



The Forrest Review

Creating Parity

Seismic, not incremental, change is required and the time for action is now. These solutions are not expensive and parity is completely achievable with the strength of will from each of us.

Andrew Forrest



Creating Parity

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Aboriginal ceremonies like corroborees were often held in short distance from our homestead so everyone could take part. There was never any discussion that their ability to lead in the workforce and enjoy a modern standard of living would conflict with the love of their culture. They competently conversed in both English and Indigenous languages. Since then, the ability of Indigenous people to be employed is not assured. Indeed, the disparity resulting from the large proportion of Indigenous Australians who are disengaged from the workforce has reached crisis levels—hence this report.

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The Forrester Review

Given the fact that there is no employment gap, or disparity, for first Australians who are educated at the same level as other Australians, the full force of our community leaders and governments must pack behind the achievement of parity in educational outcomes as a national priority.

We must doggedly remove all impediments, raise our expectations dramatically and pursue accountability for Indigenous education until we reach parity in outcomes between all Australian kids.

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We must use the power of the market and business incentives to deliver the jobs to eliminate disparity and the high barriers to employment entry for individuals.

Are mainstream services being held to account? Are responsibilities being fully enforced and accounted for? Is there sufficient glare of public scrutiny on their performance? Not yet. And are they failing our first Australian brothers and sisters? Yes, but don't blame them. We are all in a sense, at least by association, guilty of the soft bigotry of low expectations. Where this has translated into areas of very low performance—like, for example, very low, continuing and systemic school attendance—it may even be called the racism of low expectations.

Andrew Forrest

Introduction

I grew up near a remote West Australian town. As one of the few white kids in our outback community to attend an Indigenous boarding hostel, I look back with fondness on this family of kids who looked out for each other. We were brothers and sisters and some of my best mates in school were my mentors. Those school friends have died, all of them too young. Since then, I have made friends with people around Australia and the world, and among them are Indigenous people who have the values that I was taught as a child are the most important.

It is a pretty game government that would appoint a philanthropist and entrepreneur to review their programmes knowing we would not take an incremental or bureaucratic approach. In business and philanthropy I make every dollar count: you must have an eye on the market at all times and be absolutely accountable for performance and cost. In this world, the effectiveness of initiatives must be absolute or discarded.

This review recommends a strategy that delivers a complete end-to-end solution, without the baggage of attachment to current government policies and arrangements. Implemented in full, it will end the disparity between Indigenous Australians and other Australians and comprehensively build our society.

My early life gave me a life-long passion to experience parity between Indigenous Australians and other Australians. This will only occur through gainful valuable employment. The nation's most glaring failure is the huge disparity in employment of Indigenous Australians and other Australians. This does not have to continue.

The most important discovery I made in writing this report is that there is no disparity in employment between first Australians with a decent education and other Australians. A decent education means leaving school with Year 12 or equivalent qualifications and the ability to go on to further education and training. There is employment parity now for first Australians with Certificate III or IV level training that most apprentices undergo, diploma or university qualifications.

Therefore, I have used the full breadth and scope of my terms of reference to ensure the recommendations include everything required to ensure we achieve parity in education outcomes for first Australians. We must doggedly remove the impediments, raise our expectations dramatically and pursue accountability for Indigenous education until we reach parity in outcomes between all Australian kids.

Hoping for a different result while doing things the same way defines insanity. My approach relies on a dedicated national, state, community and family team effort. Changed attitudes and behaviours from parents, community Elders, teachers and principals—but particularly from governments—are essential. Only this will bring the disparity to an end.

Thank you to everyone who gave their time, views and shared passions with me. I am greatly inspired by the energy, innovation and determination of everyone I have met across Australia. Your yearning to see an end to the disparity and make the most of the nation's capital will be realised if these solutions are implemented in total by our governments.



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Creating Parity



Executive summary

My report is a call to all Australians. It is time to end the disparity between our first Australians and other Australians. Jobs give individuals the opportunity to choose circumstances, to take control of their lives and to provide for their own and their children's future. This preserves Indigenous culture and ensures its relevance for future generations.

Nothing destroys family and traditional culture quicker than despondency, dependency and poor lifestyles. My childhood was populated by Indigenous leaders who proudly wore the mantle of their own culture and upheld and ensured the preservation of their laws and traditions. Aboriginal ceremonies like corroborees were often held in short distance from our homestead so everyone could take part. There was never any discussion that their ability to lead in the workforce and enjoy a modern standard of living would conflict with the love of their culture. They competently conversed in both English and Indigenous languages. Since then, the ability of Indigenous people to be employed is not assured. Indeed, the disparity resulting from the large proportion of Indigenous Australians who are disengaged from the workforce has reached crisis levels—hence this report.

Ending the disparity has defeated successive well-intentioned governments of every political persuasion at the Commonwealth, state and territory levels for decades. Progress has been made in some areas, but most concerning is the growing gap in employment outcomes. Education and employment have the capacity to end the disparity, but a massive 30 point gap in employment outcomes between Indigenous and other Australians exists despite the tens of billions of dollars spent by governments to address Indigenous disadvantage.

The great belief that this disparity is with us forever is put to the sword when you learn that there is no disparity in employment between first Australians with a decent education and other Australians. A decent education means leaving school with Year 12 or equivalent qualifications and the ability to go on to further education and training. There is employment parity now for first Australians with Certificate III or IV level training that most apprentices undergo, diploma or university qualifications.

We need to be clear about education as the right of every child. Parents who send their children to school every day accord this fundamental human right to their children. Children who are not sent to school regularly are denied this right, the right to a normal standard of education and the skills to become capable citizens. Without these, they will be unable to enjoy the standard of living of other Australians. Unless a child has enough sleep and nutrition, and arrives clean and properly clothed at school, he or she cannot learn. Illiteracy and innumeracy are disabilities in our society. While teaching standards and schools must be reformed to ensure that Indigenous children are educated, their parents must also play their part and send their children to school at least nine out of 10 school days. Only wholesale change of community attitude has sufficient potency to create the change which will see every Australian child given a fair go in life. Marcia Langton has described the failure of parents to send their children to school as 'child abuse'. I agree. I urge a radical change in community attitudes to parity in school attendance and education standards for Indigenous children. If the community, our leaders, and especially parents, demand the right of children to be educated, so too will our school systems change to provide every opportunity for Indigenous children to reach their full potential.

In a nutshell, it's time to end the paternalism, to expect able first Australians to stand on their own feet and become independent, and for governments and government-funded non-government organisations (NGOs) to remove the impediments so that they can.



Almost half of our first Australians have already stepped up and are not disadvantaged. They enjoy strong family lives and are living proof that the disparity can end. They lead successful lives and have successful careers. They receive a good education, are employed, pay taxes and support their families. Like all Australians, Aboriginal and Torres Strait Islander peoples succeed because of education and employment.

- At the highest levels of education there is no gap between the employment rate of first Australians and other Australians. In fact, first Australian women with a degree have higher employment rates than their counterparts.¹
- The number of Indigenous students in higher education has increased steadily. Between 2003 and 2012 the total number of Indigenous students enrolled in higher education increased by more than 40%.²
- Indigenous women account for almost two-thirds of the total number of Indigenous higher education students.³
- The Indigenous Home Ownership Programme has generated \$1.9 billion in wealth to first Australians who now own their own homes.⁴

Whichever way you look at this, only employment will end the disparity, and employment is only possible if we remove all impediments to parity in education.

Given the undeniable fact that there is no employment gap, or disparity, for first Australians who are educated at the same level as other Australians, the full force of our community leaders and governments must pack behind the achievement of parity in educational outcomes as the national priority. This starts with individual responsibility during pregnancy, intensive early childhood preparation and decent schooling. It doesn't mean more money—it does mean we empower our education and training institutions with expectations and the tools to remove the disparity in results between first Australians and other Australians.

An additional 188,000 Indigenous Australians will have to find work in the next five years if we are to achieve parity. This will require a doubling of the current number of working first Australians.⁵

No existing federal, state or territory government policy has any hope of meeting this challenge if the current policies continue.

We have failed so far because there is:

- a reliance by governments on more public servants and service providers to make the necessary changes rather than empowering first Australians themselves
- a lack of coordination and collaboration in Commonwealth and state and territory policies and programmes and how they are implemented
- an almost exclusive focus by governments on treating the symptoms of entrenched disadvantage, rather than preventing it, so success is limited and very expensive
- drawn-out approaches, such as targets to only halve employment disparity, therefore extending the trajectory of cost, lost opportunity and misery to individuals and to the country
- a lack of accountability for results, with service delivery and welfare systems that entrench passive income lifestyles for providers and recipients.



We have no interest in merely halving the employment gap. These piecemeal efforts simply justify a thousand different, small, yet highly expensive measures that may or may not work. They also cost the taxpayer a fortune. Projects that exist on government funding but do not measure themselves against highly capable and transparent outcomes should be discarded. We already have massive levers we have not yet used to end the disparity—the power of the market, enforcing truancy laws and changing our attitudes to expect and demand more for first Australians.

One of the elements we need to address quickly is the lack of cooperation between the states and territories and the Commonwealth. It is vital that the jurisdictions cooperate fully in the implementation of these measures.

The cooperation ‘gap’ must not continue. The politician or public servant to resist this process must, by their behaviour, be deemed as having little priority for creating parity with their fellow Australians.

Accountability for results

Governments must hold themselves accountable to the public for the combined effectiveness of their strategies and the merit of individual programmes by meeting robust performance measures. Because they are existing on the public purse, so they must be prepared to publish their outcomes for the public and put funding at risk, paying on performance and results, not process.

Critical to sound implementation are accountability milestones where a pre-agreed performance schedule is measured, and if found lacking, immediately corrected. We should accept no less than this level of accountability for delivering on results and the bottom line, as we do in the private sector.

Accountability is the key to ensuring effective implementation. The My School website is a major step forward in accountability of public services and we can build on this to shine a spotlight on the effectiveness of our collective efforts to end the disparity. This review proposes that all governments provide quarterly and annual reporting to a central depository. I recommend the establishment of a CreatingParity website for this purpose. This would apply the same discipline used by the private sector to listed public companies to detail progress. It would enable early corrective action where required and provide clear evidence that use of precious taxpayers’ money is being carefully scrutinised and results are being achieved.

The CreatingParity website should identify:

- the extra tax contributions generated by first Australians as they take up and keep jobs
- the savings to the taxpayer as programmes are consolidated and eventually made redundant
- clear evidence of the beneficial impact as government investment shifts from reactive spending to preventative services such as early childhood.

The package of recommendations

The recommendations in this report represent an interdependent and comprehensive package of measures. If implemented, they will prepare those who are capable but lack the necessary skills and motivation with the training to enter the workforce. They will create opportunities, engage and provide incentives for first Australians, prevent disadvantage by initiating intensive early childhood development and education, and support the most vulnerable to make sound life choices and manage their finances. They will provide strong incentives recognising that only first Australians themselves can make the necessary lifestyle changes, and only employers and the market can deliver real jobs.



Measures such as intensive prenatal and early childhood services, strict education focus, tax incentives and the proposed Healthy Welfare Card are imperative. These are some of the flagship measures in the report that are designed to achieve the seismic change needed to end the disparity.

Each chapter in this report links to the other chapters and includes specific recommendations and implementation strategies. The measures bolster each other and rely on each other to give the cumulative impact necessary to end the disparity. They are not presented as a smorgasbord (to be picked and chosen from) but are proposed as an integrated suite of policy solutions to the growing issue of first Australians' disengagement.

The extent of disengagement where welfare has taken hold is such that only comprehensive and coordinated change introduced across the board will succeed where past efforts have failed. The initiatives are necessarily broad and powerful to meet the growing challenge of first Australian disparity for the benefit of every Australian.

Expressed simply, if the recommendations are not implemented in full or, if the ministers and the departmental heads who advise them decide to pick and choose recommendations, we will not end the disparity. In particular, federal, state and territory governments need to publicly proclaim their determination to create the parity which all Australians yearn for in a cohesive and collaborative way. It is important not to use these measures as chips in a funding bargain.

Australia's economy and society has been held back by this issue and it has had an impact on the standard of living of every Australian. We should be well past throwing money and paternalistic solutions at Indigenous Australians. Instead, we need to set and drive high expectations and equal opportunity. Apart from the social responsibility of every Australian, the economic benefit of ending the disparity will compound to billions of dollars and eventually, through economic multipliers, to tens of billions dollars each year.

Seismic, not incremental, change is required and the time for decisive action is now. These solutions are not expensive and parity is completely achievable with sufficient will from each of us.

Why change is needed

Over the last two decades attempts to stem passive welfare have been like trying to hold back the tide with a wire fence at the low tide mark, particularly in remote Indigenous communities. Well-meaning governments have unintentionally condoned the 'soft bigotry of low expectations' with passive service delivery and welfare.⁶ Where failure is systemic and unchallenged, I call this 'the racism of low expectations'. This has helped no-one. As a first Australian woman you are more than 34 times more likely to be hospitalised for assault than your other Australian sisters. If you live in the Northern Territory this will rise to 80 times. How can this welfare driven predicament be allowed to continue?

There are 670,000 first Australians nationally and 21% live in remote Australia. Around 56% of the first Australian population is under the age of 25, and a group of around 80,000 people will either enter the workforce or the welfare cycle in the coming years, dependent upon the decisions we make today.⁷ For most of us, work gives dignity and a sense of real purpose. Most able Australians, including first Australians, go to school and get an education so they can work to support their families and contribute to the prosperity of the nation.



The first Australians left behind

Regrettably, a proportion of first Australians have been left behind and suffer circumstances similar to those of many other disadvantaged Australians. These outcomes are not caused by their Indigeneity, but result from unemployment, welfare dependency, poor choices, limited capacity, remoteness, and a lack of education, prenatal care and early childhood development. Every Australian parent knows that these are the things that will give their child the best opportunities in life.

We recommend the immediate implementation of the policies recommended in this review to enable all disadvantaged Australians to find direction, purpose and independence through meaningful employment. Many of the measures we propose are for mainstream programmes and so apply to all welfare recipients.

Sometimes governments have compounded these problems with the passive delivery of welfare and services, treating symptoms and not preventing them. This is despite the evidence that shows that the longer you are on income support, the harder it is to find a job and the higher the likelihood of transferring to other income support payments. For example, income management was widely regarded as very helpful for vulnerable people to stabilise their budgets and stay in stable housing. However, it makes transitioning from welfare to a job very difficult and does not include individuals in Australia's mainstream financial services system, thereby increasing their dependence.

Employment outcomes for first Australians remain poor and are getting worse. Some 60% of all first Australian 17- to 24-year-olds are not engaged in work or further education (compared to only 26% of other young Australians).⁸ The employment rate for working-age first Australians is 46%, 30 percentage points below that of other Australians. In remote and very remote areas the story is much worse, with only around 35% of the first Australian population of working age employed compared to 83% of other people. Even in Western Australia, where the mining industry leads the business sector in first Australian employment, the first Australians' employment rate has fallen from 46% in 2008 to 42% in 2012–13.⁹ By 2018, we will need to get another 188,000 first Australians into jobs—an increase of more than 100% on the current pool of working first Australians.

Without the dignity of work or meaningful participation, some have made irresponsible decisions that will have a permanent impact on their future prospects. For example, incarceration rates for first Australians are now 15 times that of other Australians and young first Australians make up a large proportion of this group. Half of those under 18 years of age in detention across Australia are Indigenous.¹⁰ The reoffending rate (or the 'prior imprisonment' rate) for first Australian adult men in prison is 77% compared to just 51% for other men, with similar results for first Australian women.¹¹

As a nation, we spend over \$1 billion each year on gaol and other corrective services for first Australians.¹² Once a first Australian enters the prison system their disadvantage becomes entrenched. The employment rate for male first Australian ex-offenders who have been in gaol at some point in their lives is just 39% compared to 65% for first Australian men who have never been to gaol.¹³ We have specific measures in this review to stop people entering gaol in the first place and to make incarceration an empowering experience that results in the individual being prepared for independence and contribution to society on their release.



Likely life outcomes for first Australians left behind

Without change, what can a first Australian born in the 21st century expect in life? Compared with their fellow Australian peers, a first Australian will be:

- more likely to start school with twice as many developmental challenges¹⁴
- eight times more likely to be the subject of substantiated child abuse and neglect¹⁵
- as a 20- to 24-year-old, four times more likely to commit suicide if male, and five times more likely if female¹⁶
- behind in reading, maths and science by 2.5 years by the time they reach Year 10¹⁷
- almost a third less likely to complete school by age 24¹⁸
- as a 10- to 17-year-old, 31 times more likely to be in juvenile detention on an average night¹⁹
- less than half as likely to be in full-time work or study²⁰
- as a teenage female, five times more likely to have a child²¹
- over four times more likely to be unemployed²²
- half as likely to own their own home²³
- likely to have a life expectancy that is cut short by 9.5 years for women, and 10.6 years for men²⁴
- as a woman, 34 times as likely to be hospitalised for assault (in the Northern Territory this rises to 80 times)²⁵
- as a woman, more than twice as likely to be on welfare between the ages of 17 and 24²⁶
- as a man, more likely to spend time in prison; one in four Indigenous men will spend time in prison²⁷
- twice as likely to require assistance with core activities and have a one-in-two chance of having a disability or long-term health condition while of working age.²⁸

A first Australian in remote Australia can also expect to be:

- much less likely to be in employment—only 35% of first Australians in remote areas are employed in real jobs, compared to 83% of other Australians in the same areas²⁹
- among the 60% who live in public housing and are unable to buy their own home or rent in the private housing market³⁰
- as a woman, much more likely to bear a child with foetal alcohol spectrum disorder (FASD)³¹
- as a woman under 24 in a very remote area, over five times more likely to have already given birth to two or more children.³²



Failure of the service system

Preceding governments of all persuasions have been guilty of allocating funding on an ad hoc, imprecise basis without adhering to an all-of-government long-term strategy to completely end the disparity in Australia. This has led to what Noel Pearson calls 'the welfare industry' and has now proliferated into multibillion-dollar proportions. It represents a multibillion-dollar vested interest in continuing the disparity. No doubt, these will be among the most ferocious critics of this review. It is, however, my belief that the lack of faith in the possibility of parity between our first and all Australians directly propagates the thousands of ineffective programmes that have attracted funding. This reactive planning is often made on the basis of who gives the greatest presentation, or occasionally who has the closest relationship with the responsible government executive or minister backing their own winners and favourites.

It has led to disparate, often competing, agencies, government bodies, and NGOs (also often funded by government) working regularly against each other. This is not surprising as each enterprise is forced to compete for funding in a dog-eat-dog environment.

This hasn't been the result of deliberate policy, it's just happened. To guard against it, we need close public scrutiny of the performance of our mainstream government services. We need to refocus on addressing expectations and regenerating the responsibility of communities and families.

Are mainstream services being held to account? Are responsibilities being fully enforced and accounted for? Is there sufficient glare of public scrutiny on their performance? Not yet. And are they failing our first Australian brothers and sisters? Yes, but don't blame them. We are all in a sense, at least by association, guilty of the soft bigotry of low expectations. Where this has translated into areas of very low performance—like, for example, very low, continuing and systemic school attendance—it may even be called the racism of low expectations.

The good news is that there are massive existing levers available right now within communities, the market and governments that we can use better to end the disparity. These levers alone would be sufficient to end the disparity, yet we have all been hugely distracted by the thousands of little programmes that feed an army of people existing off the continuance of the disparity. Time after time we have found that the support needed and the accountability required simply isn't there. We need to focus on these big levers and walk away from the expensive marginal benefit (at best) of the thousands of little programmes.

Governments of every level must not cash in these cost savings until they have completely resolved to implement the strategy for this review. Governments together must ensure that every first Australian child, without exception, attends school nine out of ten school days and that these necessarily courageous steps are underway with a priority on English and basic mathematics.

Subsequently, this review recommends that the government withdraws funding from all but the most outstanding results-oriented and successful initiatives where their very livelihood relies on sustained results, and in its stead brings all-of-government, community and successful family expectation pressure to bear on ending the disparity, for once and for all.

Like other organisations in Australia that survive on merit, governments must hold themselves accountable to the public for their results. The merit of individual programmes must be assessed through robust performance measures that have been agreed prior to the first cheque being written.



As discussed elsewhere in this report, as government-funded service providers exist on the public purse, so like the rest of us they must be prepared to be paid on results. Certainly the practice of simply funding process, without putting payment at risk and rewarding results, must stop. Publishing outcomes for public benefit is therefore essential.

Given this level of disadvantage faced by first Australians, the citizens of Australia are entitled to ask:

- Can we rely on the government to deliver services that enable first Australian people to become more self-reliant, especially through employment?
- Do we have a pipeline of capable first Australian workers coming through the education and training system for future jobs?
- Have we as a nation enabled first Australians to put their assets to best use for their financial independence?

These are some compelling facts that give an insight into the inadequacies of the current solutions and effectiveness of the service system:

- Despite welfare obligations and employment services, 15- to 24-year-old first Australians are not engaged in either education or work. The rates are staggering: around 60% nationally and 82% in very remote areas, compared to 26% nationally and 22% in very remote areas for other people of the same age.³³
- Education experts have reported that children need a school attendance record of at least 80% for schooling to be effective. In the Northern Territory's very remote areas (where 57% of students in the Territory are educated, or 8,253 students), only one in five children is attending school at least 80% of the time.³⁴
- Only 23 of every 100 training qualifications started by first Australians are completed. Most training is at the lowest skill levels (nearly 50% at Cert I and II) and doesn't result in a job.³⁵
- For each dollar spent on early childhood development, four dollars are spent on child protection and remedial measures.³⁶

Is this really what we want for Australian citizens? Do we accept that the employment rates for any group of Australians should continue to be lower than for the citizens of Albania and Armenia?³⁷

As so many Elders know, many first Australians want a hand-up—not a hand-out. They want to help themselves.

There is no lack of government money being spent on services for first Australians. In 2010–11 more than \$11.5 billion was spent by the Commonwealth alone.³⁸



Government approaches

The former minister for Families, Community Services and Indigenous Affairs, the Hon. Jenny Macklin was a champion for first Australians and developed the first serious policy framework, Closing the Gap, that delivered accountability for measuring the effectiveness of services to reduce Indigenous disadvantage. She was persistent and ferocious in her pursuit for change and the example she has set for me and many others is outstanding. However, a number of measures under this framework did not get the traction and results on the ground and federal, state and territory governments have dropped the ball. Much of this failure is in mainstream services, which has left us with:

- an education system that is not giving Indigenous children a decent education
- employment services that deliver lousy results for first Australians despite chronic need
- housing systems that charge such low rents that they create incentives for people to stay in remote communities as opposed to moving to where the work is
- no effective arrangements to enable individual ownership of Indigenous land for first Australians.

All suffered from cherry-picking or partial implementation by governments.

This is why the Prime Minister, who has Indigenous Affairs in his portfolio, needs to guide the full Cabinet to deliver parity in outcomes for our first Australians. Ministers Andrews, Pyne, Abetz, Macfarlane, Payne, Dutton and Scullion need particular Cabinet support to implement these measures to end the disparity. Treasurer Hockey and Minister Corman are encouraged to place these savings into the long term, but extremely high-performing, investments of prenatal, early childhood and education strategies recommended in my report. From an economic perspective the value of this investment is proven conclusively. The immediate impact in the government's current term will be in an increase in revenues as many of the measures in this review are almost immediately tax accretive.

It is critical therefore that the Commonwealth work collaboratively with its state and territory government counterparts to end the disparity, using every lever described in this review now available to them, and driving accountability for results with transparent reporting. Governments may have their own initiatives, but I urge that these are always tested to ensure complementarity and performance against those I propose.

