



19 September 2014

Employment Review Taskforce
Department of Prime Minister and Cabinet
PO Box 6550
Canberra ACT 2600

Dear Review Team

Creating Parity- the Forrest Review

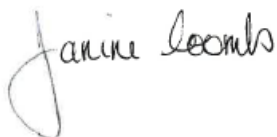
Please find enclosed the Federation of Victorian Traditional Owner Corporation's submission in response to Creating Parity- the Forrest Review.

The Federation is an alliance of Victorian Traditional Owner Corporations and the first of its kind in Victoria. It was formed at the initiative of its members seeking to collaborate on a range of areas of mutual interest, including State and Federal policy matters, implementation and leveraging of native title settlement outcomes, commercial opportunities, and natural resource management and cultural heritage activities.

The Federation was registered as a company limited by guarantee in August 2013. The Federation is currently being serviced by Native Title Services Victoria Ltd (NTSV) with secretariat, policy and planning support. It is governed by a board currently comprising 14 directors (Traditional Owners) and the CEO and Principal Legal Officer of NTSV.

The Federation welcomes the opportunity to participate in the Indigenous Jobs and Training Review and is committed to engaging with government on public policy issues of relevance to Traditional Owners. We would be very pleased to further discuss any of the issues raised in this submission should this be of assistance.

Yours sincerely



Janine Coombs
Chairperson



Submission on the Indigenous Jobs and Training Review: Creating Parity

The Federation of Victorian Traditional Owner Corporations made a submission to the Review in December 2013, and many of the points were picked up in the Review. This submission is limited to a number of key areas that seek to strengthen economic potential from employment and enterprise.

However, the Federation of Victorian Traditional Owner Corporations recognises that the Healthy Welfare Card is a significant and controversial aspect of the Review, and as such considers that any further development of the proposal must have extensive consultation with Aboriginal communities.

Introductory comments

The Traditional Owner Corporations in Victoria have legal and cultural rights and interests, obligations and responsibilities for Country, working with our people to promote economic development, employment, environmental management and participation in the broader community. In Victoria:

- About 7% of all Indigenous Australians reside in Victoria.
- The Aboriginal population is relatively highly urbanised (around 50% reside in Melbourne), and employment statistics are marginally better than the national average.
- Self-employment is relatively strong, with over 10% of all self-employed Indigenous Australians located in Victoria. There are some 850 self-employed in Victoria, or around 8% of the total number of the indigenous work force.
- Around 70% of the State is now represented by eight regional Traditional Owner Corporations, and this is expected to be over 90% within the next few years.

The Federation of Victorian Traditional Owner Corporations is supportive of Review's focus on:

- the notion of demand-driven solutions, particularly where Indigenous business is the focal point for assistance and employment
- strengthening the employer-driven development of training requirements (curriculum, on-job training and timeframes), and enabling employers to help establish the training pathways with trainees through simple funding mechanisms
- the potential for increasing active Indigenous participation in the economy through government procurement and in particular for setting hard targets for government procurement
- the need for tax, and other institutional mechanisms and incentives including acknowledgement of the role of Traditional Owner Corporations.

Specific comments

We also wish to raise a number of issues, or areas for refinement, in relation to (i) the criteria for tax incentives, (ii) procurement and (iii) mechanisms that enable capital investment and growth.

Criteria for incentives (recommendations 12.1 and 18)

The Review recommends support mechanisms based on certain 'criteria' relating to the ownership and employment profile of a business. There are a number of areas, where these criteria would not be appropriate in the Victorian context. This includes for example:

- 25% Indigenous ownership (which we consider a low threshold, particularly in the context of Traditional Owner Corporations)
- A minimum of 60% Indigenous employees, 40% of the most disadvantaged, and 10% from remote areas (which are significant proportions in relatively small organisations, and do not reflect the population base).

We appreciate that these employment targets are intended to assist in increasing the mobility of labour supply. However, the Federation is concerned that the incentives would not be applicable to Victorian Traditional Owner Corporations (or to Aboriginal businesses) which are generally small businesses in early development stages, focussed on recruiting people based on skill (including local Traditional knowledge), and then seeking to employ people from their own group as part of their contribution to economic development of their people, while still deserving of the same support as other firms.

Furthermore, the Federation of Victorian Traditional Owner Corporations considers that maintaining ownership control of the business should be the first priority, not the scale of the business, in order to promote economic participation and growth. A stricter approach (51% ownership) would give a stronger sense of the link to Aboriginal interests, not simply as an investor in another's business, which may be 'gamed' for advantage of the firm rather than the employee. Similarly governance capacity should reflect the needs of the owners and the organisation.

