logical to extend support to the sector of the Indigenous community that wants to enter into business be it through improved access to education, training, business support access to capital and business lending on a micro-financial basis. The Grameen Bank provides a potential model for Australian consideration (McDonnell 1999). The Hawaiian Community Loan Fund is another. This has an excellent program with a holistic application to lending, business health and personal well-being that could be adopted within Australia.

Analysis of Census data shows that since 1991, most of the growth in Indigenous self-employment has been in small-scale businesses that do not employ any other people (see chapter 5 in Hunter 2004). This observation highlights the fact that policies that encourage Indigenous self-employment are unlikely to have a substantial impact on the overall employment disadvantage experienced by Indigenous Australians.

Like the rest of the Indigenous population, Indigenous business people face a similar set of hurdles, namely poor quality and insufficient educational attainment, youth, poor health, inadequate access to financial capital etc. However, Hunter (2004) finds evidence which indicates that Indigenous businesses in metropolitan and provincial areas are investing in the growth sectors of the economy.

Labour Market Programs

In order to identify the effects of labour market programs longitudinal data is needed. The only large-scale longitudinal study of the labour market outcomes is the Longitudinal Survey of ATSI Job Seekers conducted by the then Department of Employment, Workplace Relations and Small Business. This survey collected information on participation in labour market programs, jobs search behaviour and labour market outcomes over an 18-month period from March 1996.

Using this survey, Hunter, Gray and Chapman (2000) found that both participation in, and completion of, LMPs led to significantly better employment outcomes for Indigenous job seekers than the employment outcomes achieved by those who did not participate in a LMP. Further, the analysis shows that wage subsidy programs are the most effective forms of assistance. A qualitative assessment of how case management was

experienced by respondents also suggests that there may be some gain in program effectiveness from greater Indigenous involvement in service delivery. Respondents with Indigenous case managers were 12 percentage points more likely to say that the activity agreement or plan helped them to find a job compared with those respondents with non-Indigenous case managers. Administrative data also indicate that Indigenous participants are more likely to complete short training courses than long training courses. It may, therefore, be possible to increase completion rates in programs with a training component by breaking down longer courses into a series of shorter accredited courses.

Job Search Behaviour

Gray and Hunter (2005), using the Longitudinal Survey of ATSI Job Seekers, analyse the factors underlying Indigenous job search success. One important finding of Gray and Hunter (2005) is that the introduction of the Job Search Diary in 1996 was effective in increasing search intensity—but this increase in intensity did not result in increased employment rates. This study also found that job search methods used were not generally related to the probability of finding and retaining employment once a range of personal and regional factors are taken into account. Those with a greater level of search intensity (as measured by the number of jobs applied for) were more likely to find employment over time than those searching less intensely. However, search intensity is unrelated to the probability of job retention. Other factors, such as educational attainment, health status, region of residence and having been arrested, account for the majority of labour market success (or lack of it) among unemployed Indigenous job seekers.

Importance of education

There is overwhelming evidence of the importance of education in determining Indigenous employment outcomes. For example, statistical modelling of the 2001 Census data reveals that low levels of education of the Indigenous population explains more than half of the employment differential between Indigenous and other Australians (Hunter 2004). It is important to improve the quantity and quality of Indigenous educational attainment, especially secondary school retention rates, if policy is to have at the macro level success in reducing Indigenous labour market disadvantage.

Importance of overcoming discrimination

There is evidence of discrimination against Indigenous people in the labour market (see chapter 4 in Hunter 2004; Foley 2000, 2005) and so programs which assist in overcoming negative perceptions and discrimination against Indigenous job seekers may be important.

Labour market discrimination is more likely to manifest in an inability to secure a job, rather than in being paid low wages. For example, over two-thirds of the average difference between Indigenous and non-Indigenous employment cannot be explained by the labour market characteristics of the respective populations. While it is obviously a difficult area for policy-makers, it cannot be ignored because ongoing inability to secure a job on the merits of an individual will undermine other policy initiatives. Indeed, discrimination ultimately perpetuates social exclusion of Indigenous people by undermining their desire to participate in Australia's society and economic system.

The existence of discrimination in the labour market is a potential disincentive for getting an education in the first place. Note that positive returns to education can coexist with discrimination if the employment rates for those with little or no schooling is lower among Indigenous people rather than the non-Indigenous population.

The success of Bungala CDEP in moving CDEP participants to mainstream employment is a good example of the importance of generating positive employer perception. Gray and Thacker (2000) show that an important component of Bungala's success in moving participants to mainstream employment is the public perception that the work done by the organisation is of high quality. This means that employers are more likely to view favourably and thus value their work experience with Bungala CDEP.

Practical reconciliation

The second part of the Terms of Reference is 'assess what significant factors have contributed to those positive outcomes identified, including what contribution practical reconciliation has made'. In our view it is too early to address this question using Australian Bureau of Statistics surveys and the National Census. Policy, particularly in this area, has long lead times and many of the changes made by the Howard Government did not occur for several years after their election in 1996 and a number of changes did not occur until after 2001 (such as Shared Responsibility Agreements). In addition, many of the effects of policy changes on labour market outcomes will take several years to occur. By the time of the 2006 Census we should be in a much better position to assess the contributions of practical reconciliation.

While acknowledging that it is too early using large-scale data sets to assess the impact of practical reconciliation, Altman and Hunter (2003) examine indicators of practical reconciliation for the period 1991 to 2001, including the standard measures of labour force status. They find that Indigenous socioeconomic problems are deeply entrenched and do not seem to be abating even during a period of rapid economic growth at the national level. While there were positive signs that Indigenous outcomes were improving in absolute terms, in accordance with the macroeconomic growth, the relative story was more complex. It is of particular concern that

some of the relative gains made between 1991 and 1996 appear to have been offset by the relatively poor performance of Indigenous outcomes between 1996 and 2001.

Altman, Biddle and Hunter (2004) provide a longer run perspective on changes in outcomes identified by the Prime Minister as being important in practical reconciliation, including employment, education, income, housing and health. For example, there was a steady improvements in most measures of practical reconciliation between 1971 and 2001, especially Indigenous educational participation and achievement. These improvements reflected educational expansion for the population in general as well as some (albeit limited) convergence between Indigenous and non-Indigenous people. One of the main findings of Altman, Biddle and Hunter was to illustrate the practical difficulties of making long-run comparisons of Indigenous outcomes especially in the period between 1971 and 1981.

Please find several relevant papers attached which are of relevance to your inquiry.

Yours sincerely,

Dennis Foley
Matthew Gray
Boyd Hunter

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