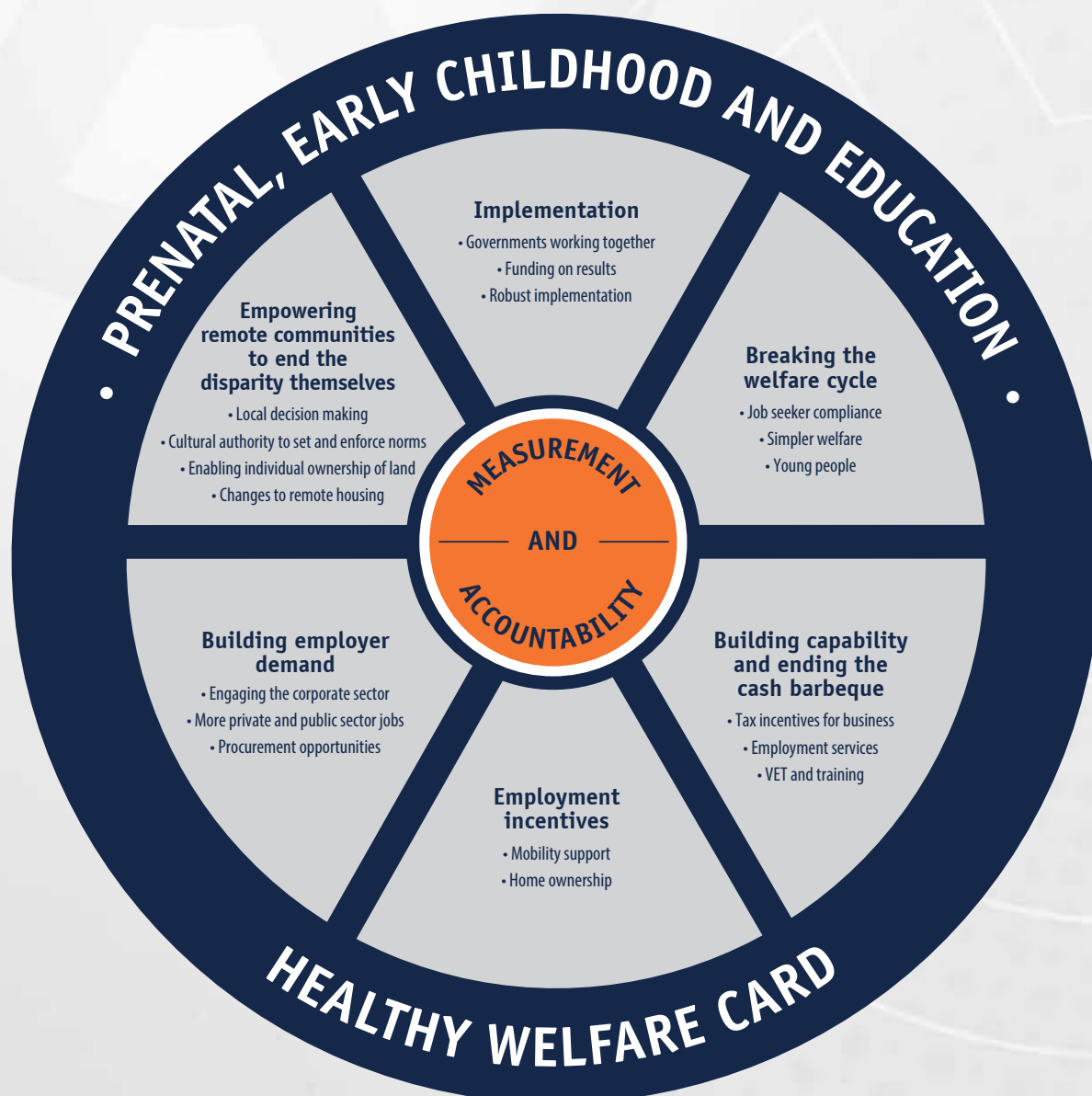
We must make much better use of existing funding—not cry for more. Overall, we must strongly reduce the need for people to come into contact with the welfare system in the short and long term. We must remove the disincentives to getting a job. We must make jobs more attractive and ensure that welfare entitlements are such that transition to the workforce is reinforced, make better use of the existing funding, and make sure first Australian workers of the future are given opportunities to move to take up work and to contribute to the productivity of the nation.



Creating parity for all Australians

The wheel is one of the greatest inventions of man. In relation to this review, it symbolises firstly the absolute importance of the axle of measurement and accountability that is critical to the performance of all initiatives in the wheel.

Secondly, the spokes demonstrate that each initiative is reliant on the other to work and protect it. The rim holds the whole mechanism together—without it, neither the spokes nor the axle have integrity and the mechanism is useless.





Recognising that talent is universal but opportunity isn't, the rim of the wheel is made up of:

- intensive prenatal care, early childhood care and education
 - this provides the most critical health support in a person's life, which is from conception to three years of age
 - it also provides improved attendance for school kids with mutual obligations for the Family Tax Benefit of parental responsibility from prenatal to adulthood, which will give children a healthy start in their early years and ensure they attend school every day. The payment of Commonwealth education funding to state and territory governments on actual school attendance will ensure the schools themselves are highly motivated.
- the Healthy Welfare Card
 - this introduces a new system to support welfare recipients to manage their income and liabilities, save for the occasional bigger expenses like Christmas or school camps, and encourages welfare income to be invested in a healthy life.

The encouraging and compelling evidence is that first Australians who get a decent education are employed at the same rates as other Australians. A decent education means leaving school with Year 12 or equivalent qualifications and the ability to go on to further education and training. To end the disparity we must improve growth and development from conception to three years of age, so that children excel at school and further training and succeed in the workplace. It will take around two decades for these children to reach working age, so we must have interim intensive services that are described in the rest of the report for those who are already of school and working age.

The Healthy Welfare Card gives people the capacity to stabilise their financial arrangements to ensure secure housing, payment of regular bills and food on the table. It means that individuals and families can then concentrate on what they need to do to get a job and to ensure children go to school.

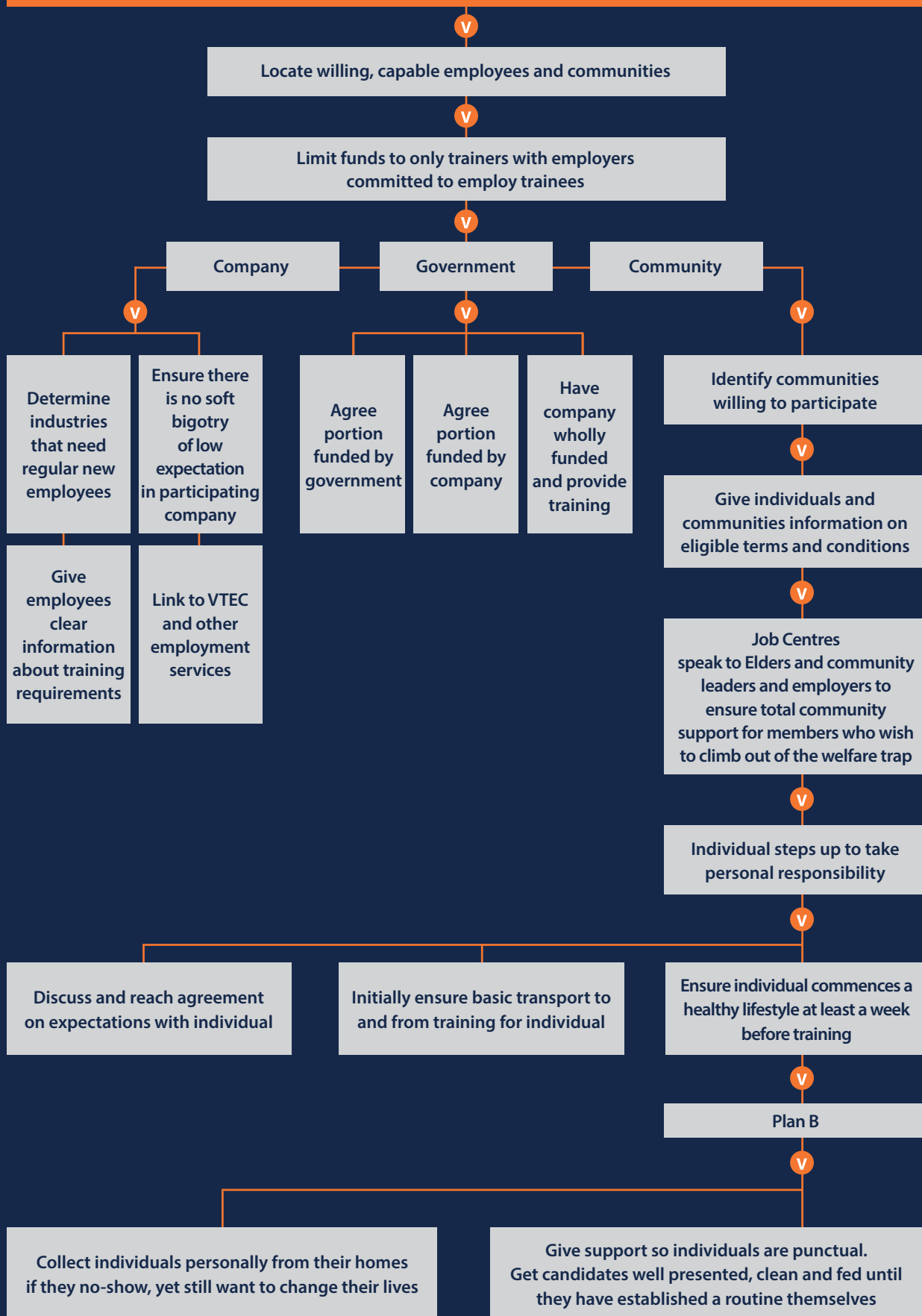
Driving the wheel's axle are measurement and accountability. These performance measures are critical. The question of how to solve some of the more difficult implementation challenges will arise during each project, and can be met through breaking the challenge down to its various sub-tasks. Each task can then have a delegated responsible executive and timetable to achieve it.

The Australian Employment Covenant links the funding of training to a guaranteed job. This has been challenging for the government to implement over the last six years. However, even a challenge this significant becomes achievable if it is broken into bite-sized sub-tasks and attached to a performance-driven timetable. I have a specific implementation recommendation (6.1) that will guide government success. Absolute determination to see the tasks through in the manner described is the only guarantee of success.

There is a powerful practice from the business world that can be applied. Business occasionally refers to what are called 'value driver trees', which break down the challenge into small achievable, measurable steps that can be put into a Gantt chart to monitor and report on progress. This is a fundamental tool for the project manager's use in timetabling and measuring achievement levels in a project. An example is provided in the Implementation point diagram on the next page. We need to adopt the same approach.

Implementation point

How training providers will operate under the VTEC model





I have used the strategy 'How governments can achieve massive change—fast' described on page 113 time and time again to achieve difficult tasks and to bring in—on time and on budget—very challenging and major projects. I recommend them here to government.

This report therefore provides a balanced, integrated management and measurement driven approach and how to do it, leading to change that will be transformational. The spokes of this wheel will:

- **break the welfare cycle** with a simpler welfare system requiring every able person to be engaged in full-time activity with limited discretion for exemptions
- **build employment capability** through tax incentives for business to create training grounds with real jobs for the most disadvantaged job seekers, and link training and employment services to guaranteed jobs
- **build employment incentives** for mobility, affordable accommodation and home ownership, particularly for families and job seekers from remote communities
- **build employer demand** with ambitious required levels of Indigenous employees in the private and public sector, tailor-made partnerships with the top 200 companies and required levels of government procurement to go to first Australian businesses
- **allow Indigenous people in remote communities to end the disparity themselves** with a special governance structure that empowers respected Elders, and has at least equal representation by women. This governance structure will set and enforce social norms and job seeker compliance. Changes in the structure of land ownership as supported by traditional owners and other relevant first Australian groups will enable appropriate titles for home ownership and investment. If applied properly and with discipline, some 20% of the Australian landmass could be put to work with an ever-increasing contribution to the economy. This can be achieved without ever compromising its ultimate Indigenous ownership.

Key drivers for change

There are key drivers to make the necessary systemic changes to shake off the passivity and entrench personal and organisational responsibilities, including:

- working with Indigenous Australians to design and deliver services and give them decision-making powers on the basis of trust and robust verification
- paying the largest proportion of funding based on results achieved
- publishing performance in a transparent way
- shifting government investment to preventative solutions
- agreeing to terminate ineffective programmes and consolidate service delivery
- removing excess administration and duplication
- supporting those who need more intensive services
- agreeing to collaborate with all governments to break the cycle of disparity forever.



What first Australian leaders told us they should do

These reforms will work only if first Australians themselves are involved in the design and implementation of the reforms. Evidence shows that when leaders refuse to support any sense of entitlement within their communities, and strongly encourage a culture of independence and development among their people the community grows in both prosperity and social standards. We have developed the ideas in this report with first Australians and modified our recommendations according to their advice.

First Australians everywhere want a strong future for their children supported by educated, active or working parents as positive role models and they will make the sacrifices to get it. They want to nurture each individual's talents to their full potential rather than be viewed as a burden of disadvantage (where governments try and fix problems when it's too late). First Australian parents everywhere told us they can have no better reason to get and keep a job than to provide a better future for their children.

First Australian leaders, particularly in remote communities, yearn for the authority to require young people to earn or learn and not tolerate idleness. They believe that young children should have strong role models so they can thrive in safe and well-functioning communities. They need the government to back their cultural authority to set and enforce social norms and job seeker obligations. This will empower local people to step up and take responsibility for managing their own lives in a way that strengthens family and community wellbeing and vitality.

Instead of the crippling government oversight of thousands of small projects and funding agreements, I propose that service delivery be consolidated in responsible, properly-governed first Australian organisations with a system of verification to ensure probity and accountability.

Many Indigenous leaders who spoke to me during the course of this review believe it is essential that they take responsibility for delivering these reforms. Local leaders are willing to be held accountable, be responsible for dramatic change in the behaviours of their communities, and ensure that disparity is ended for their children's sake and the sake of generations to come. They need governments to devolve the authority for decision making to them on the basis of trust and robust accountability. As Professor Fiona Stanley recently pointed out:

We have got a juggernaut of spending that is wasted because Aboriginal people are not appropriately engaged with the solutions. When Aboriginal people are engaged with the solutions, not only do they work but the self-esteem within the Aboriginal community rises because people are proud and that affects things like adolescent suicide and mental health.³⁹



The need for an agreement between governments

All Australian governments are committed to improving the lives of their first Australians. What is lacking is the published, regular, robust measurement of performance and effectiveness of policies and their implementation. In discussions with the Prime Minister, the premiers and the Northern Territory Chief Minister it was plain that no government in our nation is satisfied that we are on track and they all accept that there must be major change and are happy to collaborate on this important work.

They recognise that there have been many flawed policies, often competing against each other at different levels of government, highlighting clear implementation failures. They know that first Australians themselves are the key to ending the disparity and that to achieve parity a genuine engagement must be developed urgently between governments and empowered first Australian leaders.

Each government must be held to account with data published in a central data repository to enable the public to examine the effectiveness of their efforts. This will allow for regular, robust measurement of governments' roles in delivering the changes. This is the level and accountability appropriate for the nearly \$12 billion from the Commonwealth alone. All politicians should be prepared to stand and be measured for their efforts. Transparent, consolidated reporting is absolutely critical to ending the disparity.

Employment services, welfare and housing are key areas where deficiencies have entrenched low expectations—areas where our policies have failed to make the seismic shift in the outcomes that are needed and are fundamental to ending disparity. As this is the Commonwealth's domain it must take the lead and make changes in these areas.

The states and territories have a similar obligation to ensure that the policies under their control take full advantage of the changes that result from the anticipated Commonwealth changes. They must lead changes to schooling, access to health and prenatal and early childhood support, housing and vocational education and training. However, it will only be an effort of the whole that will see the massive sustainable change needed for the creation of parity.

I propose a formal agreement between the Commonwealth and the states and territories as set out in Chapter 3 of this report. The agreement should be signed by the nation's first ministers to bind all governments to work collaboratively to end the disparity in life outcomes for first Australians.



The need for bipartisan support

The need for a long-term approach and bipartisan support across the political divide was stressed by those attending consultations across Australia and in the hundreds of written submissions to the review. First Australians and those working with them are rightly cynical about new government reform and how long it will last. The fundamentals of the former government's Closing the Gap strategy have bipartisan support and give us solid ground to build on.

The Prime Minister has asked for my advice to end the disparity for our first Australians—not to halve the employment gap. Accordingly, a very different approach is required that tackles disadvantage and disincentives in the current systems. The integrated suite of bold changes proposed in this report will not just close this gap but end the disparity in full if we take the approach proposed.

If the government cherry-picks a handful of measures, the impact will be minimal. A few measures on their own will not make a difference. This is the opportunity to leave partisan politics behind and for all members of the Commonwealth, state and territory parliaments and assemblies to work together to deliver lasting change for first Australians. Every elected member has walked through streets of Australian communities where the disparity is so significant and understands that real change needs to be made. We have a very rare and critical opportunity through this review to work cohesively and deliver this change.

Changes that benefit all Australians

Some of the changes proposed to end employment disparity—such as remote community governance and service delivery, remote housing and land reform—are specific to remote first Australian communities. However, the more fundamental recommendations about changes to the welfare system, using market levers, and moving to demand-driven employment services are applicable to all welfare recipients of working age of any cultural or ethnic background, whether they are first Australian or not. In every state and territory there are suburbs in large, prosperous cities where intergenerational welfare is endemic and able people are disengaged from work and education. For this reason I suggest the key changes should have national application.

Consultations and submissions

This report has been informed by forums across the country attended by over 1,600 people and meetings with over 150 of Australia's business and employment leaders, first Australian leaders and other experts. It has also been informed by 349 detailed written submissions, with 270 of these published, by agreement, on the website (see Appendix B). Many of the consultations and submissions highlight the great initiatives that first Australians and others have been implementing. I call these 'beacons of hope' and they have illuminated the way for many of the report's recommendations. Some are included as brief case study examples throughout the report.



Summary of recommendations

These 27 recommendations and the evidence and implementation strategy that supports them, and the detail that backs them in the text of the chapters are critical to ending the disparity. These solutions are not expensive and parity is completely achievable with the strength of will from each of us.

Chapter 1: Prenatal, early childhood and education

Practically every parent we spoke to wanted to assure a strong future for first Australian children supported by educated, active or working parents. They want to nurture kids' talents to their full potential rather than be viewed as a burden of disadvantage (where governments try and fix problems when it's too late). Parents said they have no better reason to get and keep a job than to provide a better future for their children. Many reflected that they simply didn't understand, or weren't informed of the very negative impact on their child's start to life caused by aspects of their own behaviour and lifestyle, including a poor diet and inadequate rest, unstable home environment, alcohol and gambling and extended periods of unemployment.

They have a good point!

From conception to three years of age our brain function and major neural pathways are established and are becoming hardwired.⁴⁰

The average brain growth is almost infinite from a single cell to 380 grams at birth to 1.3 kilograms by three years of age, and then only to 1.5 kilograms by 19 years of age when the brain's mass reaches its maximum. These learning pathways are what we all rely on to undertake more complex brain functions like exercising judgement, problem solving and juggling priorities.

Multiple interconnected influences, from family environments to the availability of community supports and economic resources are what affect the development of these pathways. A child who does not receive the required support and stimulation during these early years commences formal education without being 'school-ready' and the cycle of disparity has already started.

The most effective way to invest in a person's future capabilities is a whole-of-childhood approach starting before birth, with intensive effort in pregnancy and the first three years when brain development peaks. This is the only way we will ensure that all children have reached the developmental stages necessary for succeeding at school and for building on this success in adolescence and adult life. We can prevent children from not succeeding initially at school and developing problems that compound in later life.

This is especially so for first Australian children as they are twice as likely as other Australian children to be developmentally vulnerable. Consistently lower birth weights and a higher incidence of conditions such as foetal alcohol spectrum disorder (FASD) mean that children start from behind before they get anywhere near the school gate.

Before we can address education, we need to get children into school with an even chance in life. Without access to programmes that nurture good parenting, many Indigenous children face lives ruined by parents who are simply not aware of the devastating impact that their lifestyle (drugs, alcohol, poor nutrition) has on their children's entire future.



Education experts have reported that children need a school attendance record of at least 80% for schooling to be effective. In the Northern Territory's very remote areas (where 57% of students in the Territory are educated, or 8,253 students), only one in five children is attending school more than 80% of the time. All of the Northern Territory is classified as 'very remote' apart from the three town centres of Darwin (including Palmerston), Alice Springs and Katherine. The average first Australian attendance rate in very remote Northern Territory schools is about 58%, compared with almost 83% in provincial areas. The recent Remote Schools Attendance Strategy has helped, but much more needs to be done and in many more schools if we are to break the cycle of disparity.

Children should be at school every day to ensure they benefit from the education offered to them and are not left behind. This year, the Prime Minister set a new Closing the Gap target: to end the gap in school attendance within five years and achieve at least 90% attendance across all Australian schools, regardless of student background. Every attempt should be made to assist and support first Australians to send their children to school every day. As a last resort, if parents are not meeting the bare minimum 80% attendance requirement and no special circumstances apply, stronger action may be necessary and penalties applied.

States are not implementing truancy laws. The number of fines imposed on parents for cases of truancy by any particular state or territory government over a 12-month period is very low, yet the incidence of truancy is very high. This seems to be wilful negligence by governments and a refusal to enforce their own laws. In Victoria, for example, it is reported that there have been no truancy fines at all since 2006. In Queensland in 2011, just two fines were imposed, yet 36,000 students missed 20 days or more of school in the first semester of that year alone.

We all tend to manage efficiently what we are measured on and governments are no different. It is inexcusable that a child be denied their right to a healthy future that is independent of welfare, because government officials and schools are not paying attention to school attendance rates. Paying states on actual attendance would give a clear focus on what is important. We must pay on results, not process.

The Family Tax Benefit (FTB) is not conditional on good school attendance, but it should be. Governments must make it clear to families applying for the FTB that the benefit is paid to enable them to raise their children responsibly and make sure they are at school each day.

There is no disparity in employment between first Australians with a decent education and other Australians. A decent education means leaving school with Year 12 or equivalent qualifications and the ability to go on to further education and training. There is employment parity now for first Australians with Certificate III or IV level training that most apprentices undergo, diploma or university qualifications.

If we get early childhood development and school education right, we don't need to invest in or waste money by the billions in other areas as we do now. Measures relating to early childhood and school education are a long-term fix. There is a generation of Australians who have not benefited from education and many of the other measures in this report will be of greater significance in assisting them.



Employers consistently report the lack of job-ready school leavers with basic literacy, numeracy and employability skills as one of the major impediments to finding first Australian workers. Schooling, particularly for building literacy and numeracy skills, is critical for developing the workers of the future. First Australian students are, on average, two and a half years behind other students. Results in maths, English and science are particularly poor. Increasing school attendance must become a national priority.

We need the best teachers teaching in schools where the need is greatest. The schooling system, primarily a state and territory responsibility, needs to give first Australian children the best possible start to life—recognising that an individual's earning capacity is directly linked to educational attainment. Teachers should be carefully selected on performance and likelihood to succeed in challenging environments, and supported through incentives to make sure first Australian students are given the best chance to succeed.

There should also be no question in any school in Australia about the importance of teaching basic English and maths as a first priority. For readers about to leap on the argument that first Australians need to preserve their culture through their language, let me remind you that the quickest way to lose language is to be unable to record it. This happens when kids have the sound knowledge of the alphabet needed to document the languages of our first Australians, given their tradition of oral languages.

This has left hundreds of first Australian boys and girls with no means of supporting themselves into the future without welfare. Further, an ideological lack of emphasis on English and numeracy hinders these children for life, and yet the education systems of Australia are dominated by people who use Aboriginal language retention as an excuse for not ensuring English literacy. They have one set of expectations for their own children and a much lower set for Indigenous children.

We must not tolerate any excuse for lower standards in any child's education—not traditions, not ceremonies, not football carnivals nor even visiting sport stars and royalty days, and particularly not the apathy of governments. Nothing must get in the way of any Australian child's fair chance at life.

These recommendations, if implemented, will ensure Indigenous babies are born healthy without being disabled by FASD or ear disease, are sent to school every day, educated and skilled, and ready to succeed in the world of work.



Recommendation 1: Early childhood*

That all governments prioritise investment in early childhood, from conception to three years of age.

Governments must work jointly to agree on, and put into effect within 12 months, a new approach that includes progressive investment to implement integrated early childhood services and to dramatically improve attendance. This new approach should start with schools in the 200 communities that have the highest level of vulnerability and need (as determined by the Australian Early Development Index's results). If implemented successfully along the lines of existing proven models, governments can consider further roll outs.

In order for young children to be school-ready when they enter formal schooling governments will need to work jointly to coordinate and deliver intensive prenatal and holistic preventative early childhood services in target communities. The implementation steps for delivering integrated services for prenatal and 0- to 3-year-olds must include:

- 1.1 co-locating and coordinating health, nutrition and other support services within schools or community hubs with outreach to schools with a single-point for accountability outcomes
- 1.2 providing schools with support to build principal and teacher capacity to collaborate, engage with parents and external service providers, and to diagnose the needs of the school community and deliver services that are responsive to local context, culture, priorities and needs with accountability to a service standard
- 1.3 providing ready access to specialist services with the sharing of information between government agencies including health, community, child protection and education services to enable effective case management of vulnerable children and their families and optimise electronic health records
- 1.4 converting the Newborn Supplement into an incentive for women to identify their pregnancy as early as possible and be connected with a community nurse/case manager to coordinate prenatal care and access to the services listed above. The community nurse or case manager should work with a significant Elder to coordinate regular home visits to pregnant mothers, identify and intervene in behaviours which could harm the unborn child, and link the pregnant woman into community-based mother–child support groups. This approach is especially important for pregnant women in remote communities

* This is one of the few recommendations that cost money, but it is not considerable. My wife Nicola and I have watched a lower socio-economic area transform the performance of its children through the local school, which encouraged government services (already available) to be located within its grounds and to be made available to parents from conception onwards. This initiative worked and is immediately replicable. The other measures of this report will save much more capital than this recommendation will cost.



- 1.5 providing comprehensive case management for vulnerable children from 0 to 3 years of age and their families to allow for early detection of, and intervention in, developmental delays, and provide a compulsory, structured explicit instruction programmes for three-year-olds led by an early childhood professional
- 1.6 extending the School Enrolment and Attendance Measure (SEAM) and Remote School Attendance Strategy (RSAS) programmes to each of the 200 sites, noting that the proposed case management approach would replace SEAM social workers (subject to recommendation 1.1 and 1.3)
- 1.7 driving accountability with compliance against service standards and aggregate data of children's development and improvement over time to be published on the CreatingParity website.

Recommendation 2: School attendance

That governments work together to improve school attendance and be measured and accountable to the public for their success.

To achieve parity, first Australian children must go to school at least nine out of every 10 days. Governments should use every lever at their disposal to bring school attendance to this level (as a minimum), including the implementation steps listed below.