Procurement (recommendations 6, 18)

The use of procurement measures, as the report points out, have not always been as effective as they might have been as the targeting and the accountability requirements are not always effective. The Commonwealth programmes – Indigenous Opportunities Programme and the procurement tendering exemption – are generally focused on leveraging major capital works projects. However, for the Traditional Owner Corporations, the immediate focus (and an on-going imperative) relates strongly to managing natural resources. A stronger set of linkages to these opportunities, including through strengthening the guidelines to departments and agencies, would help to grow the employment and help establish the institutional strength and capacity to engage more easily in procurement and to form the base for enterprise, employment and education by leveraging the government procurement activity.

Furthermore, the procurement pathways to employment and enterprise also need to be established at State and local government levels. Where possible greater integration across the geographical and government levels would be of benefit. A new bi-lateral approach (or refreshing the National Partnership Agreement on Indigenous Economic Participation) to give greater weight to a broader range of options at the State level could be beneficial in helping to establish hard targets and integrated approaches.

Focus for growth (recommendations 12, 18, 27)

Long term growth is the key to growing employment within Indigenous enterprise. Indigenous organisations, it is noted in the report, are 100 time more likely to employ Indigenous people than non-

Indigenous organisations. Therefore, the range of incentives, strategies and options for Indigenous businesses to invest is important. The note on IBA loans (page 146) is the only nod to investment underpinning growth for Indigenous enterprise in the Review.

The report gives significant discussion to the ways in which employers are given 'grants' or assistance to employ people. Payroll tax concessions and other tax incentives based on employment is unlikely to lead to the sustainable growth required for the long term. The ability to take on the most disadvantaged into the workforce is often too hard to make sustainable unless it is balanced to the rest of the workforce and the organisation's economic and financial certainty. While such incentives can have a positive effect, the ability to simply increase the number of people employed is not a stable way to develop employment demand and foster business growth. While helping to reduce costs through job matching or employment and training grants may be of benefit, fundamentally economic growth is tied to business growth (which will then grow the employment and the economic contribution).

Business growth requires investment in building the physical, financial, intellectual and managerial resources. To this end, the focus can only be 'demand driven' if the assistance, support and incentives help build capacity, broaden the horizons of opportunities and strengthen investment for growth in the output and value of the business.

Developing a culture of investment requires a broader range of institutional mechanisms and incentives that support growth and give recognition to the role of Aboriginal and Traditional Owner Corporations (for example in tax, procurement, recognition in charities law, and structures (eg the Indigenous Community Development Corporation proposed by the Native Title Tax and Governance Working Group noted in recommendation 27).

Recommendations

1. Revise the criteria for the incentives eligibility to recognise the reality of situations across the country, with particular reference to Traditional Owner organisations, and the need to support the long term growth of Indigenous owned and controlled business, and in particular:
 - a. investigate appropriate incentives and sharper instruments: for example, if the focus is on providing labour-supply support that assists individuals to be attractive employees then a voucher rather than a tax incentive (potentially with a range of subsidy levels depending on the 'labour mobility' requirements of the individual person) may be more suitable
 - b. ensure ownership and governance requirements are relevant to the incentive: if the incentive is to provide support to any business that seeks to employ Aboriginal people then a 25% ownership is not relevant, but if it is intended to support Aboriginal organisations to employ Aboriginal people, then the ownership should be at least 50%, and could attract a wider range of structural support mechanisms
2. Strengthen the procurement strategies, including with the flexibility for integrating with the State and local government and the capabilities of the Indigenous businesses, and specifically
 - a. Develop bilateral arrangements with States to advance strategies that support employment and relational contracting arrangements particularly with and Indigenous businesses, and in particular encourage and support working on Country and natural resource management activity being undertaken in partnership with Traditional Owners

- b. Establish hard targets for Commonwealth and State that recognise the demographic representation as well as the skills and strategic interests of Traditional Owner Corporations
3. Broaden the mechanisms to support businesses over the long term to give greater focus to support for investment to grow the output and value of Indigenous businesses (not just support for reducing costs, including transactional costs of employment) including through regulatory and policy mechanisms:
 - a. Work with Indigenous Business Australia (and Indigenous Land Corporation) to enhance the investment in business and economic growth
 - b. Work with State governments on Aboriginal business development and investment (both in terms of small business development and investment in regional or State-level interests)
 - c. Advance key regulatory mechanisms, particularly the Indigenous Community Development Corporation including the ability to invest and grow business enterprise.