

Business
Council of
Australia



Submission to the Department
of Prime Minister and Cabinet
on the Indigenous Jobs and
Training Review Report,
'Creating Parity'

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The Business Council of Australia (BCA) is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

About this submission

The Business Council of Australia commends the report of the Forrest review, *Creating Parity*, for recognising the need for an holistic policy framework to address the interdependent social, historical and economic factors behind the disparity in employment outcomes for Aboriginal and Torres Strait Islander people.

In line with the BCA's original submission to the Forrest review, this short additional submission focuses specifically on employment, training and procurement policy settings discussed in the Forrest report.

More BCA member companies than ever before are active in Indigenous employment and economic development. In 2013, a record number of our companies reported having Indigenous engagement strategies. They recorded the largest employment growth (3,500 new Indigenous employees) and the largest amount spent with Indigenous businesses and joint ventures (\$2 billion) since our measurement of activity in this area began in 2009.

As the report identifies, in order to increase the effectiveness of government and business efforts, the focus now needs to be on:

- effective support for committed businesses to transition more Indigenous people into employment
- career development and education and training pathways connected to careers
- growing the Indigenous business sector and fostering Indigenous entrepreneurs.

The government's response to key aspects of the review will determine whether Australia can capitalise on the unprecedented goodwill and commitment of businesses to build Indigenous employment and economic development.

Key recommendations from the report

The following suggestions are geared towards optimising the effectiveness and impact of key recommendations made by the Forrest review. These recommendations are in close alignment with the suggestions made in the BCA's original submission, and deal with:

1. The role of government procurement in stimulating employment and Indigenous business development (Recommendation 18).
2. Boosting the contribution of the top 200 employers (Recommendation 19).
3. Supporting employers to grow Indigenous employment through career and training pathways (Recommendation 20).

1. Government procurement

The BCA supports the report's recommendation that the Commonwealth Government use its significant spending power to boost employment outcomes. We agree that high-level departmental accountability is required to successfully drive this initiative.

Growing the supplier base

A thriving Indigenous business sector is good for all Australian businesses. Members of the BCA want to see a larger pool of Indigenous suppliers with greater capacity to fulfil large contracts on a national scale.

To encourage the growth in suppliers needed to meet the increased demand, a tiered structure of certification should be developed. Working with Indigenous Business Australia and Supply Nation, the government will need a strategy for certifying:

- social enterprises run by Indigenous not-for-profit organisations
- 50% owned Indigenous business or joint ventures
- mentor–protégé business partnerships geared towards the eventual establishment of majority-owned Indigenous businesses.

A tiered approach to certifying Indigenous enterprises should be built on a rigorous and transparent process. Supply Nation or another body would need to be properly resourced to conduct such a process, and provide appropriate assurances of Indigenous equity, governance, management and ownership.

We are not supportive of the recommendation that enterprises with 25 per cent Indigenous ownership should be eligible for certification. Excessively broad eligibility is difficult to monitor and poses risks to the reputation of the Indigenous business sector overall.

Using Supply Nation, IBA and other relevant stakeholders to create an accessible, interactive directory of Indigenous enterprises, detailing enterprise type, location, experience, and service offerings would be an invaluable tool for procurement staff in the private and public sectors.

Requirements for contracting companies

It is our view that the government has an existing lever in the Indigenous Opportunities Policy (IOP) to realise procurement-related recommendations.

The task now is to activate and enforce this policy across departments and through contracts with non-government suppliers. Realistic targets for procurement and employment need to be included in contracts, not just tender documents.

Currently, there is no clear advantage for companies who comply with IOP tender requirements. Indeed, investing to comply with the IOP can be costly and can put companies at a price disadvantage when competing for government contracts. Activating and enforcing the IOP will need to take account of the fact that some initiatives, particularly in employment, can be costly and resource intensive.

2. The top 200 employers

Tailored contracts

The BCA strongly supports the review's recommendation that tailored contracts be offered to employers with a proven track record in Indigenous employment.