- 2.1 Within 12 months state and territory governments should adopt the following measures to improve school attendance:
 - 2.1.1 implement existing truancy regulations to improve school attendance levels and achieve the 80% minimum tolerance required for an effective education. Regularly report and publicise their truancy record on the My School and CreatingParity websites
 - 2.1.2 ensure schools that fall below the minimum tolerance of 80% attendance (subject to upward adjustment) have an enforceable plan on how to reach parity in attendance for first Australians with progress on these plans to be reported on the My School and CreatingParity websites
 - 2.1.3 provide simple, cost-effective systems to schools that support monitoring attendance and parental engagement and build attendance to 90%
 - 2.1.4 collect and provide school attendance data that accurately measure the attendance of each student and provide this to the Commonwealth at the end of each school term
 - 2.1.5 have ministerial executive accountability for results of truancy enforcement and school attendance reported through to the CreatingParity website.
- 2.2 The Commonwealth Government should introduce a new mutual obligation requirement for parents to ensure that children attend school in return for receiving the Family Tax Benefit. The target attendance should be initially set at least 80%, with a later target of 90% of the school year. The Commonwealth must take the following implementation steps:
 - 2.2.1 amend the application form for the FTB to make clear the benefit is paid to enable parents to raise their children and send them to school every day and to include a requirement for applicants to acknowledge and give permission to check education attendance records



- 2.2.2 change the FTB payment from an annual entitlement (that is currently assessed annually and paid fortnightly) to a more regular monthly entitlement to enable validation of school attendance data for each child, with the data shared by states and territories (see recommendation 1), and evidence submitted through a simple, electronic system
- 2.2.3 apply financial penalties to those parents whose children fall below the benchmark of 90% attendance for the school year and report the aggregate data on the CreatingParity website.
- 2.3 In support of the efforts by states and territories to improve school attendance, the Commonwealth should pay school education funding to them based on actual attendance rates, with data published regularly and support case management services provided for students and families with particular challenges, and revise ABSTUDY and supports to access boarding schools. This will be achieved by the Commonwealth Government taking the following implementation steps:
 - 2.3.1 paying schools funding to state and territory governments based on actual attendance rates measured at the end of each term
 - 2.3.2 publishing updated attendance data on the My School and CreatingParity websites each month clearly indicating whether attendance levels of over 80% have been achieved and tracking individual school trends over time
 - 2.3.3 restructuring the School Enrolment and Attendance Measure to be part of the intensive early childhood approach (see recommendation 1) and enabling the early childhood case manager to implement a support and attendance plan for prenatal to primary school age attendance for individual families. This should include enabling the case manager—rather than Centrelink—to determine if the penalty should be applied. This determination can only be made by the case manager in the long-term interests of the client and not by the Centrelink officer
 - 2.3.4 better targeting ABSTUDY by simplifying its administration, rewarding completion and making it available to first Australian students from remote communities who board on a weekly basis. Changes need to be made to:
 - 2.3.4.1 ensure ABSTUDY is quick and easy to apply for and that it is sufficient to cover the full costs of students attending boarding schools from remote communities
 - 2.3.4.2 give families with children at boarding schools access to base rate FTB payments during school vacations and ABSTUDY payments for the school term until they finish Year 12 in recognition of the costs parents incur during the vacation periods
 - 2.3.4.3 establish regionally-based services to provide independent and professional advice, including placement and retention assistance on education and training options outside their community to families and students.



Recommendation 3: Improving educational outcomes

That a high quality of school education is ensured, particularly for children in remote and disadvantaged areas as assessed by achieving parity in National Assessment Program – Literacy and Numeracy (NAPLAN) results so they have the best chance of employment.

This will be achieved by state and territory governments taking the following implementation steps:

- 3.1 having an enforceable plan to require these schools to reach parity in educational outcomes including using proven methods of explicit instruction and enabling other resources such as the Teach for Australia programme and external advice. Progress on these plans should be reported on the My School and CreatingParity websites
- 3.2 having English literacy and numeracy as the priority for all schools, by having an English-language explicit instruction domain as the basis of each school day. This can be combined with all first Australian children learning and becoming literate in ancestral languages, provided that the priority of English is in place until NAPLAN parity is achieved
- 3.3 developing a workforce of high performing teachers who are independently assessed and recruited for excellence on the basis of their likelihood to succeed in tough school environments; and placing these teachers in priority schools for at least two to three years
- 3.4 offering professional development scholarships to teachers valued at \$20,000 each and paying teachers at least 5% or more for teaching in schools where school attendance is less than 80%; increasing this to 10% if the school reaches 95% attendance over two years to provide incentive for the best teachers to work in the worst performing schools
- 3.5 using the top performing principals from schools that are achieving good results despite their disadvantage, to mentor principals and teachers
- 3.6 providing schools with a clear set of proven professional learning programmes that they can select from to support and improve the impact of the staff on student outcomes and attendance
- 3.7 ensuring school principals are given responsibility and information to advise Centrelink when exceptional circumstances mean access to welfare payments for under-19-year-olds are necessary.



Recommendation 4: Stopping distractions to education

That Commonwealth, state and territory governments, business, sporting organisations and community leaders ensure that school attendance is not unintentionally undermined by sports carnivals, visiting celebrities or any activities that can give families an incentive to take students—particularly from remote schools—away from school for lengthy periods of time.

This will be achieved by the following implementation steps:

- 4.1 business and traditional owners agreeing to make land access and/or royalty payments in school holidays
- 4.2 scheduling cultural ceremonies outside school hours or during the school holiday period, and wherever possible being sensitive to schooling requirements in the timing of ceremonies
- 4.3 recognising that school attendance is critical, government-funded programmes and visits to communities need to be scheduled outside school hours or during the school holiday period.



Chapter 2: The Healthy Welfare Card

Almost half of all working age first Australians rely on welfare payments as their main source of income, compared to only 17% of all Australians.

The Healthy Welfare Card introduces a new system to support welfare recipients to:

- manage their income and liabilities
- save for the occasional bigger expenses like Christmas or school camps
- encourage welfare income to be invested in a healthy life.

All individuals and families benefit from a stable financial environment where regular bills and rent are paid on time and there is food on the table, allowing them to concentrate on other concerns including returning to work and raising and educating their children.

We need to make the necessary changes to Australia's welfare system to empower individuals to use it as it was intended. Welfare is provided to help people build healthy lifestyles and make the best choices they can for themselves and their families—particularly their children. It is a social safety net of last resort and should never be a destination, or support poor choices.

Income management was widely regarded as very helpful for vulnerable people, enabling them to manage their budgets, save for expenses and stay in stable housing. However, it is complex, it can be considered paternalistic and comes with a cost that renders it unsustainable and unsuitable for broader application.

While income management is useful to stabilise an individual's circumstances, it can make transitions off welfare and into work more difficult. An alternative that provides similar support for welfare recipients but includes them in the country's mainstream banking and financial services system will do much more to build financial literacy and independence.

This review would like to thank Coles, Woolworths, Metcash's (IGA), National Australia Bank, Commonwealth Bank of Australia, Westpac, ANZ Bank and eftpos Payments Australia Limited for their assistance in evaluating the proposal for a Healthy Welfare Card. Australia's own EFTPOS system has stated that it can adjust its scheme rules to fully implement the Healthy Welfare Card recommendation with the above participants through a combination of technical and operator-assisted solutions. These will enable welfare recipients to purchase the goods and services required to maintain healthy lifestyles, yet block those goods and services—such as alcohol, drugs and gambling—that damage health, family wellbeing and ability to enter or return to work.



Recommendation 5: Healthy Welfare Card

That the Commonwealth Government implement immediately a Healthy Welfare Card scheme in conjunction with major financial institutions and retailers to support welfare recipients manage their income and expenses.

I recommend that this scheme be implemented so that an individual's welfare payments, other than age or veterans' pensions, would be paid into a savings account drawn on with a Healthy Welfare Card. This card directs spending to purchases that sustain and support a healthy lifestyle for the recipients and any children of those recipients (e.g. essential goods such as food, clothing, utilities, rent) and to savings for larger expenses.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 5.1 working with major retailers and financial institutions to apply the existing technology that can already block prohibited goods at the merchant level
- 5.2 introducing requirements that emphasise that welfare is to support life's essential costs—that the purpose and use of the account and card are to receive welfare payments, and that social security payments are intended to provide conditional support for vulnerable individuals so that compliance arrangements are understood by all recipients including all those who use, or intend to use, social security payments inappropriately
- 5.3 banks and other financial institutions issuing the Healthy Welfare Card using existing debit card technology
- 5.4 programming the card to block the issue of cash and the purchase of alcohol, gambling and illicit services and gift cards at the point of sale
- 5.5 making the card fully redeemable at any Australian retail store or online facility that accepts Visa and MasterCard with electronic and EFTPOS payment facility, with the exception of alcohol and gaming outlets
- 5.6 protecting consumers with participating banks and financial institutions by using existing technology to identify unauthorised or unusual patterns of purchasing on debit and credit cards to expose potential fraud by retailers and card recipients
- 5.7 introducing penalties for retailers that accept the welfare card for payment of prohibited goods or to issue cash—a penalty for on-the-spot fines of \$2,000 for every \$100 of value for business dealings prohibited by the card
- 5.8 reporting aggregate data on compliance, delivery costs and savings on the CreatingParity website
- 5.9 commissioning the Australian Crime Commission and state and federal police to develop appropriate strategies to manage any impact on organised crime as a result of the introduction of the Healthy Welfare Card



- 5.10 having state police commissioners alerted that, in the short-term, as lifestyles are adjusted, levels of petty crime may be temporarily elevated, before falling to levels lower than they were previously due to the elimination of drug and alcohol abuse
- 5.11 having counsellors available in communities to assist people who come off serious alcohol or drug addictions.



Chapter 3: Implementation and accountability

The recommendations outlined in the review must be accepted as a package. They are mutually reinforcing and mutually reliant. They take a balanced approach and need to be implemented holistically.

Any serious project requires even more serious management. Of the many multibillion-dollar projects that I have successfully overseen, or have directly reported to me, there has been a common thread of success wrought from a disciplined, mechanical style procedural approach. A clearly measurable performance path is agreed to at the beginning of the project. Progress is published and individual accountability ensures projects are delivered on time, within budget and according to specification.

Accountability needs to be specifically defined for each initiative to the level of departments and individuals responsible. We can't use the usual bureaucratic processes to get individuals on board and expect things to be different this time. We will need to use innovative methods to turn those accountable into owners and joint problem solvers.

The idea is to bring everyone who is accountable for the pieces of this from across the system into a room, with facilitators, and no-one is to leave until all solutions are defined, with measures and outcomes, and approvals from all the departmental heads. The participants then come together on a regular basis—let's say quarterly—to review progress and problem-solve what's not working and is working and how to accelerate progress. This is a very effective approach but has never been done, to my knowledge, in the Commonwealth Government.

Contained in each recommendation in this report is a series of critical implementation steps. I have identified each step as important to the delivery of the measure so that this level of detailed project planning may be undertaken to assure the success of the measure. We should be aware that there will be a natural inclination to recycle existing projects as opposed to adopting new methodologies for a total different result. To avoid this distraction, this report contains a series of critical implementation steps that, if adhered to, will deliver the game-changing result required.*

A lack of understanding of need, existing services, and the vested interests of service providers have often resulted in duplication, service gaps and measures that merely treat the symptoms rather than preventing them. During our consultations, many communities—particularly remote ones—complained often about ridiculous duplication, fly-in fly-out providers that had little understanding of the needs of the community and serious problems which were not being addressed. This review has responded to a strong recommendation by the New South Wales Government for a system where, before entering a community, all service providers register their activity and purpose so that duplication and mismanagement are avoided.

We need to support our politicians to make the difficult decisions to close ineffective and legacy programmes to redirect funds to this comprehensive approach.

* Thanks to McKinsey and Company and FMG Strategy for this input.



Through programme consolidation, the government must eliminate programmes that are paid the majority of their funding without any evidence that they could or will meet prior agreed results and, instead, introduce simple cost-effective service delivery arrangements which will free up funding. The government must ensure that funding is used wisely to achieve the outcome for which it was intended and make sure there is always a balance in interests in the awarding of contracts. You would not let a fox look after the chicken coop! Similarly, allowing a service provider to judge their own performance and authorise their own payments is not sound business sense. Governments must pay, like the private sector does—almost or totally on results—and stop paying simply on process.

Like other organisations in Australia that survive on merit, governments must hold themselves accountable to the public for their results. The merit of individual programmes must be assessed through robust performance measures that have been agreed prior to the first cheque being written.

As discussed elsewhere in this report, as government-funded service providers exist on the public purse, so like the rest of us they must be prepared to be paid on results. Certainly the practice of simply funding process, without putting payment at risk and rewarding results, must stop. Publishing outcomes for public benefit is therefore essential.

This will involve ambitious measures and project management methodologies that will always attract criticism from those with current vested interests who have failed to deliver outcomes. These criticisms must be dealt with and under no circumstances be allowed to prevent the well overdue reform in the management and implementation of government-funded Indigenous programmes and mainstream services.

I recommend redirecting the funding saved by these measures to implementing this review.

Recommendation 6: Implementation and accountability

That the implementation of recommendations be prioritised across all governments, closely monitored and reported along the lines that are described by the value driver trees.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 6.1 establishing a taskforce to drive implementation of the recommendations across government, led by a respected person with the authority, experience and independence to drive progress, resolve all blockages and hold agencies to account, as described clearly in the section under the heading 'How governments can achieve massive change—fast'
- 6.2 using the Indigenous Advisory Committee to provide advice to the head of the taskforce and to the Commonwealth Government
- 6.3 reporting annually on implementation of this review's recommendations to parliament as part of existing reporting arrangements



- 6.4 replicating and being compatible with the New South Wales Government's Human Services Data Hub, which provides a consolidated view of human services delivered across New South Wales, on a national level (subject to further development). A data hub with information from all state, territory and Commonwealth-funded human services programmes should capture information such as the location, target cohort, funding and cost, as well as the programme's outcomes
- 6.5 making the national human services data hub accessible by the public and using it to identify existing funding to assess need, identify service gaps, reduce the duplication of funding and services, and ensure improved service coordination and transparency.

Recommendation 7: Implementation

That the Commonwealth, state and territory governments ensure that a major component of funding for government-funded service providers is at risk if they fail to achieve satisfactory performance.

This would involve ensuring there is a balance in interest to avoid conflict or disappointment in outcomes, in all funding agreements. This must extend to between governments, and between governments and providers, no matter whether the funding agreement is for provision of a service or capital works. These arrangements must ensure that we only pay for results and not process, and ensure the results have been agreed prior contract settlement.

This will be achieved by governments taking the following implementation steps:

- 7.1 agreeing on accountability milestones within pre-agreed performance schedules
- 7.2 ensuring that the accountability milestones are capable of clear measurement
- 7.3 taking immediate corrective action if contract performance is found lacking
- 7.4 publishing outcomes in the requisite detail on the CreatingParity website.



Recommendation 8: Agreement to implement the recommendations of this report

That the Commonwealth, state and territory governments agree to sign a new multilateral agreement to affirm their commitment to implement the recommendations of this report and be held accountable for delivery, through regular public reporting on the CreatingParity website as detailed in each recommendation.

This will be achieved by governments taking the following implementation steps:

- 8.1 cooperating with all necessary information-sharing in order to allow self-correcting mechanisms like the Family Tax Benefit to provide incentives and encourage parents to send their children to school
- 8.2 making a commitment that they will not use funding or any external issues to subvert the executive outcomes recommended in the Creating Parity report
- 8.3 ensuring that the multilateral agreement pays careful attention to points 1–9 (outlined at pages 118–19) in Chapter 3.



Chapter 4: Breaking the welfare cycle

The risk of condemning another generation of first Australians to a life on welfare is very real if we don't take decisive action. Indigenous circles often refer to the current generation as the Lost Generation, and the long-term effects on children are as debilitating as that of the policies that resulted in the Stolen Generation. Young first Australians, like all children, must be given the guidance they need to establish the personal and work attitudes we all need later in life to ensure successful independence away from the welfare system.

However, this is not happening now. More than 60% of 17- to 24-year-old first Australians leave school without connecting to further study or work, compared to only 26% of other young Australians. In remote areas this figure represents 82% of young first Australians. Everyone needs to understand that this is why the disparity is growing so fast despite the billions of dollars spent.

For young people in particular, the lure of welfare over better choices must be removed. All efforts must be focused on supporting them to finish school and make a successful transition into work without ever interacting with the welfare system. This will require a much stronger collaboration between all Australian governments, to ensure the welfare system does not create perverse incentives for under 19-year-olds to leave school. Stronger collaboration will also allow the Commonwealth to support state and territory governments to meet their responsibilities for all school age children—in particular, to radically change the average attendance levels for first Australian kids.

The current welfare system is complex for recipients and makes it difficult to calculate whether getting a job will be worthwhile. There are about 20 welfare payments and a further 55 supplementary payments. Some payments are activity-tested; others are not. Participation requirements vary according to payment type, work capacity, age and cohort. There is also a wide range of exemptions to participation requirements that are applied with varying degrees of consistency to working-age adults able to work. The application of exemptions needs to be simplified so that they are only applied to those who have genuine reasons not to participate.

Recommendation 9: Young people

That young people below 19 years of age must be working or in school or other educational institutions, training for a guaranteed job.

Young people identified at risk of leaving school are to be provided with additional support to continue to study or connect to work. As principals have a key pastoral care role, they should coordinate the support to ensure the young person has the best chance of completing their education.

This will be achieved by the Commonwealth Government by taking the following implementation steps:

- 9.1 requiring access to the Youth Allowance to be on the endorsement of the school principal, and be available only through the Healthy Welfare Card, to help remove the incentive for young people to leave school to get an independent cash income on welfare. They can only receive this credit on their Healthy Welfare Card if they register or enrol at a Vocational Training and Employment Centre (VTEC) or other employment service and train for a future trade or guaranteed job, or return to complete their education



- 9.2 only funding programmes and services that demonstrate proven success in keeping young first Australians at school (on a value for money basis) and assisting them to make a smooth transition to work or tertiary study, with the bulk of funding paid on results
- 9.3 guaranteeing that young people at Year 12 equivalent or below, who cannot be encouraged to complete their education, have immediate access to demand-driven employment services such as a VTEC
- 9.4 working with state and territory governments so that principals and teachers identify 'at risk' young people early in their school careers; and working with the Commonwealth to provide mentoring and support services to keep them connected to study or work
- 9.5 reporting aggregate (not individual) data to schools and alternative education providers via the CreatingParity website. This is designed to ensure that the extent of disengagement by young people with the education system can be measured and managed.

Recommendation 10: Job seeker obligations

That all discretion of Centrelink and job service providers to waive job seekers' obligations and grant exemptions and transfers to non-activity tested payments such as the Disability Support Pension to excuse working age, capable welfare recipients from efforts to get meaningful employment be removed.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 10.1 applying mutual obligation requirements to all payments for those who are of working age and capable of work (i.e. all payments except the age and veterans' pension)
- 10.2 reducing Centrelink's role in job seeker compliance to spot checking of employment providers' performance in job seeker compliance
- 10.3 reporting on the CreatingParity website the aggregate number of exemptions to job seeker obligations for first Australians as provided by Centrelink and job service providers.



Recommendation 11: Breaking the welfare cycle

That the welfare system be simplified by reducing the number of different working age payments available to a single unemployment benefit (with only a very limited number of supplements available) along the lines of the 2009 Pension Review by Jeff Harmer.

This will be achieved by the Commonwealth making changes so there can only be one unemployment benefit. It will be achieved with the following policy components:

- 11.1 ensuring people in similar circumstances with similar capabilities are treated in the same way
- 11.2 eliminating the discretionary waivers and exemptions to remove excuses not to work
- 11.3 reducing the unemployment benefit for under-21-year-olds to less than the full-time student allowance to avoid creating incentives to leave study
- 11.4 renaming the youth unemployment benefit by removing the misnomer of Newstart Allowance and replacing it with a more accurately titled 'Unemployment Support', and renaming the Youth Allowance to 'Transition to Work Allowance'
- 11.5 transferring recipients of wages through the Community Development and Employment Projects (CDEP) to the Newstart Allowance (or the proposed new Unemployment Support) and into the Remote Jobs and Communities Programme where it is replacing the CDEP in communities. This is designed to ensure all job seekers have the same incentives and obligations in return for income support.



Chapter 5: Building capability, dismantling the cash barbeque and eliminating disincentives

Almost 70% of first Australian job seekers, or around 50,000 people, are classified as the most disadvantaged in employment services, yet Job Services Australia (JSA) fails these people on all measures. These job seekers are the most expensive group to service, get the poorest outcomes from these services and churn through the inefficient system at the highest rates. Many will remain welfare-reliant as a result.

This is at the core of the Indigenous unemployment disparity and there is no effective government measure to deal with it in the current policies and programmes. Employers take on considerable costs and risks in employing these job seekers and need to have certainty of policy. Employers see wage subsidies as unreliable and unsustainable charity, with programmes turned on and off as governments' needs change.

A new approach is needed, one that uses the tax system and the power of the market. Treasury may have a heart attack, but there are sound economic reasons for this recommendation. These individuals generate no tax and incur substantial costs to the nation as a result of the welfare, housing, incarceration, counselling and other service costs.

For example, up to 20% of this group are ex-offenders. The West Australian Government estimates that the cost to government incurred during the period from offence to resettlement is up to \$1 million for one individual. The new system proposed in this report will pull the private sector into training and employing these individuals and provide special incentives for job seekers who relocate from remote communities.

Again, we must look to the power of business incentives to eliminate this entrenched disparity and the high barriers to employment entry for individuals. We can achieve an end to this disparity by encouraging commercial enterprises to train and employ the most disadvantaged Indigenous people. We should allow the tax system to provide the incentive for business to go the extra mile to train and employ the least capable in our society. These tax incentives will need to be substantial and be awarded to those companies that meet strict ownership and employment criteria. It will be essential to involve first Australian businesses, as they are about 100 times more likely to employ first Australians than any other business.

Existing government policy has not eliminated the massive disparity that exists for these most disadvantaged and vulnerable first Australians.

While the employment gap has grown, the JSA system is costing around \$1.3 billion a year, yet only 5% of employers use JSA to find workers. A further \$1.1 billion is spent on supplementary employment services, most of which also cannot boast proud track records. The JSA system, in particular, doesn't meet employer needs and perpetuates training for training's sake. The incentives are misaligned, focusing on supply-side (government-funded training companies) issues rather than on where the demand is, with employers. We must pay only on results, not process. As I stated previously, you wouldn't give a fox responsibility for the chicken coop. Similarly, allowing JSAs to authorise their own payments is commercially nonsensical. I have referred to this previously as a balance in interests. Only employers are qualified to judge whether a trainer has delivered what the job requires.



Vocational Training and Employment Centres

Vocational Training and Employment Centres (VTECs) connect first Australian job seekers with guaranteed jobs and bring together the support services necessary to prepare job seekers for long-term employment. The guarantee of a job before job-specific training starts is the key feature of VTECs and payments exclusively reward achieving 26-week outcomes.

A VTEC is a specialised training provider, sometimes working in conjunction with a local TAFE in partnership with regional industry, that delivers quality training programmes linked to the community and business needs of the region. By providing quality, flexible training to upgrade skills, especially by providing driver's licence training, VTECs can get participants job-ready within six weeks to undertake on-the-job training or further training courses, from entry-level Certificate I to apprenticeships and traineeships, in a wide range of industry areas.

While governments claim JSA funding is outcome based, only 8% of it is at risk if providers do not retain job seekers in work for 26 weeks. Compare this to a Vocational Training and Employment Centre (VTEC) service, where 100% of their funding is at risk if 26-week outcomes are not achieved. It's pretty clear who will focus on getting and keeping people in long-term jobs.

There are hardly any surviving critics of the demand-driven guaranteed jobs approach. Recently the government went to market to purchase new VTECs; some 50 interested providers applied and were prepared to take the business risk of having their sole remuneration rely on them achieving a 26-week employment outcome. More than 4,000 training positions have been allocated to over 20 training organisations recently. Each training company is confident enough to take the risk on the same basis as its students—i.e. success.

Some 18,700 Indigenous people have stepped up to take real jobs under the Australian Employment Covenant's 61,000 job pledges. Twenty-six-week outcome data are available for 16,000 of these jobs. Seventy-five per cent have reached 26 weeks. The issue now (thankfully) is not the jobs being available; it is the capability of the Indigenous job seekers that is the challenge, and the government must rise to meet this challenge. Hence the recommendations in this report.

The vocational education and training (VET) system, including TAFE, is currently moving towards employer-directed job-specific training like VTECs—but the progress is slow and sporadic. Training for training's sake has led to first Australians accumulating Certificate I and II qualifications that are not valued by employers and rarely translate into a job. As the Business Council of Australia recently observed, the VET training system is woefully unable to meet employer demand. Funds unfortunately are being wasted on training for training's sake, and substantial funding is paid on course enrolments rather than completions.

Page 146 of the report makes it clear that the VET system must do more to link training to real jobs. We must pay for training based on results as assessed by the satisfaction of employers and not just provide funding for trainers to train for training's sake.

We must try a whole new model. Billions of dollars have been wasted training people inadequately to succeed in the work environment. This report strongly recommends that no further funding be provided to any such training institute unless the courses are connected to real jobs.



Even some basic skills are taken for granted. A driver's licence and literacy and numeracy are the most common requirements for employment. However, for many Australians these are the barriers to securing a job. Getting these fundamental skills into the individual is the key to unlocking that person's career.

In many communities we spoke to, too many people regarded going to prison as a rite of passage and many young people wore it as a badge of honour. We must ensure that incarceration is an empowering experience and the individual on release is much better prepared for independence in society.

Offenders should exit the system being able to read, write and drive and with some vocational training to avoid reoffending. In particular, driver's licences are critical, and to avoid the embarrassment of inmates driving out (or through) the front gate, simulators are recommended.

Recommendation 12: Tax incentives

That tax-free status be provided to new and innovative first Australian commercial enterprises that create real jobs by providing the training grounds to eliminate the disparity for the most disadvantaged job seekers.

These commercial operations should benefit normally from existing assistance, but not more than any other employer can. They should be designed to allow one-to-one volunteer mentoring by peers of a new disadvantaged employee.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 12.1 legislating to give effect to tax-free status for first Australian commercial enterprises that are designed to allow one-to-one mentoring by peers within the workplace—which in my experience is the optimal ratio of volunteer mentors to disadvantaged employees—and that have:
 - 12.1.1 a minimum of 25% Indigenous ownership and Indigenous board membership
 - 12.1.2 a minimum of 60% of all employees who are Indigenous people
 - 12.1.3 a minimum of 40% of all employees from the most disadvantaged job seekers (currently defined as sourced from streams 3 and 4 in Job Services Australia)
 - 12.1.4 at least 10% of Indigenous employees from remote areas.
- 12.2 requiring these companies to report their success in Indigenous employment on the CreatingParity website
- 12.3 introducing a new mandatory requirement for the Commonwealth to procure 4% of its \$39 billion purchasing of goods and services from first Australian businesses
- 12.4 operating the government's policy of Work for the Dole on a commercial basis so that tax-free status can be used as an incentive to move organisations from a social enterprise to a profitable business that employs the most disadvantaged job seekers.



Recommendation 13: Employment services

That the Commonwealth Government replace and consolidate current Job Services Australia services and other work preparation and literacy and numeracy programmes with a demand-driven system.

The design of the system should draw on the Vocational Training and Employment Centre model, where training and support are provided to get people into guaranteed jobs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 13.1 only funding training when it is fully recognised by employers and linked to a guaranteed job
- 13.2 driving accountability and rewarding outcomes with payments that are heavily weighted to getting and keeping people in jobs for 26 weeks or more
- 13.3 selecting providers on the basis of demonstrated performance in meeting employers' needs, achieving 26-week employment outcomes and establishing effective relationships with the Indigenous community
- 13.4 implementing the government's policy of Work for the Dole so that activities reflect real workplace pressures and requirements through an intermediate labour market or preferably a commercial operation
- 13.5 providing driver's licence, literacy and numeracy training using proven methods of explicit instruction as a compulsory part of Work for the Dole activities for those who need it
- 13.6 assessing job seekers on what they can do, not on the basis of their disadvantages
- 13.7 rigorously applying job seeker obligations, with exemptions and discretion strictly limited
- 13.8 changing suspension and financial penalties to have a next payday impact to drive job seeker behaviour
- 13.9 authorising providers to apply suspensions and financial penalties directly
- 13.10 providing case management support to build employability skills and address issues such as drug dependency, with in-job support wherever possible
- 13.11 redirecting savings from the consolidation of labour market programmes into intensive early childhood care and education as proposed in recommendations 1 and 2
- 13.12 transferring recipients of Community Development and Employment Projects wages to Newstart Allowance (or the proposed new name of Unemployment Support) to ensure all job seekers have the same incentives and obligations in return for income support
- 13.13 requiring Job Services Australia providers to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website.



Recommendation 14: Vocational education and training

That, in order to create job-specific employer-directed training, the Commonwealth, state and territory governments, as joint regulators and funders, introduce vouchers for employers redeemable at education providers to replace all funding for the vocational education and training system, particularly the TAFE system.

These vouchers would only fund training that is designed by, and meets the needs of, employers.

This will be achieved by the Commonwealth, state and territory governments taking the following implementation steps:

- 14.1 introducing voucher funding for vocational education and training that responds to employer needs and that has a guaranteed job at the end. The level of funding would be tied to the relative disadvantage of the job seeker (e.g. streams 3 and 4 would attract the highest level of funding) and the employer would decide what training it wished to purchase in full or in part with the voucher redeemable through the registered training providers
- 14.2 requiring vouchers for all qualifications and skill sets (including Certificates I–IV). Certificates I and II would require a guaranteed job written into the voucher and it would only be redeemable on completion of 26-week outcomes. An up-front payment or loan—deductable against the structured outcome—could be made as a proportion of the voucher funding (but it must be less than 50%—with best practice at 30%). With Certificate III and above, courses would be designed by employers (not trainers) and participants would be assessed at significant milestones for successful completion before the voucher could be cashed
- 14.3 redirecting savings from vocational education and training into intensive early childhood and education as proposed in recommendations 1 and 2
- 14.4 making employers and industry bodies drive the content of courses under the Australian Qualifications Framework to ensure relevance, and use employers' satisfaction with the training provided to drive performance-based payments in vocational education and training.



Recommendation 15: Driver's licences

That all state and territory governments introduce a consistent approach to issuing provisional 'locked' driver's licences for people who are unable to drive due to unpaid fines or other traffic infringements so that they can get and keep a job by being able to drive.

This will be achieved by state and territory governments introducing a national locked licensing model that has the following characteristics:

- 15.1 the licence is issued for employment only (a provisional licence) and is specific to one employer
- 15.2 the licence is specific to a particular geographic region and cannot be used outside that region
- 15.3 the issuing of the licence is based on successful completion of a skills test specific to the geographic area and/or work site for which the licence is provided
- 15.4 the licence looks different to a normal driver's licence so that it is readily identifiable
- 15.5 the driver is required to carry proof (e.g. a letter confirming employment from the employer with a telephone number) to show, if they are pulled over by police while driving for work
- 15.6 provision is made for payment plans to pay off any outstanding fines or warrants for people who are disqualified on that basis.



Recommendation 16: Training in incarceration

That states and territories require compulsory participation of inmates, while in incarceration, in proven methods of explicit instruction in English and maths, driver's licences for those who need them, and job skills training.

Successful completion of training would also be a condition of parole eligibility subject to time constraints in prison. Inmates must be able to read, write and drive and have some vocational qualification upon release.

This will be achieved by state and territory governments implementing the following steps:

- 16.1 providing individuals in correctional facilities and services with proven methods of explicit instruction in maths and English
- 16.2 using simulation machines for offenders to accumulate the requisite minimum number of hours of driving experience to sit and be issued with a driver's licence, and where necessary issuing driver's licences for employment only (a locked licence) and specific to one employer
- 16.3 providing vocational education and training that is relevant to employers in the community where the individual will resettle
- 16.4 ensuring that a substantial portion of funding to correctional facilities is dependent upon on achieving outcomes based on the above
- 16.5 remunerating out-placement services on the basis of performance in successfully resettling individuals in the community for 26 weeks or more without reoffence.



Chapter 6: Incentives for housing and mobility

When we look at the reasons for serious disadvantage, we don't have to go much further than housing policy. Our system currently traps first Australians into living in remote communities, whether they want to or not, even when there are no jobs there. When one is asking to end the disparity through employment, this policy, perhaps, is the most irrational of all that this review has considered. The Minister for Indigenous Affairs, Senator Nigel Scullion, is making major inroads into the inefficiencies of the programmes and practices he inherited. We continue to support his efforts.

If we are to end the disparity, getting and keeping a job must be a rational choice for all first Australians to make. There are many inputs to this choice, like the support and training individuals receive, what they are obliged to do in return for welfare and what impact it will have on their lifestyle, especially housing. Yet the comments made by Elders to me across Australia, such as Mr Richie Ah Mat, a highly respected Cape York leader, support this case. He, like the other Elders, state firmly that nothing changes a family's life or improves its standard of living more quickly than living in a home the family owns. This is particularly so for the safety and security of children, for, among other reasons, visitors can be controlled.

People told us outright they would give up the dole for a job anytime—but not if it meant losing their house. The pull of low-cost housing, even on welfare, is too strong. An urgent shift is required. We must use housing to make employment much more attractive, not less attractive. Right now, the most expensive houses to build are those being built, with taxpayer funds, in communities where there simply aren't meaningful long-term careers for the majority of first Australians who live there. The discount in housing must be applied when there are strong prospects of employment and long-term careers.

Social housing is a significant part of the Australian welfare system; it has an estimated cost of more than \$7 billion over four years to the Commonwealth alone. For many of Australia's most vulnerable citizens, social housing is a valuable part of society's safety net. About one-third or over 100,000 people are in social housing and on income support that requires them to look for work. Across Australia the lowest rents are paid in the most remote social housing tenancies. For them, the social housing system often undermines job aspirations and entrenches welfare reliance. A person can be discouraged from taking a job because state and territory housing authorities deem that an income higher than the dole means eviction from social housing.

Compulsory rent deductions from welfare payments would stop cheap or free public housing becoming part of the welfare trap and support individuals relocating for work. It would also prevent unnecessary evictions that result from rent default. These funds can and should of course go towards rent or home loan interest subsidies when there are suitable job prospects and careers.

Job seekers, especially those in remote Australia, said they did not have the personal resources to move for work. None we spoke to knew where they could go to get help with the cost of mobility. In particular, people living in remote Indigenous communities who wish to leave for work must be shown a clear way out. We need to build on existing programmes and significantly expand support for people to take up work where the market provides it, and enable them to orbit* back to their home communities without losing access to housing or employment.

* The Cape York Institute for Policy and Leadership introduced the term 'orbiting' in relation to Cape York communities—see <http://cyi.org.au/wp-content/uploads/2011/08/Cape%2520York%2520Agenda%2520final.pdf>. Broadly speaking, the term refers to the mobility of Indigenous people from remote communities to take up education and employment opportunities in regional and metropolitan centres, while also retaining their connection with ancestral lands.



Home ownership is a critical incentive to keep people in jobs and out of the welfare trap. Most Australians have a job so that they can meet their aspiration of home ownership, to generate wealth and provide security for their families. The 2011 census showed that 37% of first Australian adults lived in owner-occupied homes compared to 70% of other adults.

Recommendation 17: Housing

That the Commonwealth, state and territory governments work together to put in place housing delivery mechanisms to support and encourage workforce participation, optimise transition and mobility to work, and remove disincentives and impediments to taking up work.

This would involve reforming land tenure arrangements, increasing mobility assistance, and prioritising housing and home ownership for those in work.

This will be achieved by taking the following implementation steps:

17.1 Commonwealth Government:

- 17.1.1 building on existing mobility programmes by making accommodation part of a support package for people relocating from remote communities to take up jobs that includes access to secure accommodation in town; brokered assistance such as bonds and rent advances for the private rental market; and case management for families including financial management support and assistance with accessing schools and health care
- 17.1.2 enabling Indigenous Business Australia to accept substantial private sector capital to increase the capital available for employment home loans for first Australians
- 17.1.3 enabling Indigenous Business Australia—once a portion of the first Australian employment home loan portfolio is performing to market expectations—to sell that portion into the commercial markets in order to recycle those funds to create more low-interest (initially) home loans for all first Australians, provided they have been employed for 12 months or more
- 17.1.4 having the Australian Treasury credit-enhance up to \$500 million (at a time) of first Australians' home mortgages. Indigenous Business Australia can then provide a credit enhancement to its loan portfolio by way of a partially guaranteed loan book, which will allow it to borrow funds at competitive prices from the banks
- 17.1.5 redirecting remote housing funding to increase first Australian employment home loans administered through Indigenous Business Australia with generous deposit assistance for first Australians who relocate from the remote areas to better labour markets for work and retain a job for at least 12 months
- 17.1.6 deducting rent on a compulsory basis from income support entitlements for social housing managed by the states and territories, and ensuring that the money is used to subsidise rent for people who move to take up employment and pursue a career. Rents should be set at 80% of market rates or at least cover the cost of the asset.



17.2 State and territory governments:

- 17.2.1 giving existing social housing tenants on activity-tested payments an incentive to relocate to better labour markets to take up jobs a preference to a rental house at the location of the job. After one year of employment this would trigger a purchase option
- 17.2.2 continuing eligibility for public housing for those who take up and retain work for up to 30 months while they transition to the private rental market or home ownership
- 17.2.3 giving priority in the allocation of social housing to families in employment and meeting social obligations, such as their children regularly attending school, over those who are capable of working but choose not to
- 17.2.4 ensuring that all public and social housing tenants on activity-tested payments pay rent at a comparable market rate (not less than 80% of the private market rate in a comparable location), up to a reasonable cap, with an appropriate transition period
- 17.2.5 publicly reporting on the implementation of these new arrangements on the CreatingParity website, including providing annual data on rents charged compared to rents collected and the rent default rate to ensure social housing is not a welfare trap.



Chapter 7: Building employer demand

There is no reason apart from poor policy and attitude that our first Australians can't have parity in employment. Education and training is available, but everyone in these industries should feel the satisfaction of knowing their students will find meaningful long-term employment at the satisfactory completion of their courses.

As Australians we want to see every one of us have a fair go at making a decent life.

To get to this point in a reasonable timeframe, our efforts need to deliver results quickly. We cannot simply wait for improvements in prenatal early childhood education and general education to correct the education and health environment for our young people. Our policies must also help immediately those of training and working age.

The gap in the employment rate between first Australians and other Australians has widened from 27 to 30 percentage points between 2008 and 2012–13. First Australians are around four times more likely to be unemployed than other Australians and this disparity will grow without effective interventions. As stated previously in this report, the majority of our first Australians are young and thousands will be entering the labour force in the coming years unprepared for employment and without any of the necessary work-ready skills. These people will have no choice but to become welfare-dependent unless our policies change dramatically. As mentioned, by 2018 we need to find 188,000 new jobs to close the employment gap, of which 80,000 would be for kids and new entrants into the workforce. This rapidly worsening situation will doom young first Australians to a life of poverty unless effective policies are implemented.

Real change will only take place if there is a close partnership between the Commonwealth and private enterprises. Employers of first Australians are telling us that the current Indigenous Employment Programme structure is riddled with red tape and is difficult to navigate. There is a real opportunity to harness the good will of Australian businesses to provide real growth in jobs for first Australians.

Although the employment gap is much wider in the private sector, it is not appropriate for the government to expect the private sector to do all the heavy lifting. While the most serious inroads into employment disadvantage will be in the private sector, the government must do its share. The Commonwealth alone employs 250,000 people and state and territory governments collectively employ many more.

It is also important to support first Australian businesses, as this, in turn, will lead to more jobs for first Australians. Indigenous majority-owned businesses are about 100 times more likely to employ first Australians than other businesses. The Commonwealth should support the growth of Indigenous businesses and first Australian commercial enterprises with its \$39 billion annual purchasing of goods and services.



Recommendation 18: Government procurement

That the Commonwealth Government purchase at least 4% of its goods and services within four years (either directly or through subcontractors) from first Australian businesses (with a minimum of 25% Indigenous ownership) and in particular from the new first Australian commercial enterprises once they are established.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 18.1 setting the required level of 4% over four years, with an annual increase of 1 percentage point to achieve an overall 4% increase over four years in purchasing goods and services from first Australian businesses. The rate of, and achievement made towards, the targets must be published in agencies' annual reports and be monitored quarterly on the CreatingParity website
- 18.2 holding portfolio ministers and each department and agency accountable for meeting portfolio procurement levels and milestones towards them, with requirements set out in department and agency heads' employment contracts
- 18.3 requiring bidders for government tenders to detail a first Australian engagement strategy that sets out their approach to delivering the required level for first Australian employment and purchasing from first Australian firms
- 18.4 setting the level of first Australian employees in successful contracting companies in non-remote areas to the public sector level in the jurisdiction where they are based (at a minimum) to be consistent with either the underlying first Australian population in that jurisdiction or 4% (whichever is higher at the time of tendering to government); and in remote areas setting the level at the greater of at least 20% or the first Australian population of that region
- 18.5 including in criteria for all tenders a substantial weighting in assessment where companies with a first Australian workforce consistent with the underlying first Australian population in that jurisdiction or 4% (whichever is higher) receive the maximum score against that criterion
- 18.6 capturing required levels of first Australian employment in contracts and enforcing them. Failure to meet contractual obligations should affect the awarding of any future government contracts to the company
- 18.7 defining first Australian firms that qualify for preferential Commonwealth procurement policies as those that have 25% or more first Australian ownership and management and can demonstrate significant first Australian employment outcomes.



Recommendation 19: Top 200 employers

That the Commonwealth Government provide the top 200 companies in Australia and those with a strong track record of first Australian employment, with tailored contracts to increase the proportion of first Australians among their employees.

Best practice would be 4% over four years, but with a minimum requirement of 4% over five years. More time should be provided to achieve 4% first Australian employment for those organisations that have a significant proportion of very highly skilled or professional positions for which there are currently insufficient qualified first Australians.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 19.1 establishing a 'Corporate Leaders Group' to share best practice across employers and industries
- 19.2 issuing invitations to the largest companies and those with a strong commitment and track record in first Australian employment, to participate in the Corporate Leaders Group
- 19.3 negotiating individually tailored contracts with these companies that provide for payments rewarding retention of employees at 26 weeks and that require overall growth in their first Australian workforce to be reported in their annual reports and monitored quarterly on the CreatingParity website
- 19.4 supporting these employers to take the most disadvantaged job seekers by having effective demand-driven employment services like Vocational Training and Employment Centres working with employers
- 19.5 publicly celebrating the successes of this group with the involvement of the Prime Minister at an event and as companies sign up to the group.

Recommendation 20: Support for employers

That the Commonwealth Government ensure the Indigenous Employment Programme funds training only when there is a guarantee of an ongoing job and has the flexibility to package support according to employers' needs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 20.1 removing the unnecessary limitations on school-based traineeships
- 20.2 funding initiatives with proven success—particularly for connecting disadvantaged groups (such as pre-release prisoners and disengaged young people) with jobs
- 20.3 broadening eligibility for cadetships to include para-professional opportunities—for example, bookkeeping, retail, and some engineering and construction industry jobs
- 20.4 requiring the Indigenous Employment Programme to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website.



Recommendation 21: Public sector employment

That the Commonwealth, state and territory governments each set and enforce public sector first Australian employment targets of 4% within four years for each portfolio with a minimum of 4% within five years, but with no individual portfolio with less than 3%.

This will be achieved by Commonwealth, state and territory governments taking the following implementation steps:

- 21.1 holding department and agency heads accountable for meeting the target and milestones towards it
- 21.2 requiring that progress towards the target be published in agencies' annual reports and be monitored quarterly on the CreatingParity website
- 21.3 increasing the number of offers of cadetships to first Australian university students and ensuring there is a guaranteed job at graduation.



Chapter 8: Empowering people in remote communities to end the disparity themselves

Every Australian has the right to choose where they live, but not to disregard the law of the land or accepted social norms wherever they live. The accepted social norms for families and communities all across Australia are that children go to school, adults go to work or are meaningfully engaged, and residents feel safe and secure in their homes and neighbourhoods.

However, this is often not happening when the occupants do not own their own home. Due to the lack of individual responsibility, these houses often become severely overcrowded. Individual land ownership needs to be unlocked quickly for first Australians to resolve this problem themselves and own or build their own houses. This would also save enormous taxpayer-funded construction costs and minimise ongoing maintenance bills.

More than 143,000 first Australians live in remote and very remote communities in Australia.⁴¹ Despite improvement over the last 10 years in some health indicators, dependence on welfare has not reduced in first Australian communities. At the same time school attendance and achievement have dropped, people are suffering the effects of alcohol and drug abuse, and there continues to be overcrowding in some locations like the Northern Territory.

Only 35% of first Australians in remote areas are employed in real jobs, compared to 83% of other Australians in the same areas. Of these jobs, only half are in the private sector. A staggering 82% of first Australian 17- to 24-year-olds in very remote communities are not fully engaged in work or study. More than a quarter of young women in very remote areas have already given birth to two or more children (compared to 4% of other young women across Australia) and their children are much more likely to be affected by foetal alcohol spectrum disorder. Almost two-thirds of first Australian children in very remote communities are assessed as 'vulnerable' through the Australian Early Childhood Development Index.

The Remote Jobs and Communities Programme has not worked. Employers and providers find it confusing and bound by rules. Job seekers are frustrated because it promotes training for the sake of training, and so often real jobs do not emerge after training.

First Australian leaders want to assure a strong future for first Australian children supported by educated, active or working parents. They want every child to be nurtured to reach their full potential. Parents can have no better reason to get and keep a job than to provide a better future for their children.

Sober and respected first Australian leaders with cultural authority in remote communities called for the authority to require young people to earn or learn and not tolerate idleness, so that young children can have strong role models and can thrive in safe and functioning communities. It is imperative that they are supported by government to do so.

Recommendations in this chapter give local communities the opportunity to set up local governance arrangements that support jobs, school attendance and community safety. These arrangements can be built using the approach taken by the Empowered Communities group, but they need to be designed to be rolled out on a major scale. The arrangements should complement not duplicate or compete with functions of local government.



The creation of a national human services data hub based on the New South Wales Government's existing data hub, set out in recommendations 6.4 to 6.5, will be critical to removing duplication, ensuring funding is allocated to the area of greatest need and allowing the public to hold governments accountable for funds spent and results achieved in servicing all communities. We are relying on the New South Wales Government to prove this system and warmly congratulate its initiative.

Government service delivery to remote first Australian communities has not been sufficiently effective and it is now time to both encourage and prepare community leaders to be responsible for the health, school attendance and career achievements of their member families.

It is difficult for leaders and others in remote communities to understand how and why decisions (that can have a huge impact in a small community) have been made by distant governments in Canberra, Perth or Darwin. A fly-in fly-out service may not deliver sufficiently strong trusting relationships between provider and clients, resulting in low usage rates, poor service and unaddressed need. On top of welfare, this approach creates even more passivity in communities. As Professor Fiona Stanley points out, the answer is to encourage Indigenous people to actively participate in all the decisions that involve them.

Even more important than competent and honest self-management of communities is the ability to own your own home and develop business on your own land. For most Australians economic security comes from home ownership or business investment to build self-reliance and complete the journey out of passivity and into financial independence. Reliable land tenure, predictable under common law, underpins most advanced economies.

Similar to the way mining and pastoral leases can coexist with Indigenous ownership of the land, first Australians should be allowed to take up long-term leases on their land. The Commonwealth needs to actively engage in a promotion of long-term leases that will encourage first Australians to raise finance to buy a home or start a business without affecting the underlying title (just like what happens in the Australian Capital Territory) and to dispel the misinformation concerning this issue. A long-term lease on Indigenous land should be no less valuable than a long-term lease on Commonwealth land.

The ability to purchase and use available land for home ownership and business is the key to prosperity, empowerment and financial independence for first Australians and their families. More than 20% of Australia is now Indigenous-owned under various land rights regimes, or exclusively controlled under native title, but it generates very little economic wealth or independence for the traditional land owners in many areas.

In fact, to underscore how necessary this measure is, there are fewer than 20 homeowners on Indigenous land with long-term leasing in all of Australia. Yet, if we unlock this land in the manner suggested, some 20% of Australia's land mass, which is currently chronically underutilised, may be put to work by first Australian businesspeople and homeowners. Unlocking this land in the manner recommended in this report with strict timetables for land councils and governments will bring significant sustainable economic advantages to first Australians and, correspondingly, the wider Australian economy. This multiplier effect of introducing reliable individual land title underpins all advanced economies and could be substantial.



Northern Territory land councils and native title representative bodies are funded by the Commonwealth to support Indigenous rights to land recognised or provided through Commonwealth land rights legislation and facilitate the representation and assistance of native title claimants and holders in the pursuit and exercise of native title rights. This is because the formal recognition and exercise of native title rights can contribute to greater economic and social participation for first Australians. The Commonwealth provides annual funding of around \$128 million a year for these purposes. Land councils and representative bodies have a significant role in working with land owners and native title claimants and holders, and the work is often complex and sensitive. Nevertheless, there must be incentive to be responsive to the wishes of traditional owners and native title holders for timely advice and action.

Elders, many of whom are native title holders, claimants or land owners, shared with me their aspirations for intergenerational economic and social development. They want to be sure these opportunities are not wasted on poor choices. Rather than just payments to individuals, a package of community benefits can do much to build the capacity of individuals where it helps the community interests and therefore the broader community—for example, low-cost loans or grants that encourage small businesses within communities such as a bakery, a laundromat or a butcher; or low-cost home construction or home purchase loans, scholarships and support to go to boarding school.

Recommendation 22: Remote Job Centres

That the Commonwealth Government replace and consolidate current Remote Jobs and Communities Programme services and other work preparation and literacy and numeracy programmes with demand-driven Job Centres, drawing on the Vocational Training and Employment Centre model, where training and support are provided to get people into guaranteed jobs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 22.1 only funding training when it is fully recognised by employers and linked to a guaranteed job
- 22.2 driving accountability and rewarding outcomes with payments that are heavily weighted to getting and keeping people in jobs for 26 weeks or more
- 22.3 selecting providers on the basis of demonstrated performance in meeting employers' needs, achieving 26-week employment outcomes and establishing effective relationships with the Indigenous community
- 22.4 implementing the government's policy of Work for the Dole with mandatory participation for all unemployed people from day one. Activities should reflect real workplace pressures and requirements through an intermediate labour market or preferably a commercial operation
- 22.5 providing driver's licence, literacy and numeracy training using proven methods of explicit instruction as compulsory part of Work for the Dole activities for those who need it
- 22.6 assessing job seekers on what they can do, not on the basis of their disadvantages



- 22.7 rigorously applying job seeker obligations, with exemptions and discretion strictly limited
- 22.8 changing suspension and financial penalties to have a next pay day impact to drive job seeker behaviour
- 22.9 authorising providers to apply suspensions and financial penalties directly
- 22.10 providing case management support to build employability skills and address issues such as drug dependency, with in-job support wherever possible
- 22.11 offering a mobility package for work-ready people moving from Remote Jobs and Communities Programme regions to areas with strong labour markets, to take up jobs, with effective support at the destination location
- 22.12 redirecting savings from the consolidation of labour market programmes into intensive early childhood care and education as proposed in recommendations 1 and 2
- 22.13 transferring recipients of Community Development and Employment Projects wages to Newstart Allowance (or the renamed Unemployment Support) to ensure all job seekers have the same incentives and obligations in return for income support
- 22.14 requiring Remote Jobs and Communities Programme providers to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website.