BCA member companies with commitments to Indigenous employment want to work with government to design a flexible and collaborative contract model.

Getting the contract framework right early and maintaining a consistent course is central to securing continued business commitment in this complex area.

Contracts should be based on the following design principles. They should:

- Be structured around a company's proven employment strategy and fund the activities that progress Indigenous jobseekers from unemployment to employment.
- Reflect a genuinely flexible, tailored and industry or company-specific partnership approach to funding Indigenous employment programs.
- Strike a balance between the requirements of companies and the accountability mechanisms required in government funding.

We propose that employers with a proven track record in delivering employment outcomes should be able to enter into one of two broad contract types:

- direct business–government contract
- government–preferred third party provider contract.

It is expected that both contract types would be structured around the following program design elements:

- incremental funding paid in advance of program delivery
- subsequent funding to be granted pending review of program outcomes
- long-term contracts (4 or 5 years) that are administratively straightforward
- autonomy for companies to select training providers/delivery partners
- agreed accountability measures based on performance.

A senior contract manager in the Department of the Prime Minister and Cabinet with significant industry experience or access to industry expertise should be appointed to manage these contracts and employer relationships.

Corporate leaders group

High-level leadership is central to maintaining momentum and accountability in business–Indigenous engagement. It is equally critical to have practitioners within companies who are working to deliver on business commitments, as well as mechanisms for connecting employers with providers, trainers, Indigenous organisations and jobseekers.

For seven years, the BCA has convened an Indigenous Engagement Task Force of CEO members and a network of practitioners from within our member companies.

Rather than duplicating these groups, we suggest that the government work with the BCA to identify how to utilise existing, established corporate leadership bodies to further drive and enhance good practice across industry.

State or industry-based forums that bring together employers, providers, and other stakeholders can be effective in bringing together demand and supply organisations involved in Indigenous employment.

The Yokai network in Western Australia and the South Australian Industry Cluster approach are strong models of co-operation and collaboration around Indigenous training and employment that could be adapted for other jurisdictions.

Parity targets

Having targets can be valuable in driving business–Indigenous employment strategies. An important lesson drawn from the experiences of BCA member companies is that effective strategies need to be tailored to the specific business model and underpinned by a detailed plan for achieving real results.

In considering the appropriate use of targets, it is imperative that they reflect the realities of the Indigenous demographic profile, jobseeker cohort and employment requirements of different jobs and industries.

Factors including age, geographic distribution, qualification/education levels, health, disability and youth and carer dependency ratios need to be taken into account when designing contracts, and setting short and medium-term targets. Because of these factors, for nearly all industries, a 4% target is unrealistic now and in the next five years.

3. Career pathways and development

The BCA endorses the *Creating Parity* recommendations on expanding school-based traineeships and broadening eligibility for cadetships.

Transitions and pathways from school, higher education and training into careers and professional training initiatives are increasingly important, as are plans to support the development and progression of existing employees.

The current focus on national vocational education and training reform offers an opportunity for employers and governments to devise innovative pathways into work, including young people gaining a Year 12 qualification while in work or work-based training.

Pathways into work for people coming out of the justice system, or employment programs offered as a diversionary alternative to some sentences, are delivered and/or developed by member companies.

Support for innovative approaches to career pathways and career development should be included in the framework for the ‘top 200’ employers contracting model.

4. The next steps

Business commitment and the blueprint for success are established. The next step is for government and business to work together more effectively to improve Indigenous employment outcomes.

The BCA is committed to working with the government and other important stakeholders to ensure the effective design and implementation of employment-focused policies recommended in *Creating Parity*.

To this end, we offer our support in establishing a working group of industry experts from BCA member companies to help develop a workable and industry appropriate model for the 'top 200' tailored contracts.

We encourage the government to work with the BCA to utilise and extend existing business leadership forums including the BCA Indigenous Engagement Task Force and the BCA Business Indigenous Network to progress our shared objectives for Indigenous employment and economic development.

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