Recommendation 23: Local governance

That community decisions about job seeker compliance and social norms be made locally by a local responsibilities board and not remotely.

Honest and hard-working Indigenous leaders deserve support under a system of trust and verification to run their own communities. It is a very small minority that let down the vast majority, causing large departments to be established to rigorously monitor the competence and honesty of management of local communities.

However, under a system of trust and verification, this review believes it is now time for the Commonwealth to support wide community governance arrangements. This must enable local first Australian leaders with cultural authority to have the power to encourage, develop and enforce job seeker obligations, and administer and enforce the economic and social norms (accepted across Australia) in their communities. This will be achieved by the Commonwealth Government taking the following implementation steps:

- 23.1 adopting lessons learned through the Family Responsibilities Commission's activities in Cape York, and other successful local governance arrangements. Communities could opt in to work in partnership with governments to ensure adults are in work, children attend school every day, communities are safe and the obligations that come with receiving welfare payments are complied with. This will include:
 - 23.1.1 authorising already existing, functional community governance groups to take a strong role in the new arrangements
 - 23.1.2 providing assistance to develop the capability where such arrangements do not already exist
 - 23.1.3 inviting communities to opt in to design and deliver these arrangements
 - 23.1.4 working with communities to develop and implement 20 to 30 of the new governance arrangements over the next 12 months
- 23.2 ensuring the new governance arrangements operate through a board of respected Elders, a minimum of 50% of whom are women. The boards will have:
 - 23.2.1 strategic oversight of local service delivery, including government services and grants, through credible local organisations
 - 23.2.2 the power to set out and enforce rules, expectations and consequences in relation to matters such as work, schooling and other social norms
 - 23.2.3 the power to hear and determine appeals by individuals against a decision to withhold, or income-manage, welfare payments



- 23.3 making sure board members are supported to:
 - 23.3.1 stand behind their decisions when challenged by those who are affected
 - 23.3.2 get training in areas such as literacy, corporate governance and ethical decision making, with appropriate mentors, such as retired magistrates and judges
 - 23.3.3 occupy these roles as paid positions with a sunset clause to ensure membership is refreshed on a regular basis
- 23.4 operating on the basis of trust and a system of verification that ensures accountability to government and community residents through measures such as:
 - 23.4.1 recognising and rewarding good governance and performance with earned autonomy, increased scope of decision making and greater flexibility
 - 23.4.2 investing in enforcement of drug and alcohol laws by police and other relevant agencies
 - 23.4.3 either providing training and guidance in relation to discrepancies, or, where there is illegality, investigating and prosecuting under the law
 - 23.4.4 conducting random and spot audits to check appropriate use of funding and identify both incompetence and illegality
 - 23.4.5 ensuring accountability flows all the way to the minister if prosecutions are not undertaken
 - 23.4.6 using mainstream quality accreditation and accounting standards to build skills and competence.



Recommendation 24: Consolidating service delivery

That, to reduce duplication and improve outcomes from service delivery from services aimed at improving employment and social wellbeing of first Australians, the Commonwealth, state and Northern Territory governments engage with Local Responsibilities Boards to consolidate and integrate service delivery in credible local first Australian organisations.

This will be achieved by taking the following implementation steps:

24.1 Commonwealth Government:

- 24.1.1 ensuring transparency across all funding to remote communities so that the future service mix meets the needs of the community, and addresses the Prime Minister's top priorities of all children going to school, all capable adults going to work and safe communities
- 24.1.2 delivering the revised employment services (the new Job Centres) in conjunction with a comprehensive range of support services including:
 - 24.1.2.1 assisting people into local or out-of-town jobs with job mobility support
 - 24.1.2.2 showing individuals that using different bank accounts to manage their income enables them to budget to meet responsibilities for extended families, manage their household budget, and set aside savings for a house
 - 24.1.2.3 supporting transition into home ownership
 - 24.1.2.4 seeking out local first Australian business opportunities, and helping establish enterprises where viable.

24.2 State and Northern Territory governments (in partnership with the Commonwealth):

- 24.2.1 supporting already existing, functioning groups of respected leaders as they work through the opt-in process for the new model
- 24.2.2 strongly encouraging communities to opt in and supporting those that do
- 24.2.3 once a community has opted in, consolidating state and territory services and delivering those services through the Job Centre as far as possible
- 24.2.4 where there are state or territory services (e.g. health clinics) that may require separate delivery arrangements, ensuring there is coordination and cooperation with the Local Responsibilities Board and the Job Centre
- 24.2.5 ensuring transparency across all funding to remote communities so that the future service mix meets the needs of the community, all children go to school, all capable adults go to work, and communities are safe.



Recommendation 25: Remote housing

That governments ensure the approach to remote housing on Indigenous land is revised to include performance-based funding to move to a sustainable system with strong incentives for workforce participation and home ownership.

This will be achieved by the Commonwealth, state and Northern Territory governments agreeing on a new approach to social housing delivery that has the following implementation steps:

- 25.1 state and territory governments enforcing tenant obligations for public housing, in particular in remote communities
- 25.2 only building new social housing in remote communities on land with secure tenure that can be used for business investment and private home ownership, through long-term leasing or freehold title, where traditional owners agree
- 25.3 state and territory governments giving priority in the allocation of social housing to families in employment and meeting social obligations, such as their children regularly attending school, over those who are capable of working but choose not to
- 25.4 publicly reporting on the implementation of these new arrangements on the CreatingParity website, including rents charged compared to rents collected and the rent default rate, to ensure remote social housing is not a welfare trap for those capable of work and of working age.



Recommendation 26: Enabling leasing or freeholding of Indigenous land

That governments create the ability for traditional owners to convert their land to freehold or hold the underlying title with a 99-year lease owned by the home or business owner, so that it can be mortgaged or traded through the open market and so that traditional owners can build their houses on allotments on their own land.

This will be achieved by taking the following implementation steps:

26.1 Commonwealth Government:

- 26.1.1 using its funding leverage and, specifically, its powers to devolve decision making to more regional structures (to ensure land councils are responsive to the wishes of traditional owners who have requested to freehold or lease their land to enable business investment and/or home ownership)
- 26.1.2 driving accountability for land council performance by stipulating a short timeframe (30 days) to determine requests to pursue development where the Northern Territory Government has provided the necessary prerequisites (such as cadastral mapping, town planning and other essentials) and where there are indisputable instructions from the traditional owners for housing allotments for freeholding or leasing, and land councils have not acted in a timely fashion. If this timeframe is not met, the request should be automatically escalated to the responsible minister to take up with the land council and must be resolved within two months
- 26.1.3 investing in social housing in remote Indigenous communities only where there is appropriate land tenure to enable business investment, economic development and private home ownership
- 26.1.4 publicly reporting the implementation of these new arrangements on the CreatingParity website to ensure Indigenous land is open for business where traditional owners want this and the number of applications that are escalated to the minister beyond the 30-day point and the two-month point
- 26.1.5 introducing suitable performance-based payments into funding arrangements for land councils and native title representative bodies and service providers.

26.2 State and the Northern Territory governments:

- 26.2.1 ensuring arrangements are in place to achieve private investment and home ownership on Indigenous land with the agreement of traditional owners along with the necessary land administration arrangements
- 26.2.2 with the agreement of traditional owners, establishing and implementing on Indigenous land with long-term leasing or freeholding that enables private investment, robust land planning and administration systems, cadastral surveys and town plans, and maintaining and delivering local government services that will assure the value of land and assets constructed in remote areas.



Recommendation 27: Land access payments

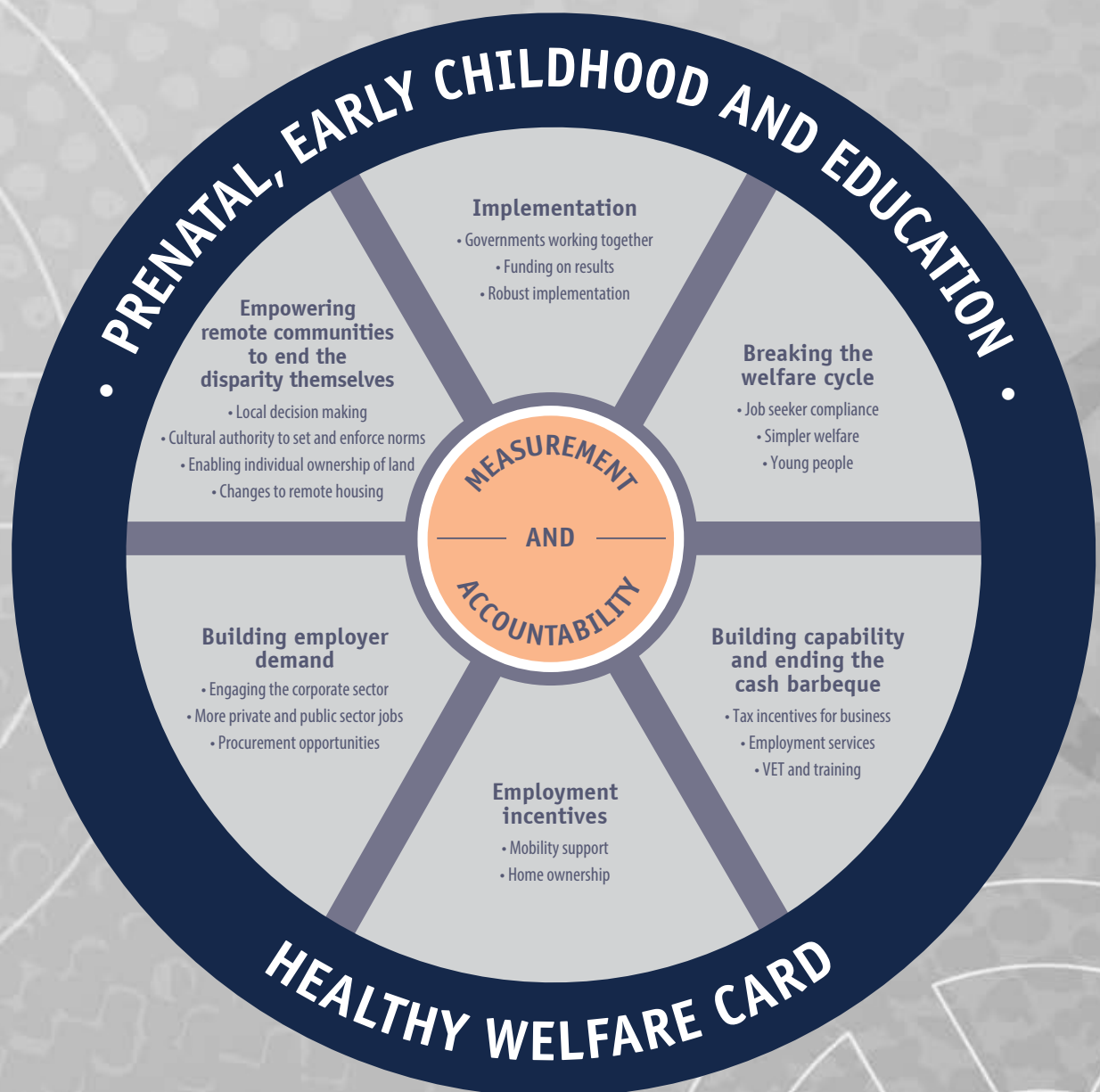
So that land access payments can be applied to the economic and social progress of traditional owner and native title groups and ensure intergenerational benefits, that the Commonwealth Government consider the recommendations in the report of the Taxation of Native Title and Traditional Owner Benefits and Governance Working Group.

The working group's recommendations need to be carefully considered and where appropriate updated and strengthened in the context of the recommendations of this review with the aim of removing the disparity of the first Australians. Implementation of the recommendations of the working group should be accorded priority in the Indigenous Affairs portfolio in the Prime Minister and Cabinet portfolio. In particular, the recommendations of the working group should be acted on to:

- 27.1 clarify that the named applicants of native title agreements have fiduciary obligations to their native title or traditional owner group
- 27.2 provide for the regulation of private agents involved in negotiating native title agreements and, further, regulation of those in management roles in relation to land access payments
- 27.3 provide for the establishment, under statute, of a trust that would be the holder of native title agreement funds when there is no prescribed body corporate or other appropriate funds management entity to receive them
- 27.4 enable a process of capital investment and distribution as described in the report for the benefit of the community
- 27.5 if native title holders and land owners agree, review existing agreements to improve governance and the provision of community benefits in the agreements and to clarify the applicants' fiduciary obligations.

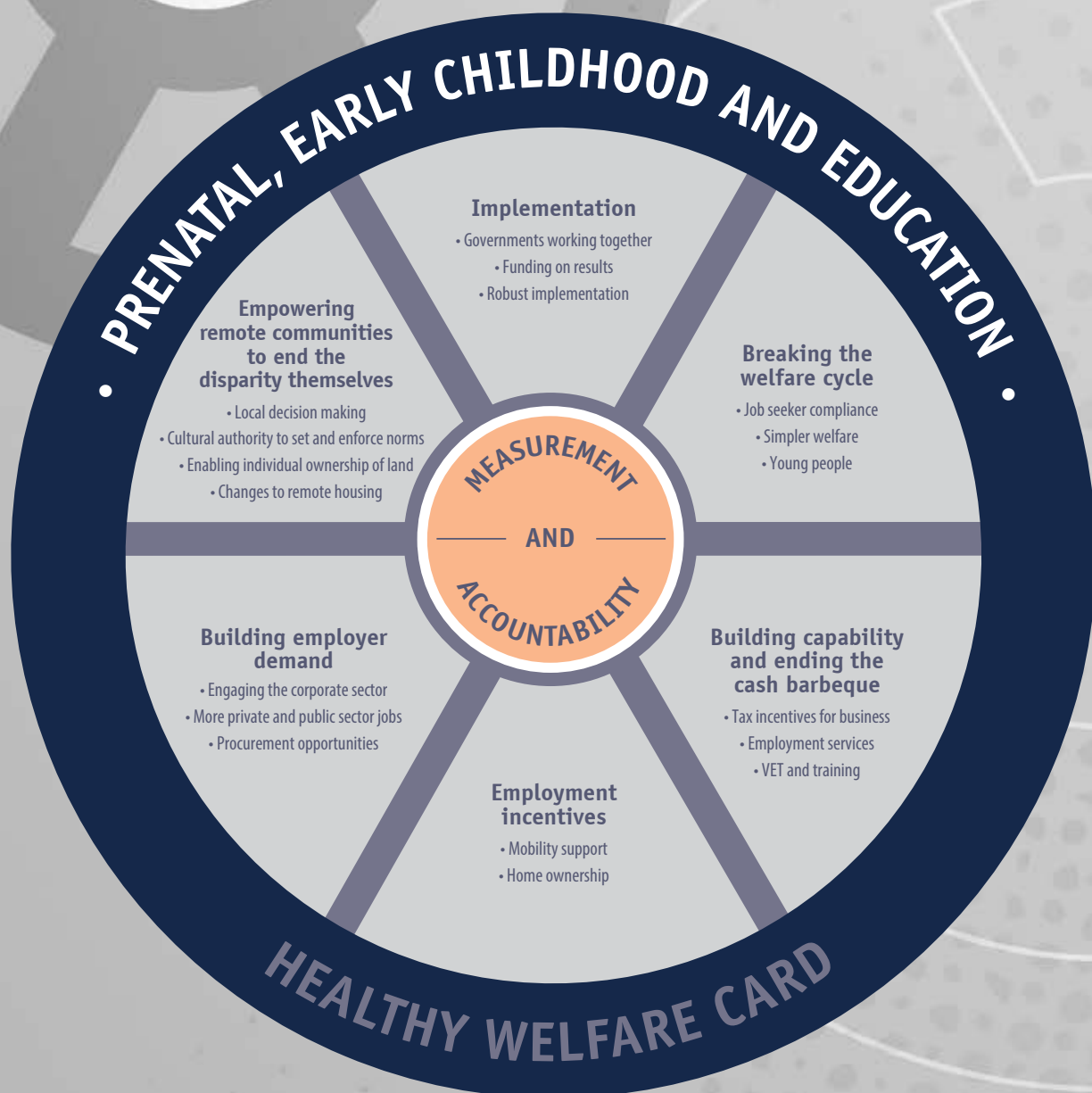


Part 1: The wheel rim





Chapter 1: Prenatal, early childhood and education





What success looks like

There is parity between first Australian and Australian prenatal and infant health, early education and education outcomes.

Prenatal

- Foetal alcohol spectrum disorder is a historical regret and is no longer apparent in the nation's births.
 - Expectant mothers have a healthy diet and don't drink or smoke and regularly visit professionals for prenatal care.
 - Babies are born healthy and equal to the challenge of life.
-

Early childhood

- Children are enrolled at school from birth and get the rest, diet and environment to thrive and grow into healthy young people.
 - Parents are active and informed, able to read to their children in English and have the child's grandparents active in their mentoring role.
 - Children get the medical attention they need when they need it and go to school at least nine out of 10 days.
 - Families and communities reinforce the standards required for excellent early childhood, school attendance and a healthy environment for children.
-

Education

- Truancy is rare and family payments reinforce this.
 - Schools with the greatest needs have the resources—such as the best teachers—that will achieve parity in education for their students.
 - Children from remote communities get a decent education and have the support they need, including, where required, access to boarding school.
 - First Australian students complete Year 12 and university entrance on par with other students.
-



There are two elements that are critical in binding these reforms together into an integrated reform package and both are critical to the reform process. As described in the executive summary, they will act like the iron bands that hold the frame of a wagon wheel together:

- the focus on prenatal, early childhood development and education
- the introduction of the new Healthy Welfare Card.

There is employment parity now for first Australians with Certificate III or IV level training that most apprentices undergo, diploma or university qualifications. To remove the disparity we must get growth and development from conception to three years old right, so that children excel at school and further training and succeed in the workplace. As it will take around two decades for these children to reach working age, we must have the interim intensive services described in the rest of this report for those who are already of school and working age.

Before we can address education, we need to get children into school. Education experts have reported that children need a school attendance record of at least 80%, for schooling to be effective. In the Northern Territory's very remote areas of (where 57% of students in the Territory are educated, or 8,253 students), only one in five children is attending school more than 80% of the time. The average first Australian attendance rate in very remote Northern Territory schools is about 58%, compared with almost 83% in provincial areas. The Commonwealth Government's School Attendance and Enrolment Measure and the recent Remote Schools Attendance Strategy and other measures have helped where they are in place. Much more needs to be done to ensure children go to school every day.

A key theme from all of the consultations was the strong support to nurture children to succeed in education and their future careers. Getting a job and finishing school makes sense when it is part of making a future for your children.

International and local research, practice and experience have proven that the time from conception to three years of age is the most formative in any individual's life. One of the greatest, if not the greatest tragedy of first Australians disparity and indeed all disadvantaged children, is the irreversible impact of poor care on an unborn child.

Unexpected pregnancies and rampant peer group pressure on young adults to participate in regular and excessive drug and alcohol consumption, particularly in remote first Australian communities, has significant and detrimental impacts on a developing foetus, not to mention the impact on a young mother unprepared for parenthood. However, even less severe lifestyle impacts, such as poor nutrition, have been proven to have lifelong effects on a child. It is critical for young and newly expectant mothers to have antenatal check-ups and understand how they can best nurture their babies during pregnancy.

A healthy pregnancy is crucial to the early stages of a child's life. Tragically, alcohol and drug consumption during pregnancy does occur—quite often out of ignorance. Foetal alcohol spectrum disorder is a significant issue and we should be on the constant lookout to prevent it. Parenting programs for Aboriginal women and men must be a priority, and health services must be able to step in to assist young mums and dads and their unborn child.⁴²



Further, many kids at high risk of abuse, due to overcrowded housing and abundant alcohol and drug availability, are more vulnerable to unplanned pregnancies. They must be encouraged through school to complete their education and move into a career, even if they have suffered an unplanned pregnancy. The Healthy Welfare Card and the other measures of this review are expected to make major inroads into the behaviour that causes unplanned pregnancies. However, specific support from family and community carers makes a major difference. Further, prevention beyond the measures of this review that should also be adopted include sex, sexually transmitted disease, drug and alcohol education in communities and schools where there is a high incident of unplanned pregnancy, and youth suicide.

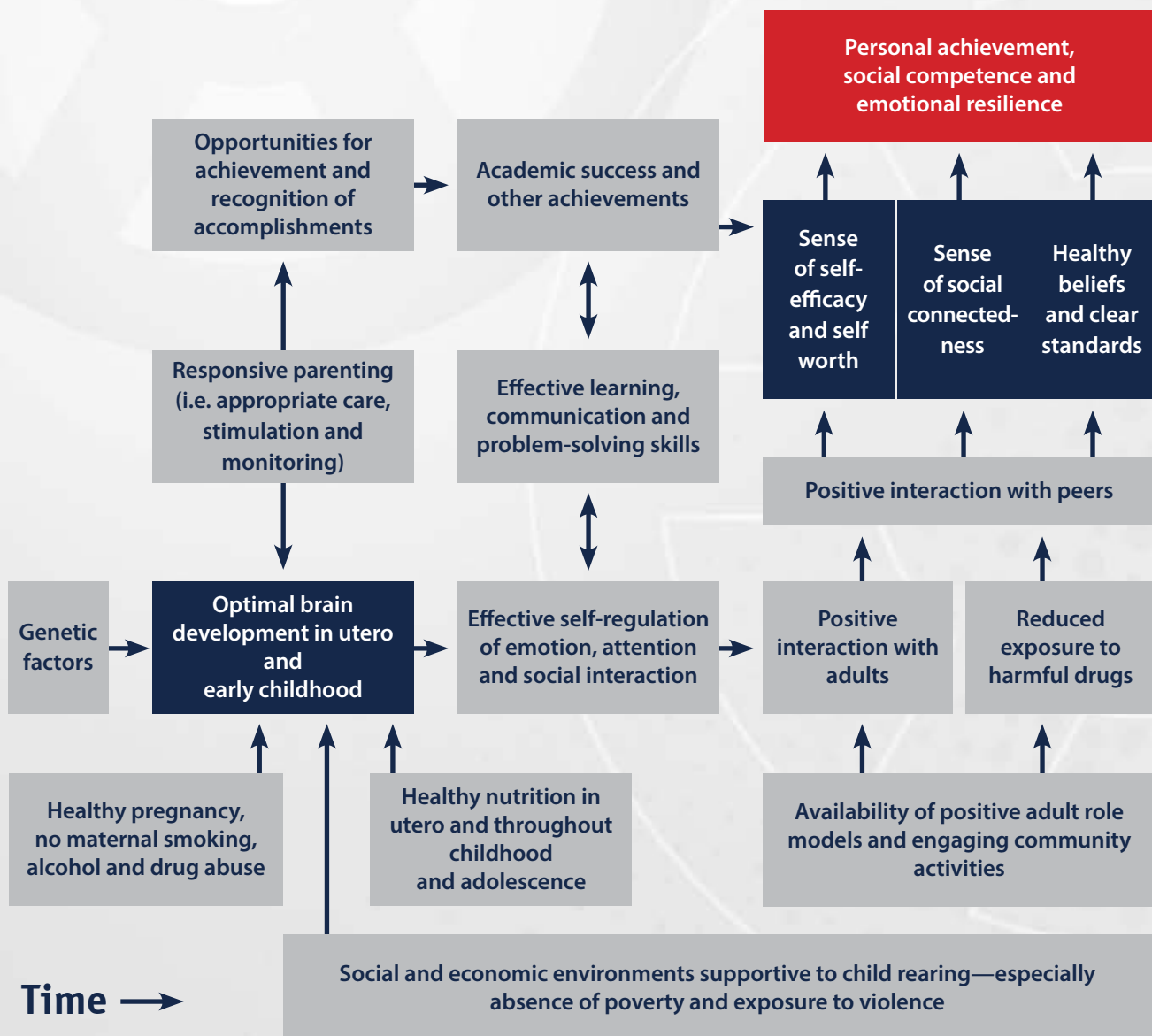
There is a pattern of governments, communities and families failing to intervene during the critical period from conception to three years of age. This has led to a lifetime of disadvantage for at-risk children.

Virtually every aspect of early human development, from the brain's evolving circuitry to the child's capacity for empathy, is affected by the environments and experiences that are encountered in a cumulative fashion, beginning early in the prenatal period and extending throughout early childhood.⁴³

The value of early intervention cannot be over-estimated as a tool to mitigate the negative effects of poverty and disadvantage on children's short- and long-term prospects on their physical well-being and motor development, language and literacy development, cognitive development, general knowledge, social and emotional development, and executive functions.



Pathways to Resilience (Silburn, 2003)

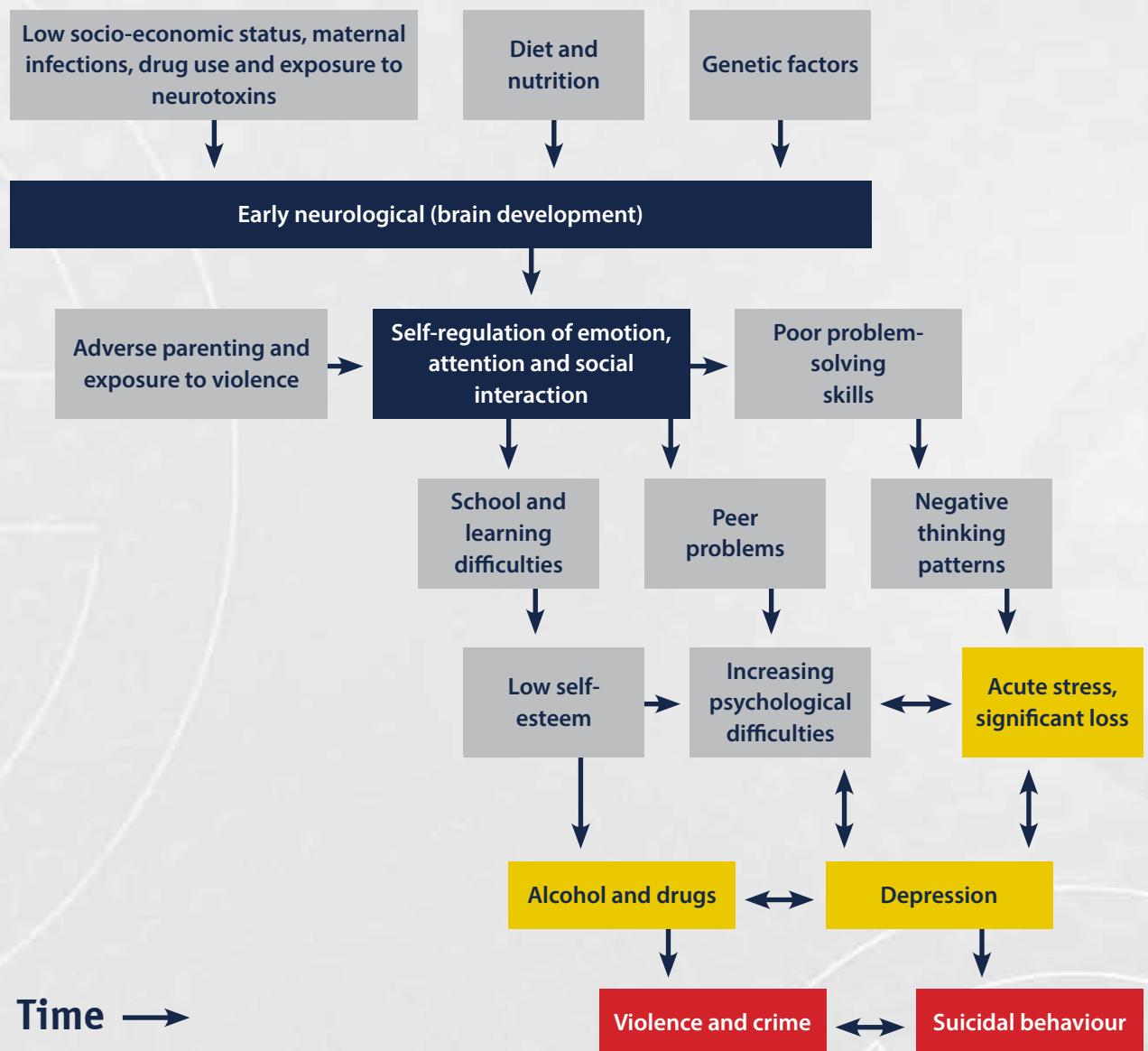


Creating Parity

With thanks to Professor Fiona Stanley



Pathways to Vulnerability (Silburn, 2001)



With thanks to Professor Fiona Stanley



To stop the cycle of disparity we need to achieve more than the elimination of poor drug and alcohol choices. We need to support pregnant mothers to have healthy pregnancies through prenatal programmes and continue to support their children through intensive early childhood programmes and effective methods of schooling. In combination with the Healthy Welfare Card, such an investment will be transformational and produce resilient, confident workers for the future. It will ultimately save billions of dollars for governments in future welfare and health costs, grow the economy and attack the problem of first Australian unemployment at its root cause.

Mainstream natal and prenatal care is often insufficient in its reach and intensity to meet the complex needs of families in disadvantaged and at-risk communities. Australia's consistently poor and declining education results and increasing strain on welfare demonstrates the need to intervene earlier to stop ongoing dysfunction in our most at-risk communities.⁴⁴ Future generations will look back at this period and not understand how governments could have failed to prevent such long-term human capital cost for Australia's most vulnerable citizens yet continued to spend billions in support after they became victims.

Key facts

- Babies born to first Australian mothers are much more likely to be preterm, have low birth weight and suffer perinatal death⁴⁵ and foetal alcohol spectrum disorder than babies born to other mothers.⁴⁶
 - By the time first Australian women in very remote areas reach 24 years of age, more than three-quarters (77%) have had at least one child, compared with the 19% overall Australian average for women in this age group.⁴⁷
 - By the age of three years, a child's brain has reached 90% of its adult size and thus acquired the building blocks of future capability.⁴⁸
 - Disadvantaged children are less likely to develop the required social competence and verbal communication skills to be school-ready.
 - First Australian students are on average two to three years behind in reading and maths by the time they are 15 years old.
 - 4.2 million, or 40% of the workforce, is currently below the minimum language, literacy and numeracy (LLN) standard needed to function in a knowledge economy.
 - International research shows that the rate of return for every dollar invested in an individual decreases significantly as a child increases in age.⁴⁹
 - Strategies that use an integrated, multi-service approach to early intervention are recognised as the most effective ways to achieve parity for at-risk children.⁵⁰
-



What we heard

- Children are our future; we should prioritise our efforts for them.
 - Building the capacity of parents and carers for children under five is critical.
 - Lack of educational attainment is the biggest barrier to employment.
 - Helping newly pregnant women and mothers with unexpected pregnancies is critical.
 - Alcohol and substance abuse is taking its toll on children and young families.
 - Communities need to rally together to ensure the future of their youngest members is guaranteed.
-

Current approach to early childhood

Across government, the early childhood education system is complex and the provision of services is patchy and disjointed. While the Commonwealth is responsible for parenting payments, aspects of healthcare and children from 0 to 3 years of age, the states and territories are responsible for formal preschool education, health and community services.

The states and territories currently also meet the costs of supporting children with additional needs in schools. Both levels of government have a mix of some services for vulnerable families but these are rarely coordinated. If children were better prepared for school these costs could be lower.

The lack of cohesion between Commonwealth, state and territory governments and between relevant departments enables at-risk children to slip through the cracks and miss out on intervention for serious developmental problems. Medical specialist services that are already funded by the government are often ineffective and inaccessible for disadvantaged children. The reality for at-risk children is that because their home lives are so chaotic it is unlikely they will make it to a GP for a referral, onto a waiting list and eventually to a specialist appointment months later. Further, the mothers of such children are less likely to access critical information and support networks to educate them about the impact their lifestyle has on the unborn foetus. The common reports of foetal alcohol spectrum disorder in some first Australian communities is sad evidence of this.

An analysis of the Programme for International Student Assessment results from 2000 to 2006 showed that 'Indigenous students who had attended preschool for more than one year, scored, on average, 69 points higher than Indigenous students who had not attended preschool at all.'⁵¹

Given the critical importance of pre-school education for life outcomes, governments had established a target and invested heavily to ensure 95% of all first Australian four-year-olds in remote communities had access to early childhood education by 2013. Early estimates were that the target had been achieved, but recent changes to population confirms that enrolment was much lower than expected, with only 85% of remote first Australian children enrolled in preschool in 2013. We must do better than this for first Australian children; we must double our efforts, better engage parents and ensure first Australian children in remote areas get the benefit of access to essential early education.



Integrating these early childhood, medical and child protection services across governments, to improve access and provide holistic support for families prior to birth and throughout school, is critical. It is important to note that the integration of existing services plays a major role in the cost efficiency of highly effective intervention initiatives. Many of these services are already funded by governments but operate as silos and are uncoordinated, leading to a lack of comprehensive and preventative case management. Research shows that the provision of services that are collaborative and coordinated produce outstanding and long-lasting results for children in these programmes.

Early childhood development and adult literacy are often discussed as separate topics, yet the interrelatedness of these concepts is of utmost importance. Research shows that the most effective services to support lifelong learners begin at birth, involve families, target the poorest children, are sufficiently intensive and long-lasting, and are holistic—they include health, nutrition, and parenting. Services need to support both the parent and the child.

Supporting first Australian parents who need support to become literate and numerate so they can be their child's first teacher is just as critical a life skill as a job skill. Literacy and numeracy support is covered in Chapter 5.

Determinants of a healthy pregnancy

A mother's lifestyle is a significant determinant in the future of her children and their prospects for an independent future. Antenatal substance abuse poses significant risks to the unborn child.

Alcohol consumption during pregnancy can cause foetal alcohol spectrum disorder (FASD) and lead to damage to the brain structure of the developing foetus. The incidence of FASD in Australia is difficult to quantify. For first Australian children, estimates vary between 0.15 and 4.7 per 1,000 births. For the total population, estimates vary between 0.01 and 0.7 per 1,000 births. The estimates suggest in remote communities the rate may be as high as one in every four births.⁵² The effect of this condition may include physical, mental, behavioural and/or learning disabilities with lifelong implications.

Smoking during pregnancy can result in lower birth weight, increased body mass index, decreased lung function and increased risk for development of asthma. First Australian mothers are almost four times more likely to smoke during their pregnancy than pregnant women nationally, and this proportion increases in more remote areas.

Illicit drug use during pregnancy means babies are more likely to be born preterm, have lower birth weight and head circumference, require resuscitation, be admitted to special care nurseries, and have longer stays in hospital. An Australian study has found that the number of newborns suffering serious drug withdrawal symptoms is now more than 40 times higher than in 1980.⁵³

Alcohol, tobacco or drug use during pregnancy, or a combination, is likely to deliver children born with symptoms that impact on their lifelong development and wellbeing, such as problems at school, health and mental health problems, problems with alcohol and other drugs, and unemployment. The cost to children, their families and community and government is significant in terms of health, life trajectories and finances.



Evidence shows that participating in antenatal and parenting education programmes significantly improves the likelihood of a healthy birth.⁵⁴ Ideally this happens early in the pregnancy to provide the best chances for healthy foetal development. Yet first Australian mothers are less likely to access antenatal care or, if they do, tend to leave it to later in their pregnancy than other Australian mothers.⁵⁵ For this reason, the training of first Australian community-based midwives as part of an allied health delivery during pregnancy is essential to deliver practical therapeutic programmes with community-based support.

The clear message from the research suggests that if we are to improve the outcomes for children in very vulnerable areas we need to focus as much on protecting their developing brains from chronic stress and traumatic insult as we do on stimulating learning.⁵⁶

Child health services particularly in rural, remote and disadvantaged metropolitan areas often lack coordination, efficiency, and engagement with schools and families. Coordinating services, in line with the integrated services delivery model discussed below makes them more efficient, and improves the access and outcomes for the family. It is also imperative that the use of e-health and mobile health services are increased to enable cost-effective and stable service provision in remote areas.

Brain development from conception to three years of age

By the age of three years, a child's brain has reached 90% of its adult size. During this time our brain function and major neural pathways are becoming hardwired and many learning pathways are 'locked in'.⁵⁷ Multiple interconnected influences, from family environments to the availability of community supports and economic resources affect the development of these pathways. When damage occurs, such as FASD, only very serious and expensive intervention can make possible a normal childhood. Without this, many learning pathways are 'locked in'.⁵⁸

The average brain growth is almost infinite from a single cell to 380 grams at birth to 1.3 kilograms by three years of age, and then only to 1.5 kilogram by 19 years of age when the brain's mass reaches its maximum.

Neural networks affect the speed at which the child can process and retain information and absorb new information. These learning pathways are what we all rely on to undertake more complex brain functions like exercising judgement, problem solving and juggling priorities. A child who does not receive the required support and stimulation during these early years commences formal education without being school-ready and the cycle of failure has already commenced.

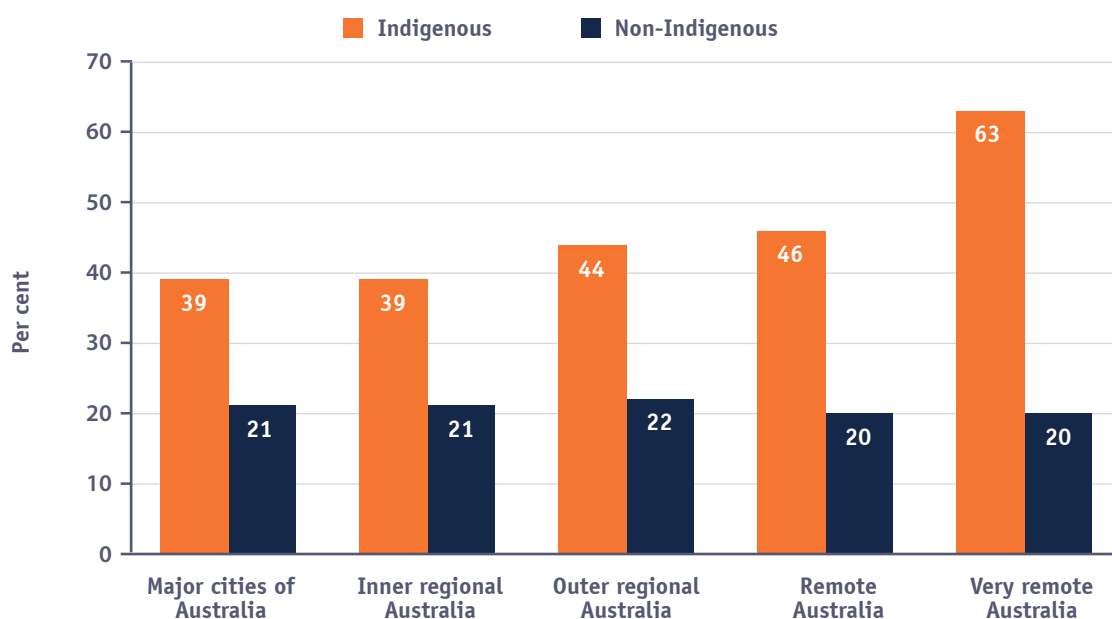
Most families, including first Australian families, provide opportunities for young children to develop and thrive and make good transitions into school and work. However, many first Australian children are vulnerable before they are born and therefore cannot reach their full potential as young children or adults.

The Australian Early Development Index (AEDI) is a measure of children's development in the first year of full-time primary schooling across five selected domains—physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, and communication skills and general knowledge. Children who score in the lowest decile of the AEDI population assessed in any domain, are classified as 'developmentally vulnerable' since they demonstrate a much lower than average ability in the developmental competencies measured in that domain.



In remote Australia the picture is starker. The AEDI shows that nationally, first Australian children are more than twice as likely to be developmentally vulnerable than other children for every domain, and even worse in remote areas.⁵⁹ Figure 1 shows that the proportion of first Australian children rated as vulnerable on at least one AEDI domain is much higher in remote areas than it is in the major cities and regional areas.

Figure 1: Proportion of Indigenous and non-Indigenous children assessed to be vulnerable on at least one AEDI domain by remoteness area, 2012



Source: Australian Early Development Index 2012, Department of Education, unpublished data owned by the Department of Education and managed by the Social Research Centre.

It is this reality that means a child's development at 22 months of age is one of the best predictors of success and functioning in adulthood.⁶⁰ It is therefore imperative that at-risk families are supported from before pregnancy and throughout the first three years of their child's life.

Return on investment

Early experiences can translate into school readiness, academic success, and lifetime well-being. Success builds upon success. When more children in a community are ready to learn, community-wide levels of human and social capital rise. (James Heckman, 2000 Nobel Prize winner in Economics)

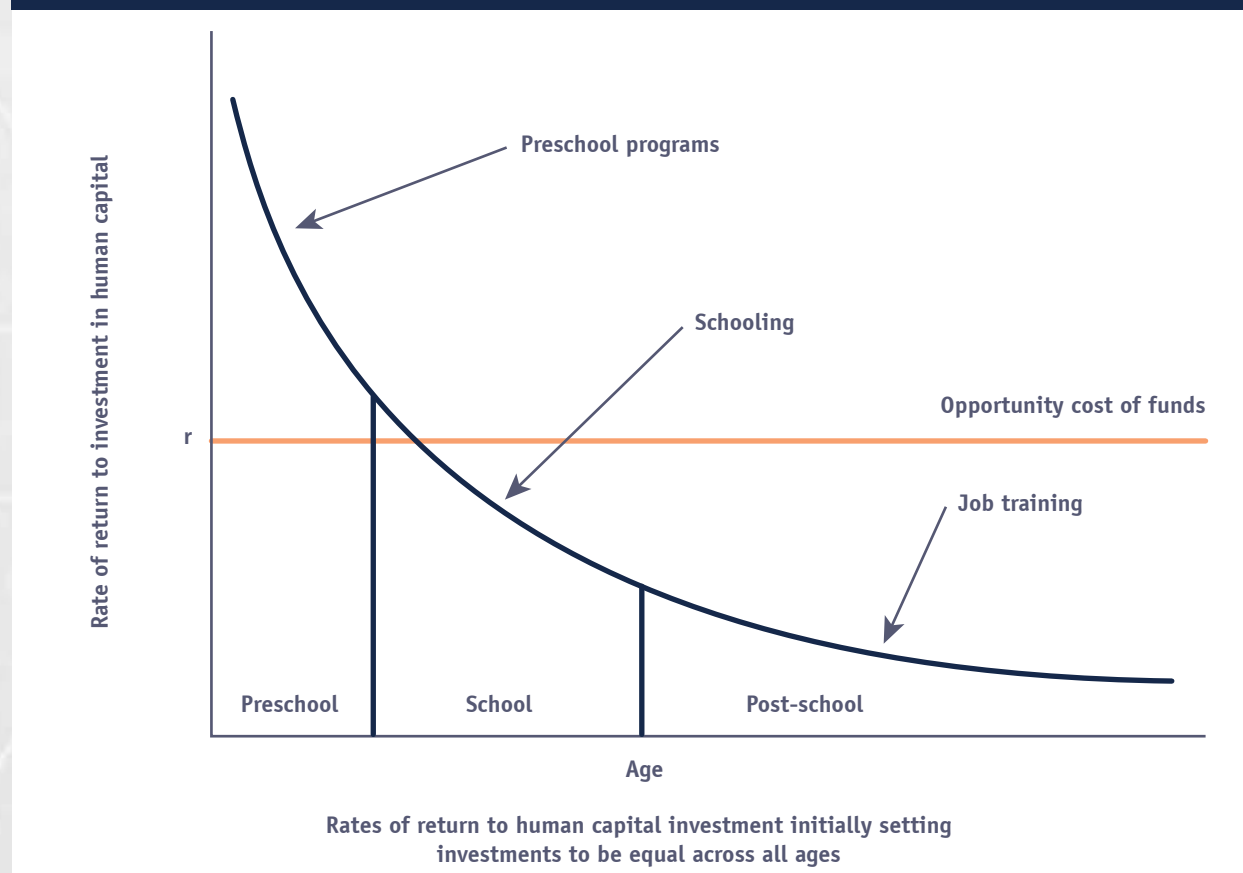
A nation which desires a highly competent population for the future to cope with the demands of the emerging knowledge-based world and global economy needs all its children to have access to a stimulating and healthy environment during the critical early years of development, regardless of family circumstances. Investment in the early years will have a substantial long-term economic gain for Australia as a whole.



Investments in the early period of life are more important than investments in education, post-secondary education, and remedial health care. The period of early child development is greater in importance for the quality of the next generation than the period children and young people spend in education or post-secondary education.

The economist Jacques van der Gaag has demonstrated the economic benefits of investing in early child development programming in *The benefits of early child development programs: an economic analysis*. Figure 2 illustrates that while the brain growth and maximum potential to change is highest before a child enters school, this is currently where public spending is the lowest.

Figure 2: The rates of return on human capital investment decrease with age, with the highest return on investments at preschool age



Source: Heckman, J 2006, 'Investing in disadvantaged young children is an economically efficient policy', presented at the Committee for Economic Development, The Pew Charitable Trusts & PNC Financial Services Group Forum on 'Building the Economic Case for investments in Preschool', New York, 10 January.

There is a mismatch between opportunity and investment. The investment made in the first three years of a child's life gives the greatest returns, by far. According to one international study, with every \$1 spent on early childhood education, society sees a return of over \$7.⁶¹

But while it is clear from all the evidence that, not only is education the key to a productive society and that jobs tend to follow, it must be remembered that early intervention is long-term. There is still a generation of neglected Australians who know nothing better than a life of welfare. For this cohort, there are other more intensive measures, which are proposed in other chapters of this review.



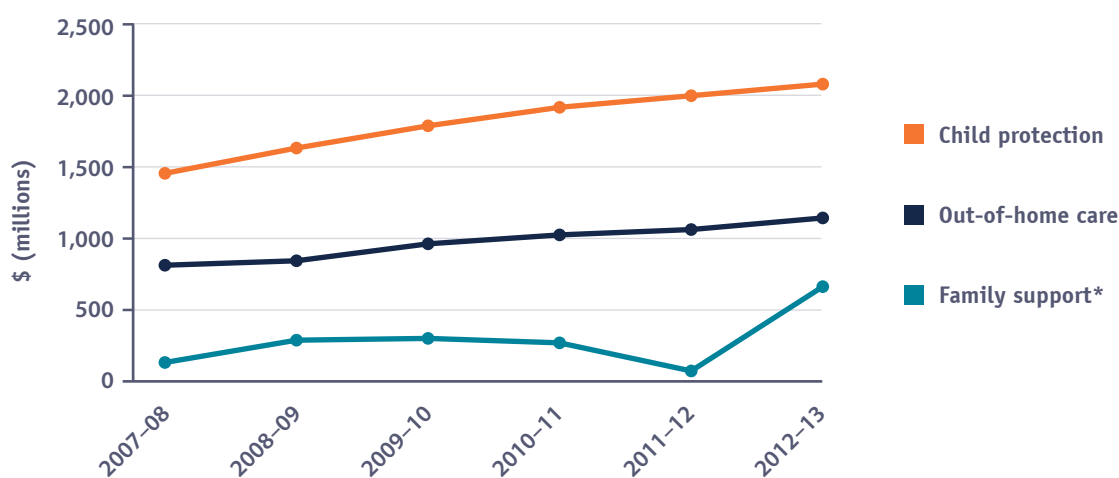
Shifting government spending to preventative services

Each year, government spending on protecting and removing children from their homes far outweighs spending on services that strengthen and support families, enabling them to maintain the family unit and raise healthy children. Funding is geared almost five to one towards interventions to protect children after harm has been done, rather than investing earlier as a preventative model.

In 2012–13, there was approximately \$3.218 billion spent on protective services compared to approximately \$664 million on preventative services. In 2010–11, total government spending for early child development for first Australians was \$233 million compared to \$980 million for child protection and out-of-home care services. Between 2007 and 2012, governments have increased spending on child protection and out-of-home care services on average by 7.5% annually (a total increase of \$748 million).⁶²

Intensive family support services are an immediate alternative to the removal of a child from their home. While spending on intensive family support services has increased at a greater proportion than child protection (around 30%), the total is still substantially below spending on protective services; and, for the first time since 2003, declined between 2011–12 and 2012–13, from \$375 million to \$304 million (see Figure 3).

Figure 3: State and territory government spending on child protection and family support (expenditure adjusted to 2012–13 dollars)



* Since 2011–12, family support services have included non-intensive services (lower level support to families in need), causing the reported spending to almost double; however, since the initial jump, spending on family support services has declined by 8.7%.

Source: Steering Committee for the Review of Government Service Provision 2014, *Report on government services 2014*, attachment tables, Productivity Commission.



We still need to continue to protect children from harm, but government spending patterns need to be reversed, over time, so that the focus is on early intervention. The objective of governments must be to move the focus from highly expensive and inefficient ‘cures’ to preventative measures from conception through to early childhood. This will also have the effect of generating significant downstream savings and boosting the productivity of our nation as we dramatically improve the capacity of our future workforce.

The case for redirecting government, community and business focus to the early years is clear. If we continue to ignore what the research and reality are telling us, we will continue to fail our most vulnerable children. It is paramount that all efforts to lift communities out of disadvantage are underpinned by an evidence-based approach to early childhood, before the cycle of failure has commenced. Supporting an at-risk child from conception must be the norm, not the exception.

Being ‘school-ready’

Most families, including first Australian families, provide adequate opportunities for young children to develop and thrive and make good transitions into school and eventually, work. However, many disadvantaged children, especially first Australian children, are vulnerable before they are born and start school and don’t reach their full potential as young children or adults.

Children who are healthy and attend preschool are much more likely to finish school and have better literacy, numeracy and social skills. Across Australia Indigenous children are less likely (by some 10 percentage points) to participate in preschool than other children,⁶³ and the proportion of first Australian 20- to 24-year-olds who complete Year 12 is 27.4 percentage points lower than for other young people.⁶⁴

Developmental vulnerability at kindergarten tends to be compounded throughout life, with children who have difficulty making their transition to school more often ending up with poor educational attainment and low functional literacy; leaving school early; being at higher risk of unemployment and delinquency; and being more prone to substance misuse, crime and suicide.

This, in part, reflects the developmental risks associated with having children at a young age.⁶⁵ In very remote areas more than a third (37%) of first Australian teenagers have had a child by age 19. This compares to only 4% of all other 19-year-olds, and 3% of first Australian 19-year-olds in the major cities.⁶⁶

Teenage pregnancies not only hinder the development of children but can put mothers at risk of long-term disadvantage. Young mothers are less likely to complete their schooling, resulting in weak employment prospects, an increased risk of ongoing welfare reliance and significantly less earnings over their lifetime.⁶⁷ At the same time the rest of Australia’s boost in productivity has been fuelled by women increasing their participation in the labour force.

Evidence from NAPLAN shows that students who perform poorly in Year 3 continue to perform poorly in Year 5 and Year 7. This shows that disadvantage is unlikely to be overcome as a child progresses through school. The impact of poor literacy and numeracy skills of those who do join the workforce is holding business back.

The statistics speak for themselves. The Australian Bureau of Statistics 2006 Adult Literacy and Life Skills Survey (ALLS) revealed that Australian language, literacy and numeracy levels have shown little improvement in the decade since the 1996 International Adult Literacy Survey (IALS).



In order to reduce the resource intensive and economic burden of remedial education and pre-employment programmes, early intervention must occur before formal education starts.

A solution—integrated case management for mothers from prenatal to three years of age

The problem and solution are clear. In order to lift the life outcomes of Australia's most disadvantaged and at-risk children, we must invest earlier in evidence-based support services to provide targeted support for those most in need.

According to international and local research, components of an integrated and, most importantly, *early* approach includes:

- early detection and intervention for developmental delays and disabilities
- inclusive health, nutrition and social protection services
- teacher capacity and leadership building
- strengthening of instructional leadership
- engagement of parents and the broader community
- services responsive to local context, culture, priorities and needs.

Services need to be located as close as they can be to those who need it. The capacity for primary schools to reach families with children aged 0 to 3 years of age through their older sibling, along with their community settings makes them ideal locations for integrated services. School-based services which support children and their families from conception to formal school entry ensure optimum parenting and early child development support for the most sensitive period of brain development. Access to these services can vastly improve outcomes for children's behaviour, learning and health in later life. The earlier in a child's life these programmes begin, the better.

At the same time, we need to ensure that a clear message is delivered to all Australian parents—namely, that school attendance is not negotiable. The recent Remote Schools Attendance Strategy is having a positive impact, but much more needs to be done to ensure that all children have access to education and in many more schools.

Governments should work jointly to agree and implement a new approach within 12 months which includes progressive investment to implement integrated early childhood services and to dramatically improve attendance. The new approach should start with schools in the 200 communities that have the highest level of vulnerability and need as determined by the Australian Early Development Index, the National Assessment Program – Literacy and Numeracy, attendance results and the proportion of first Australian children. Should this initial approach prove successful, governments can consider further rollouts.

A successful early years integrated services intervention programme has been implemented at Challis Primary School in the Armadale region of Perth. The success of this model has demonstrated locally how major improvements in children's development can be achieved within a few short years if comprehensive case management with a range of essential services occurs effectively.



Challis Early Childhood Education Centre—a success story

Located in Armadale, a low socio-economic community in the south-east region of Perth, children attending the Challis Lower Primary School had experienced years of consistently poor and declining academic, health and social outcomes.

In 2009, the principal of Challis Lower Primary School sourced independent funding for the implementation of an early intervention programme. After conducting research on brain development, the principal identified the need to start from (or before) birth. There was emphatic evidence that the greatest brain growth period is between conception, birth and three years of age and that this is the most critically important time to possibly have an impact on a person's entire life.

The key to the programme is the integration of already existing services on the school grounds. These services include:

- a child health nurse
- a community health nurse
- playgroups
- a kindergarten for three-year-olds
- a family support worker
- support groups (grandparents, carers and parents)
- an occupational therapist
- a psychologist
- parent capacity-building workshops
- an immunisation clinic
- a speech pathologist.

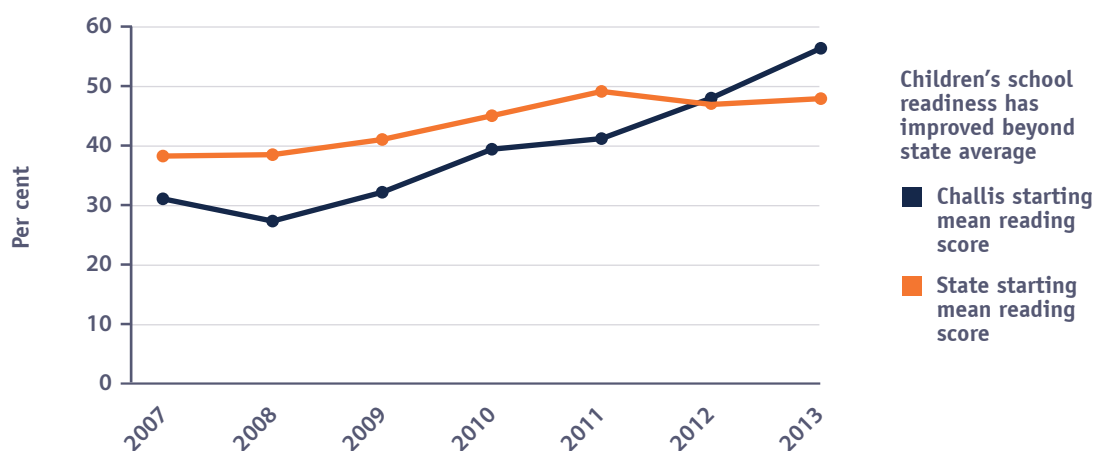
Results

The impact of the Challis integrated early service model is measured using the performance indicators in primary schools (PIPS) tool administered by the University of Western Australia. The PIPS tool is used to assess children when they first enter primary school and measures their progress in literacy, numeracy and phonological awareness at the start and end of their first school year. It diagnoses student areas of strength and weakness, predicts future performance and identifies individual children who might benefit from early intervention.

According to an assessment of the Challis programme by the Telethon Kids Institute (commissioned by Minderoo Foundation) using PIPS data, 'the period immediately prior to and following introduction of the new model reflect a profound local improvement' (see Figures 4 and 5).⁶⁸ Further, those who received from-birth exposure to the Challis programme (children who were in pre-primary in 2013), performed at a better-than-state average, despite being from one of the most disadvantaged communities in the state.

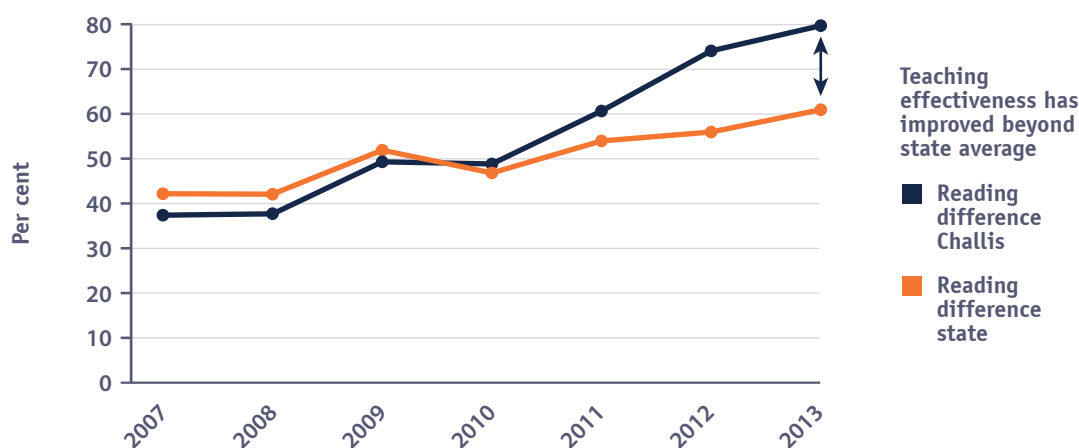


Figure 4: School readiness improvement—literacy indicator, Challis versus state, 2007–13



Source: Telethon Kids Institute 2014, A pathway from early childhood disadvantage for Australian children, unpublished.

Figure 5: Teaching effectiveness indicator, Challis versus state, 2007–13



Source: Telethon Kids Institute 2014, A pathway from early childhood disadvantage for Australian children, unpublished.

The assessment showed that at the end of 2010, for the first time, the gap between Challis cohort 1 and the rest of the state's PIPS results had begun closing. By the end of 2011, Challis cohort 2 students had exceeded the state average, and then in 2012, Challis cohort 3 students were exceeding the state average at the start and end of year. The turnaround in results has continued into 2013. Moving into 2014, the Challis leadership is now turning its attention to primary school and ensuring that the achievements of the Challis Early Childhood Centre continue through a student's schooling.



This has all been achieved using existing funded services and \$340,000 per year from the Minderoo Foundation. Based on these outstanding results, the Government of Western Australia has provided funds over the next two years to integrate services and provide earlier engagement in 30 schools.

Integrated early childhood services, including Challis, delivered on school grounds have demonstrated some important lessons:

- There is no 'one size fits all' model and the integration of service delivery must be approached with a case-by-case diagnosis.
- School leaders must be equipped to navigate the plethora of existing government and non-government services they could be accessing.⁶⁹
- Comprehensive case management and information sharing within government departments is essential to ensure an at-risk child is supported through transiency and family chaos.
- Intervention must be intensive for those with the highest need in order to be effective.
- From birth through to Year 12, education must be approached with an evidence-based mindset rather than reliance on what seems to work.

By approaching early service provision from a centralised school site position, significant social and economic benefits are possible for our most disadvantaged children.

Incentives for expectant mothers to access ante-natal care

Identifying mothers at risk early in their pregnancy is a key factor in supporting a healthy pregnancy. An incentive should be offered to encourage women who qualify for the maximum rate of Family Tax Benefit and are on other income support to identify their pregnancy early on (8–20 weeks) to access antenatal services. The local community nurse or health organisation can then monitor and support the pregnancy. The following case study from Finland suggests a possible incentive.



Finland's 'baby box' maternity package

In Finland, the government invests in helping parents to support their children's development from an early age. Maternity packages were introduced in Finland in the 1930s in an effort to reduce high rates of infant mortality and declining birth rates. Initially, they were aimed only at low-income mothers. The benefits were quickly recognised and within 15 years maternity grants were made available to all expectant mothers. Maternity grants are available as the Maternity Package— i.e. 'Baby Box'—or a one-off tax-free payment of €140. Sensibly, the majority of mothers choose the Baby Box.

The Baby Box act as a type of starter kit for new parents and contain helpful information, clothes, sheets, nappies, bath products, picture books, a bath towel and small mattress so that the box can even be used as the baby's first bed. It is claimed that these boxes help reduce infant mortality by promoting healthy sleeping patterns and providing a safe and secure sleeping environment for the baby. Finland currently has the fifth lowest infant mortality rate in the world: 3.4 for every 1,000 births. In Australia, the infant mortality rate for Aboriginal and Torres Straight Islanders is nearly twice as high as other Australians.

To foster a culture of reading, parents of newborn babies receive a gift of three books as part of the maternity package from their local mothercare centre. Finland produces more children's books per capita than any other country. Early childhood education is accessed almost universally—98% of preschool-aged children attend at least the last year of early childhood education—even though it is not mandatory. Children can attend free day care from the age of eight months to five years. Day care includes both full-day care centres and municipal playgrounds with adult supervision where parents can accompany the child.

To be eligible, mothers are required to visit a doctor or prenatal health clinic and receive a medical examination before the fourth month of pregnancy has ended. The health clinic then issues a pregnancy certificate which is required to claim the grant. In this way, the Baby Box engages mothers early and provides families with useful tools to care for their new child. By 1979, 100% of new mothers were receiving prenatal care in Finland—up from 20% in 1940.

In Australia, a number of Aboriginal health organisations have already successfully run a similar approach; including, among others, Alukura in Alice Springs and Apunipima in Cape York. The intention is that the Baby Box attracts pregnant women to the clinic or centre for prenatal care and they continue on with postnatal care. This successful model run by experienced Aboriginal health organisations such as these could be applied more broadly.

There needs to be the capacity for flexibility in the design of the incentive. While a number of Aboriginal health organisations have implemented the Baby Box initiative, it might not be the right strategy in some places, and other approaches identified by the health workforce may be more appropriate to the circumstances. Aboriginal health organisations have been highly successful in reducing the infant mortality rate over time. The key for this review is that the Baby Box demonstrates a good take-up of a very simple, incentive-based, effective measure and, most importantly, a means to engage new and expecting mothers to help ensure that support services are rapidly deployed where they are most needed.



Recommendation 1: Early childhood*

That all governments prioritise investment in early childhood, from conception to three years of age.

Governments must work jointly to agree on, and put into effect within 12 months, a new approach that includes progressive investment to implement integrated early childhood services and to dramatically improve attendance. This new approach should start with schools in the 200 communities that have the highest level of vulnerability and need (as determined by the Australian Early Development Index's results). If implemented successfully along the lines of existing proven models, governments can consider further roll outs.

In order for young children to be school-ready when they enter formal schooling governments will need to work jointly to coordinate and deliver intensive prenatal and holistic preventative early childhood services in target communities.

The implementation steps for delivering integrated services for prenatal and 0- to 3-year-olds must include:

- 1.1 co-locating and coordinating health, nutrition and other support services within schools or community hubs with outreach to schools with a single-point for accountability outcomes.
- 1.2 providing schools with support to build principal and teacher capacity to collaborate, engage with parents and external service providers, and to diagnose the needs of the school community and deliver services that are responsive to local context, culture, priorities and needs with accountability to a service standard
- 1.3 providing ready access to specialist services with the sharing of information between government agencies including health, community, child protection and education services to enable effective case management of vulnerable children and their families and optimise electronic health records
- 1.4 converting the Newborn Supplement into an incentive for women to identify their pregnancy as early as possible and be connected with a community nurse/case manager to coordinate prenatal care and access to the services listed above. The community nurse or case manager should work with a significant Elder to coordinate regular home visits to pregnant mothers, identify and intervene in behaviours which could harm the unborn child, and link the pregnant woman into community-based mother-child support groups. This approach is especially important for pregnant women in remote communities
- 1.5 providing comprehensive case management for vulnerable children from 0 to 3 years of age and their families to allow for early detection of, and intervention in, developmental delays, and provide a compulsory, structured explicit instruction programmes for three-year-olds led by an early childhood professional
- 1.6 extending the School Enrolment and Attendance Measure (SEAM) and Remote School Attendance Strategy (RSAS) programmes to each of the 200 sites, noting that the proposed case management approach would replace SEAM social workers (subject to recommendation 1.1 and 1.3)
- 1.7 driving accountability with compliance against service standards and aggregate data of children's development and improvement over time to be published on the CreatingParity website.

* This is one of the few recommendations that cost money, but it is not considerable. My wife Nicola and I have watched a lower socio-economic area transform the performance of its children through the local school, which encouraged government services (already available) to be located within its grounds and to be made available to parents from conception onwards. This initiative worked and is immediately replicable. The other measures of this report will save much more capital than this recommendation will cost.



School education

This review has found that our education system is clearly failing those children most in need.

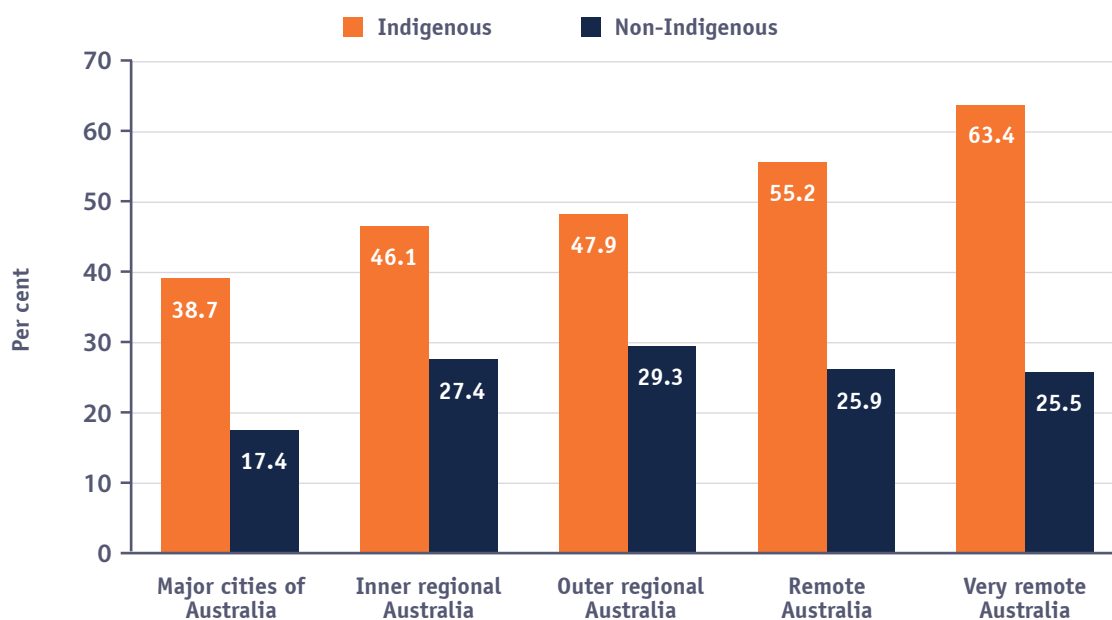
The rights of a child to an education that enables a full, productive and healthy life must take priority for all our decisions and actions when it comes to eliminating Indigenous disparity in Australia.

The graphs in this chapter show that no state has achieved success in doing so. Western Australia, Queensland and the Northern Territory have the largest remote first Australian population and have fallen behind. It's not a lack of money that is the issue. An attitudinal change is required from parents, Elders, community leaders and governments. It must be considered intolerable that anything should stand in the way a child's education—not lore, not traditions, not royalty days nor the apathy of governments. Nothing.

Everyone must take responsibility to protect the rights of first Australian children to have an education of the same quality as other Australian children to ensure an independent, self-sustaining future.

Figure 6 shows that educational attainment for first Australians aged 20 to 64 varies sharply by remoteness area. Nearly two-thirds of first Australian adults in very remote areas have a Year 10 or below level of education.

Figure 6: Proportion of persons (aged 20 to 64) with highest level of educational attainment of Year 10 or below, by first Australian status and remoteness, 2011



Source: ABS 2011, *Census of Population and Housing, 2011*.



Across Australia, school attendance and achievement are consistently worse for first Australian children than any other group in the country. From birth, the statistics show that first Australian children start from behind and, without concerted and dedicated effort, will stay there for life. Preventing unemployment is always better than attempting to reverse it.

On average, first Australians have significantly lower education levels than Australians in general. Consequently, their value to employers can be low and in some cases social security payments are almost as attractive as wages.

Raising the level of education across the entire first Australian population so that their earning power far exceeds the dole is the solution to this problem.

Further, many people, both Indigenous and other Australians, believe that training—for example, training in the ISO standard requirements for safety—is a substitute for education. This is not the case. Most skilled workers with above-average earning power have both a good education and training qualifications. This is the normal expectation of employers. First Australian people must be moved permanently out of the most disadvantaged job seekers category (Job Services Australia, streams 3 and 4) so that choosing welfare dependency over employment becomes an irrational choice.

Education is the key to employment. There is employment parity now for first Australians with Certificate III or IV level training that most apprentices undergo, diploma or university qualifications.

If we get early childhood development and school education right, we don't need to invest in other areas. But the measures relating to early childhood and school education are a long-term fix. There is a generation of Australians, who have not benefited from education and many of the other measures in this report will be of greater significance in assisting them.

My report tackles improvement to education on three fronts:

- start children better prepared for school with intensive prenatal and early childhood services
- use every lever available to governments to improve school attendance
- improve educational outcomes with measures to improve teacher quality, proven method of instruction—such as explicit and or direct instruction—and accountability for results from state governments and school principals.



Key facts

- Education experts have reported that children need a school attendance record of at least 80% for schooling to be effective. In the Northern Territory's very remote areas (where 57% of students in the Territory are educated, or 8,253 students), only one in five children is attending school 80% or more of the time.⁷⁰
 - First Australian students are estimated to lag behind other students by the equivalent of approximately two and a half years of schooling in the tested areas of literacy, science and mathematics.⁷¹
 - Attendance rates for first Australian students at government schools were lower than for other students for Years 1 to 10 in all states and territories.⁷²
 - In NAPLAN results non-Indigenous Australian students outperform first Australian students across all indicators. The gap is widest for first Australian students in very remote areas where, for example in 2012, the gap in Year 9 reading levels was a staggering 64 percentage points.⁷³
 - Only 59% of first Australian young people complete Year 12 or equivalent, compared to 87% of other Australians.⁷⁴
 - First Australian young people (17- to 24-year-olds) are 2.3 times less likely to be in full time education or employment than their counterparts.⁷⁵
 - Participation in full-time work increases with every additional year of schooling completed.⁷⁶ Yet even in 2012–13, more than 40% of first Australian 20- to 24-year-olds had not finished Year 12 or completed a qualification at Certificate II level or above. This compares to less than 13% for other 20- to 24-year-olds.⁷⁷
 - Almost 40 percentage points of the difference in employment outcomes between first Australians and other Australians can be attributed to differences in educational attainment.⁷⁸ At the Certificate III and above level of education there is virtually no employment gap between first Australians and other Australians.⁷⁹
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What we heard

- Lack of educational attainment is the biggest barrier to employment.
 - Children should be at school every day and the community must make this happen.
 - Poor school attendance significantly contributes to poor school outcomes. Attendance can be improved through incentives or sanctions; extra support for parents is needed.
 - Increasing parental responsibility is necessary to lift school attendance and outcomes.
 - Culturally relevant schooling is essential (both environment and content), including the need to build the cultural capacity of teachers.
 - Quality teachers need to be given incentive to work in disadvantaged and remote schools and then supported and given professional development opportunities to ensure that they stay there.
 - There needs to be obligations attached to family payments where children are at risk and to make parents send their children to school.
 - Schools need family and community support and engagement.
 - Transitioning successfully from school to employment is critical to avoid disengagement.
 - Schools can help students transition from school to work with work-ready preparation in the curriculum, engaging with local employers and industry, and work experience opportunities.
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Quality education, school attendance and teacher quality are the keys

A lack of educational achievement has been shown to be one of the single biggest factors affecting employment outcomes for first Australian Australians—the lower the level of education achieved, the less likely that people will be employed.⁸⁰ For both male and female first Australian young adults and 25- to 29-year-olds, participation in full-time employment is increased by each additional year of schooling completed. The differences are significant and universal regardless of where students were educated and whether they then went back to further study after school. First Australians with degrees have employment outcomes largely on a par with their counterparts.⁸¹

Employer demand for first Australian workers has grown dramatically over the past five years.⁸² Under the Australian Employment Covenant employers have committed to more than 60,000 jobs for first Australians and over 18,000 of these jobs have been filled. However, these and future job opportunities will only be realised when first Australian people receive the education they are entitled to under the Australian system. Employers consistently report that first Australian workers are not getting the education they need to take up work and further study, and that the lack of job-ready school leavers with basic literacy, numeracy and employability skills is one of the major impediments to placing first Australians in jobs.⁸³

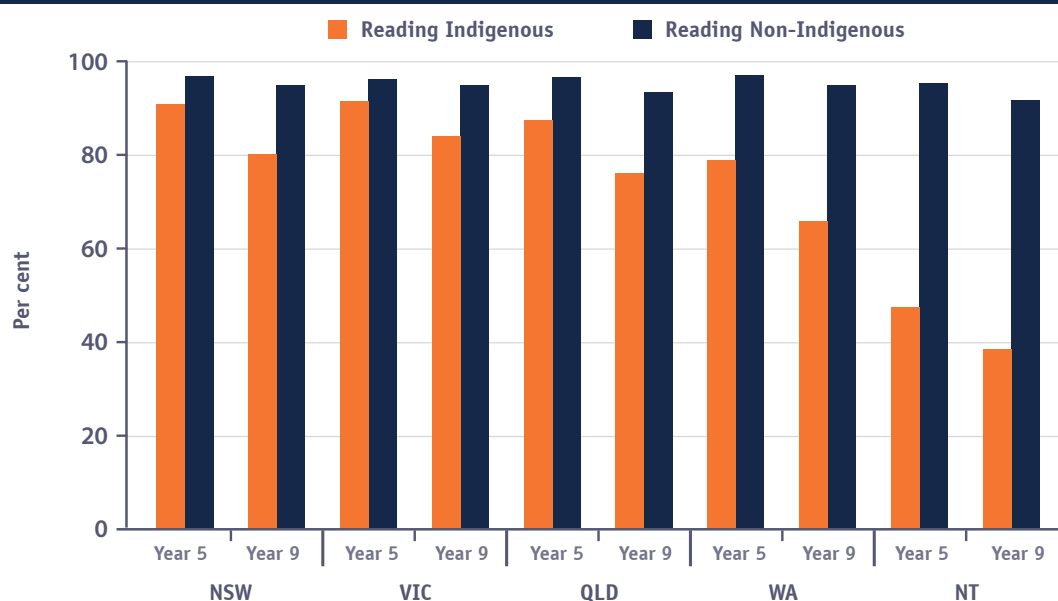
Improving school completion rates among Indigenous children is critical to achieving a significant increase in Indigenous employees in the future.⁸⁴



Employment service providers told the review team that they cannot provide first Australian job seekers with the education that the school system has failed to deliver. While providers can deliver literacy and numeracy training it is a totally inadequate substitute for a decent education.

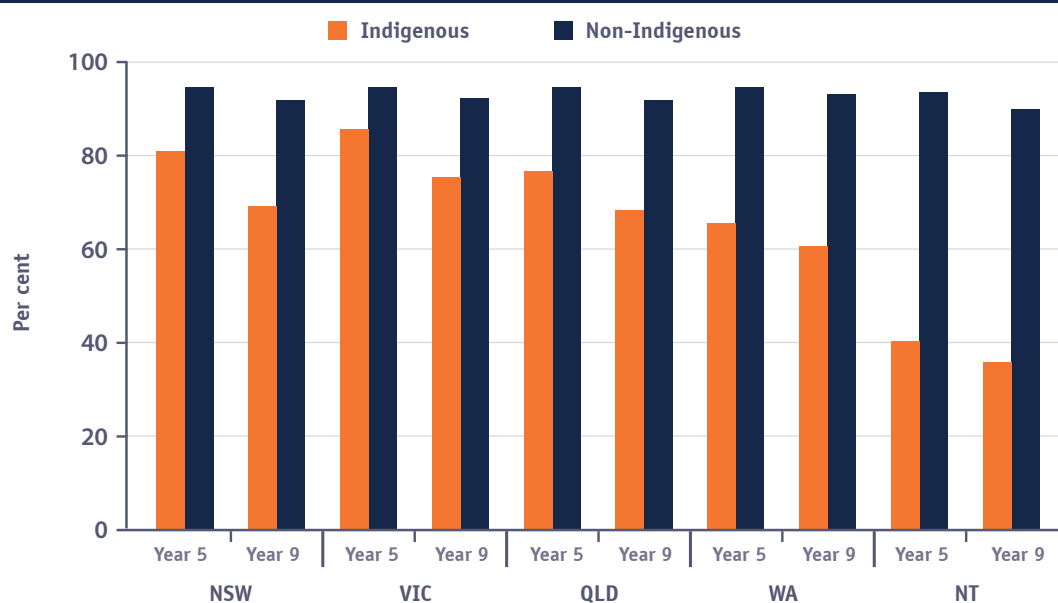
NAPLAN results confirm that first Australian school students are underperforming on every indicator, with the gap in performance between first Australian and other students widening with age (see Figures 7 and 8).⁸⁵ Factors such as poor school attendance and teacher quality have a significant impact on students and are likely to be the key reasons for these poor results.

Figure 7: Percentage at or above minimum standard in reading by first Australian status, 2013



Source: Australian Curriculum, Assessment and Reporting Authority 2013, *NAPLAN achievement in reading, persuasive writing, language conventions and numeracy: national report for 2013*.

Figure 8: Percentage at or above minimum standard in numeracy by first Australian status, 2013



Source: Australian Curriculum, Assessment and Reporting Authority 2013, *NAPLAN achievement in reading, persuasive writing, language conventions and numeracy: national report for 2013*.



School attendance

Without regular attendance at school, a child cannot become literate and numerate and learn the standard curriculum.

We need to be clear about education as the right of every child. Parents who send their children to school every day accord this fundamental human right to their children. Children who are not sent to school regularly are denied this right, the right to a normal standard of education and the skills to become capable citizens. Without these, they will be unable to enjoy the standard of living of other Australians. To be able to learn at school, they must be school-ready.

Unless a child has enough sleep and nutrition, and arrives clean and properly clothed at school, the child cannot learn. Illiteracy and innumeracy are disabilities in our society.

The rates of low or no literacy and numeracy in the Indigenous population are primary contributors to the low levels of employment and employability and the high levels of disparity we discuss in this report. While teaching standards and schools must be reformed to ensure that Indigenous children are educated, their parents must also play their part and send their children to school at least nine out of 10 school days to ensure that they have fulfilling lives.

Only wholesale change of community attitude has sufficient potency to create the change which will see every Australian child given a fair go in life. Marcia Langton has described the systematic failure of parents to send their children to school as 'child abuse'. I agree. It is nonsense to argue that Indigenous parents who seek to have their children educated in our national curriculum are denying their children access to Aboriginal and Torres Strait Islander cultures. As so many Indigenous people have proved, it is possible to have both.

The survival and strength of the cultures of Aboriginal and Torres Strait Islanders, the first Australians, depend on the health and capability of the people to support their traditions. I urge a radical change in community attitudes to parity in school attendance and education standards for Indigenous children. The attitude that second best will do is failing generations of Indigenous people and denying them a fair go.

The tolerance of a segment of our population falling below accepted standards of education is also a contributor to the high levels of Indigenous disadvantage. If the community, our leaders—and especially parents—demand the right of children to be educated, so too will our school systems change to provide every opportunity for Indigenous children to reach their fullest potential.

Research shows that school attendance has a significant impact on a child's achievement in education, and that the effect is more pronounced for disadvantaged children. A child's education is considered at risk if they frequently miss more than half a day of school a week (less than 90% attendance).⁸⁶ If it falls below 80%, it is significantly diminished. A West Australian study has found that as much as one-third of the gap in educational attainment between Indigenous and non-Indigenous children could be attributed to poorer rates of school attendance for Indigenous children.⁸⁷ Not only does school attendance have an impact on positive life outcomes, limited school participation is associated with a greater chance of dropping out of school and may lead to a cycle of disruptive behaviour. These outcomes have later implications for employment, a range of health risk behaviours (drug and alcohol abuse), homelessness, poverty, welfare dependence, and involvement in the justice system.



Nowhere is this more obvious than in remote communities. Elders, families and parents must govern their communities to ensure their children's right to a decent education. The Lost Generation who have missed out on an education need to take action now to become fluent in English and be able to read and write to ensure an independent future for their children. Parents are first educators and their children's educational attainment will greatly depend on their parents' ability to support them. This is why I have recommended literacy and numeracy along with driver's licences as an absolute minimum for everyone who participates in Work for the Dole. They are the key skills required to get a job but they are also essential life skills and especially so for parents.

In Australia, the states and territories have primary responsibility for education and provide the majority of funding for the cost of running government schools. Under the current school funding model, the Commonwealth provides a base amount rate for each student. For non-government schools, this base amount is discounted by the capacity of their school community to contribute to the operating costs of the school. There is additional funding in the form of loadings for students who need more support, including students with a disability, Aboriginal and Torres Strait Islander students, students with low socio-economic status and students who have low English language proficiency. To ensure equity, additional funding is also provided for schools that are not in major cities and schools that are not large schools.⁸⁸

Many schools already have practical and cost-effective mechanisms in place to monitor and improve school attendance. Some schools I visited have systems in place where text messages or emails are sent to parents when their child is absent from school without notice; others had student sign-in and sign-out sheets to mark attendance. There are numerous, innovative methods already happening in schools to achieve high student attendance outcomes. Schools and teachers need to be further supported and encouraged to implement their own effective attendance strategies.

Enforcing truancy laws

Before we can address education, we need to support families so that children attend school in the first place. The average first Australian attendance rate in very remote Northern Territory schools is about 58%, compared with almost 83% in provincial areas. This is where population-wide attitudinal change is needed most.

States are not implementing truancy laws. They must do so to overcome the Indigenous education disparities. The number of fines imposed on parents for cases of truancy by any particular state or territory government over a 12-month period is very low. In Victoria, for example, it is reported that there have been no truancy fines at all since 2006. In Queensland in 2011, just two fines were imposed yet 36,000 students missed 20 days or more of school in the first semester of that year alone.



Achieving parity in attendance

The racism of low expectations in schools has taken a toll. A large proportion of the worst performing schools in attendance rates and learning outcomes are located in remote and very remote areas and have a high number of first Australian students. The majority of first Australian children receive their education through government schools. These schools must be at the centre of our efforts to change the destiny of young first Australian people. There should be clear incentives to attend school as evidence shows that attendance is critical to achieving at school and success in later life.

You can't manage what you can't measure. We need personal ministerial accountability for results to ensure this receives sufficient attention and it needs to be reported through to the CreatingParity website. Without the rest of the measures in the Forrest wheel, tackling poor attendance could be pouring water onto sand.

Making timely and accurate school attendance data available is critical. This clearly signals the importance of school attendance to both schools and parents alike and allows all governments to track progress and better target interventions to support families and the school to improve attendance rates. Governments, education departments, schools and parents need to be accountable to get every child to school at least the 80% of the time required for that education to be effective. Schools with less than this rate of attendance need to put in place a plan to reach parity that reflects their community's needs, strengths and obligations. Principals need to feel they are supported in this essential leadership role.

Using family tax benefits to improve school attendance

As parents, our most important role is to make sure our children are educated to give them the ability to provide for their future and their own children. Most parents ensure their children go to school every day, without the need for any additional incentive to do so. However, many don't. The recommendations that follow are aimed at those parents who fail to send their children to school regularly.

Family Tax Benefit (Part A and B) is provided by the government to support the cost of raising children. Part A is paid for each child and the amount is income-tested and is based on a family's individual circumstances. Part B gives extra help to single parents and families with one main income and is income-tested. An example of this may be where one parent stays at home to care for a child full-time or balances some paid work with caring for a child. The only current mutual obligation requirement is to demonstrate that the child is immunised.

This is despite community expectations that the benefit is paid to parents to help with the expenses of raising children, and in return for meeting their responsibility to ensure their children attend school every single healthy day of the school terms in their child's life.

The Family Tax Benefit (FTB) is not conditional on good school attendance, but it should be. Parents are paid to do a job in return for the FTB. Governments must make it clear to families applying for the FTB that the benefit is paid to enable them to raise their children responsibly and make sure they are at school each day. A simple acknowledgement on the application form and permission to check education records would make this clear.



Untied welfare means recalcitrant parents are not held accountable for failing to send their children to school. This perpetuates the idea of a welfare entitlement without responsibility and sacrifices the rights of the child to an education. This also imposes long-term costs of welfare reliance, lost productivity and a larger demand for services such as social housing on taxpayers and state, territory and Commonwealth governments.

The majority of families on the FTB who send their children to school every day would be happy to agree to this and it would be no intrusion on their lifestyle if they are responsible, caring parents. This would be confirmed by the attendance data shared between the state and territory governments and Centrelink.

Again, making timely and accurate school attendance data available is critical. In this instance it drives parental responsibility for school attendance by enabling the government to use FTB to penalise recalcitrant parents who do not send their children to school.

To do this, the government would need to restructure the FTB (currently assessed annually and paid fortnightly) to a payment received in return for children attending school. School attendance data for each child would be shared by the states and a simple electronic system established to submit evidence. For the majority of parents, who understand their responsibility and send their children to school, and do not fall below the 90% student attendance benchmark, there would be no impact or imposition on these families.

This measure attracted strong, local support at consultations during the review. Yet the systems currently in place to monitor school attendance do not provide effective data to also monitor the proposed parental obligations. Without this there is \$20 billion in untied welfare which is not being directed to improving the capability of our future workforce.

This recommendation will ensure that, as intended by government and the community, this money is used by families to raise their children responsibly and ensure they attend school every day. This innovative and ambitious recommendation is expected to be self-funding on full implementation and makes clear that children must attend school every day.

Together, the Healthy Welfare Card and changes to the FTB have the potential to radically change the current non-attendance rates of children across Australia. The Healthy Welfare Card will remove the distractions of alcohol, gambling and drugs that contribute to poor school attendance. At the same time, changes to the FTB will reinforce community expectations that parents must get their children to school every day and ensure that every government dollar is directed to building the capability of our future workforce.



Accountability for school attendance—paying states on actual attendance

We all tend to manage efficiently what we are measured on. Governments are no different. It is inexcusable that a child is denied their right to a healthy future, independent of welfare, because government officials and schools were not paying attention to school attendance rates.

Paying states and territories for actual attendance would give a clear focus on what is important. Governments would need to shift their focus and potentially reallocate some of the resources spent inside departments to on the ground, in school resources.

With the other support measures proposed in this report it reinforces sensible, accountable management behaviour. In the corporate world, this is the usual process as you are paid on results. We should accept no less.

Case management to improve school attendance

The first step in addressing the poor educational and employment outcomes of first Australian students is improving school attendance. Every day counts.

The nature of the relationship between absence from school and achievement, across all sub-groups of students strongly suggests that every day of attendance in school contributes towards a child's learning, and that academic outcomes are enhanced by maximising attendance in school. There is no 'safe' threshold.⁸⁹

Experience has shown that penalties applied without comprehensive case management and coordinated access to the required services does not appear to give results. The Commonwealth's School Enrolment and Attendance Measure was rolled out in a number of communities in the Northern Territory from 2009 to 2012 and has been largely ineffective due to implementation failures.⁹⁰ For example, in 2013, there were approximately 1,300 children with poor attendance in the Northern Territory yet only 350 referrals were made to the SEAM social workers by Northern Territory School Attendance and Truancy Officers. The majority of children and their families who could have benefited from the support were not even referred for help. This is evidence that truancy is not taken seriously. This must change.

Teaching parents about their obligations, giving them successful strategies to get their kids to school, making communities safer and enlisting leaders in the strategy is essential.



The Commonwealth Government's recent Remote School Attendance Strategy is achieving good early results. The strategy highlights the difference that can be made by a concentrated support effort, built with community support. Within a short time, school attendance in the 40 remote communities where school attendance officers have been placed rose by 13% compared to the year before. But communities are now asking for the extra services they need to help the families stabilise the home environment and provide more intensive support to parents.

This needs to be complemented with firm, immediate action taken through income support penalties for recalcitrant parents who do not respond to these support measures. Reshaping SEAM, to support RSAS and the intensive prenatal and early childhood services recommended in this report would be a better use of government funding based on strong evidence to ensure children go to school every day.

Better access to boarding schools and adequacy of ABSTUDY

In the 1960s in my little local town of Onslow, most of the kids who lived in the hostel were local first Australian kids. Parents would drop them in for the week and take them out on the weekend. Parents recognised that their kids would flourish without the distractions of home. They were right. These kids were not just my mates, but in every sense they were my peers and in many cases we knew each other as brothers and sisters.

Later at Carnarvon Hostel I had a similar experience. Many of the kids were from remote communities. First Australian kids who boarded with me performed as well, if not better than me, in the classroom.

Among other strategies there is a clear role for boarding school and hostels. Perhaps we acted in haste when we shut all these facilities leaving a generation of kids in poor learning environments leading to reliance on welfare.

In remote Australia, access to quality schooling and the cost of providing infrastructure—particularly secondary schools in remote communities—continues to challenge all governments. A recent review into education in the Northern Territory shows only 10% of first Australian Year 9 students in very remote schools reach minimum NAPLAN standards for reading and writing. Most first Australian students in very remote schools do not complete Year 12 and a shocking 82% are not fully engaged in work or further study when they leave school.⁹¹

As a graduate of a remote boarding school where most other children were first Australian, I know boarding schools can deliver a good education. While there are genuine attempts to provide the best education in every school, including those in remote communities, the reality is that better outcomes can be achieved in schools with a critical mass of students as they can deploy more resources because of the economies of scale.

Boarding schools need certainty of funding in government subsidies and parental contributions to take boarders, especially boarders who are first Australian students from remote communities who may need additional support and assistance.



There are currently 18 non-government boarding schools that have more than 80 first Australian students from remote or very remote areas, or where more than 80% of boarders are first Australian students. These schools receive the Commonwealth Indigenous Supplementary Assistance (ISA) payment for boarding, which is due to cease at the end of 2014. These schools will struggle to meet this shortfall unless the adequacy of the ABSTUDY payment is improved to cover the cost of boarding.

With the imminent removal of the ISA payment, additional assistance for boarding schools over and above the Commonwealth school funding formula will be provided solely through ABSTUDY. This is a payment to parents who must agree to pass on all or some of this to the school. Some boarding schools report that the additional funding from ABSTUDY is not sufficient to cover the boarding, tuition and out-of-school costs of students from remote communities. In addition, given the lengthy approval time for ABSTUDY, schools are often taking on young people ahead of the ABSTUDY approval to ensure the young person is educated.

ABSTUDY needs to be adequate to cover the full cost of boarding, flexible enough to support greater mobility out of remote communities to attend school, including weekly boarding arrangements and adequate travel support.

Many boarding schools experience underused places and employ scouts to recruit students directly from remote communities. This is expensive for the schools and confusing for families who may inadvertently enrol their children in several schools. Coordinated access to the 18 boarding schools with significant numbers and concentrations of Indigenous schools could free up these scouting costs to be redirected to strategies to better retain students.

The ABSTUDY benefit across the year needs to adequately cover students' costs and recognise that parents are supporting the young person in school holidays. Parents should be asked to nominate a boarding school when the application is made and agree to a portion of ABSTUDY being paid to the boarding school. This would be automatically deducted from their welfare payments.

There are currently no school attendance requirements for ABSTUDY recipients living away from home at a boarding school or hostel. Funding provided to the school is retained if an enrolled student drops out. This is in contrast to students living at home who are subject to attendance requirements. ABSTUDY school attendance requirements should be reviewed to ensure that they are aligned with the government's school attendance priority.

Improving access to, and potentially the number of places for remote first Australian students in boarding schools, with accommodation and mentoring support to help these children connect to and stay in school, will mean that children get a decent high school education. Successful existing boarding school models such as the Australian Indigenous Education Foundation and the Cape York Higher Expectations Program were commended in submissions to the review.



Accountability for parity in educational outcomes

All Australians expect that our children will be educated at a standard to enable them to participate in the workforce and community as adults. Sadly, there are many children who are left behind by the system. The demands of providing for the needs of the top and bottom 10% of children in a classroom mean that often the 80% in the middle muddle along. The data on results above show a strong need to improve accountability for results in educational outcomes.

State Governments and school principals must work together to agree to an enforceable plan where schools that have results falling below the NAPLAN benchmarks are given sufficient attention to get things back on track. Each year of learning is critical to a child's development and it is unacceptable for the system to not have key triggers to deal with poor performance.

Proven methods of instruction in English and maths

While transforming the remote teaching cohort over time is essential, we cannot leave children to languish with poor educational outcomes that will flow onto poor employment outcomes. Proven methods of instruction to lift basic literacy and numeracy must be applied in schools that show the poorest results. Our workplaces and the economy require strong foundations in English and maths.

This review supports the Commonwealth Government's initiative to provide funding towards the implementation of Direct Instruction or other proven phonics-based models in remote schools across Australia. Programmes that incorporate direct or explicit instruction are being used in some of Australia's highest performing schools and have turned around student achievement in some of our most disadvantaged schools. The government's commitment will support a funding pool that will be open to school communities to apply for funding to implement the Direct Instruction programme.

Methods such as explicit instruction, a teaching method where skills are broken down into small, sequenced, scripted units, have shown promising results and can be used by all teachers, regardless of their performance.⁹²



Incentives for the best teachers

Employers consistently report the lack of job-ready school leavers with basic literacy, numeracy and employability skills as one of the major impediments to finding first Australian workers. There is a dire need not only to improve school attendance, but for quality schooling, particularly building literacy and numeracy skills. First Australian students are on average two and a half years behind other students. Results in maths, English and science are particularly poor. We need the best teachers teaching in schools where the need is greatest. Teachers should be carefully selected on performance, likelihood to succeed in challenging environments and supported through incentives to make sure first Australian students are given the best chance to succeed.

Within schools, the quality of teaching is the biggest determinant of a child's educational success, contributing to around 30% of a student's academic achievement.⁹³ We need the best teachers, led by the best principals, teaching in schools where the need is greatest. The schooling system, primarily a state and territory responsibility, needs to give first Australian children the best possible chance to succeed.

Evidence shows that high performing schools, regardless of their socio-economic status, have a set of common characteristics:

- strong school leadership that sets high expectations
- quality teaching using proven and effective methods and where teachers learn from each other
- a positive school culture
- parental and community engagement
- measurement of effective learning.⁹⁴

All too often, we send the least experienced or poorest performing teachers to work with students who have the greatest needs. It is not uncommon for teachers fresh from university, with little experience of working with first Australian communities, to be sent to remote first Australian schools. More often than not, these new teachers are inadequately prepared for the challenges that they will face and are given little support to develop the skills and expertise they need to be effective in these tough school environments. There is little doubt as to why these teachers often leave the school within the first 12 months. In the Northern Territory, teachers last an average of seven months in a remote school before leaving. In comparison, in Western Australia, where teachers relocate as a couple or family unit, they stay for much longer. Regardless of any incentives offered, early career teachers are likely to continue to be the core of the teaching force in these communities. They need to be given the support to stay and be effective for a minimum of three to five years to deliver the best educational outcomes for first Australian students.



The teachers doing the best work in these schools are graduates or teachers in their first five years and experienced teachers who remain motivated and continue to learn every year. We need to ensure that the teachers we send to the most challenging schools are carefully selected on performance and the likelihood that they will succeed in a difficult environment. The current mindset that teachers go to a tough school to 'do their time' must be changed, so that it is recognised that only the very best, elite teachers get chosen for the most difficult schools. Incentives should be carefully targeted. Offering teachers financial incentives has had mixed results,⁹⁵ but developing and rewarding expertise in first Australian education through professional development opportunities shows great promise.⁹⁶ Targeted professional development is critical to ensure teachers have the right qualities and skills to achieve the best education and learning outcomes for first Australian students.

The role of principals

Principals have great power to create positive change in schools. Strong leadership that creates the right climate for learning by addressing bullying, increasing school pride and raising expectations has been shown to be the key ingredient for turning around the performance of an entire school.⁹⁷ Effective teaching and learning can only flourish in a school environment that supports this. School principals must feel they are supported to take responsibility for setting new directions for their schools that lead to better performing teachers and deliver extraordinary improvements in education outcomes for first Australian students.

Recommendation 2: School attendance

That governments work together to improve school attendance and be measured and accountable to the public for their success.

To achieve parity, first Australian children must go to school at least nine out of every 10 days. Governments should use every lever at their disposal to bring school attendance to this level (as a minimum), including the implementation steps listed below.

- 2.1 Within 12 months state and territory governments should adopt the following measures to improve school attendance:
 - 2.1.1 implement existing truancy regulations to improve school attendance levels and achieve the 80% minimum tolerance required for an effective education. Regularly report and publicise their truancy record on the My School and CreatingParity websites
 - 2.1.2 ensure schools that fall below the minimum tolerance of 80% attendance (subject to upward adjustment) have an enforceable plan on how to reach parity in attendance for first Australians with progress on these plans to be reported on the My School and CreatingParity websites
 - 2.1.3 provide simple, cost-effective systems to schools that support monitoring attendance and parental engagement and build attendance to 90%
 - 2.1.4 collect and provide school attendance data that accurately measure the attendance of each student and provide this to the Commonwealth at the end of each school term
 - 2.1.5 have ministerial executive accountability for results of truancy enforcement and school attendance reported through to the CreatingParity website.



- 2.2 The Commonwealth Government should introduce a new mutual obligation requirement for parents to ensure that children attend school in return for receiving the Family Tax Benefit. The target attendance should be initially set at least 80%, with a later target of 90% of the school year. The Commonwealth must take the following implementation steps:
 - 2.2.1 amend the application form for the FTB to make clear the benefit is paid to enable parents to raise their children and send them to school every day and to include a requirement for applicants to acknowledge and give permission to check education attendance records
 - 2.2.2 change the FTB payment from an annual entitlement (that is currently assessed annually and paid fortnightly) to a more regular monthly entitlement to enable validation of school attendance data for each child, with the data shared by states and territories (see recommendation 1), and evidence submitted through a simple, electronic system
 - 2.2.3 apply financial penalties to those parents whose children fall below the benchmark of 90% attendance for the school year and report the aggregate data on the CreatingParity website.
- 2.3 In support of the efforts by states and territories to improve school attendance, the Commonwealth should pay school education funding to them based on actual attendance rates, with data published regularly and support case management services provided for students and families with particular challenges, and revise ABSTUDY and supports to access boarding schools. This will be achieved by the Commonwealth Government taking the following implementation steps:
 - 2.3.1 paying schools funding to state and territory governments based on actual attendance rates measured at the end of each term
 - 2.3.2 publishing updated attendance data on the My School and CreatingParity websites each month clearly indicating whether attendance levels of over 80% have been achieved and tracking individual school trends over time
 - 2.3.3 restructuring the School Enrolment and Attendance Measure to be part of the intensive early childhood approach (see recommendation 1) and enabling the early childhood case manager to implement a support and attendance plan for prenatal to primary school age attendance for individual families. This should include enabling the case manager—rather than Centrelink—to determine if the penalty should be applied. This determination can only be made by the case manager in the long-term interests of the client and not by the Centrelink officer
 - 2.3.4 better targeting ABSTUDY by simplifying its administration, rewarding completion and making it available to first Australian students from remote communities who board on a weekly basis. Changes need to be made to:
 - 2.3.4.1 ensure ABSTUDY is quick and easy to apply for and that it is sufficient to cover the full costs of students attending boarding schools from remote communities



- 2.3.4.2 give families with children at boarding schools access to base rate FTB payments during school vacations and ABSTUDY payments for the school term until they finish Year 12 in recognition of the costs parents incur during the vacation periods
- 2.3.4.3 establish regionally-based services to provide independent and professional advice, including placement and retention assistance on education and training options outside their community to families and students.

Recommendation 3: Improving educational outcomes

That a high quality of school education is ensured, particularly for children in remote and disadvantaged areas as assessed by achieving parity in National Assessment Program – Literacy and Numeracy (NAPLAN) results so they have the best chance of employment.

This will be achieved by state and territory governments taking the following implementation steps:

- 3.1 having an enforceable plan to require these schools to reach parity in educational outcomes including using proven methods of explicit instruction and enabling other resources such as the Teach for Australia programme and external advice. Progress on these plans should be reported on the My School and CreatingParity websites
- 3.2 having English literacy and numeracy as the priority for all schools, by having an English-language explicit instruction domain as the basis of each school day. This can be combined with all first Australian children learning and becoming literate in ancestral languages, provided that the priority of English is in place until NAPLAN parity is achieved
- 3.3 developing a workforce of high performing teachers who are independently assessed and recruited for excellence on the basis of their likelihood to succeed in tough school environments; and placing these teachers in priority schools for at least two to three years
- 3.4 offering professional development scholarships to teachers valued at \$20,000 each and paying teachers at least 5% or more for teaching in schools where school attendance is less than 80%; increasing this to 10% if the school reaches 95% attendance over two years to provide incentive for the best teachers to work in the worst performing schools
- 3.5 using the top performing principals from schools that are achieving good results despite their disadvantage, to mentor principals and teachers
- 3.6 providing schools with a clear set of proven professional learning programmes that they can select from to support and improve the impact of the staff on student outcomes and attendance
- 3.7 ensuring school principals are given responsibility and information to advise Centrelink when exceptional circumstances mean access to welfare payments for under-19-year-olds are necessary.



Recommendation 4: Stopping distractions to education

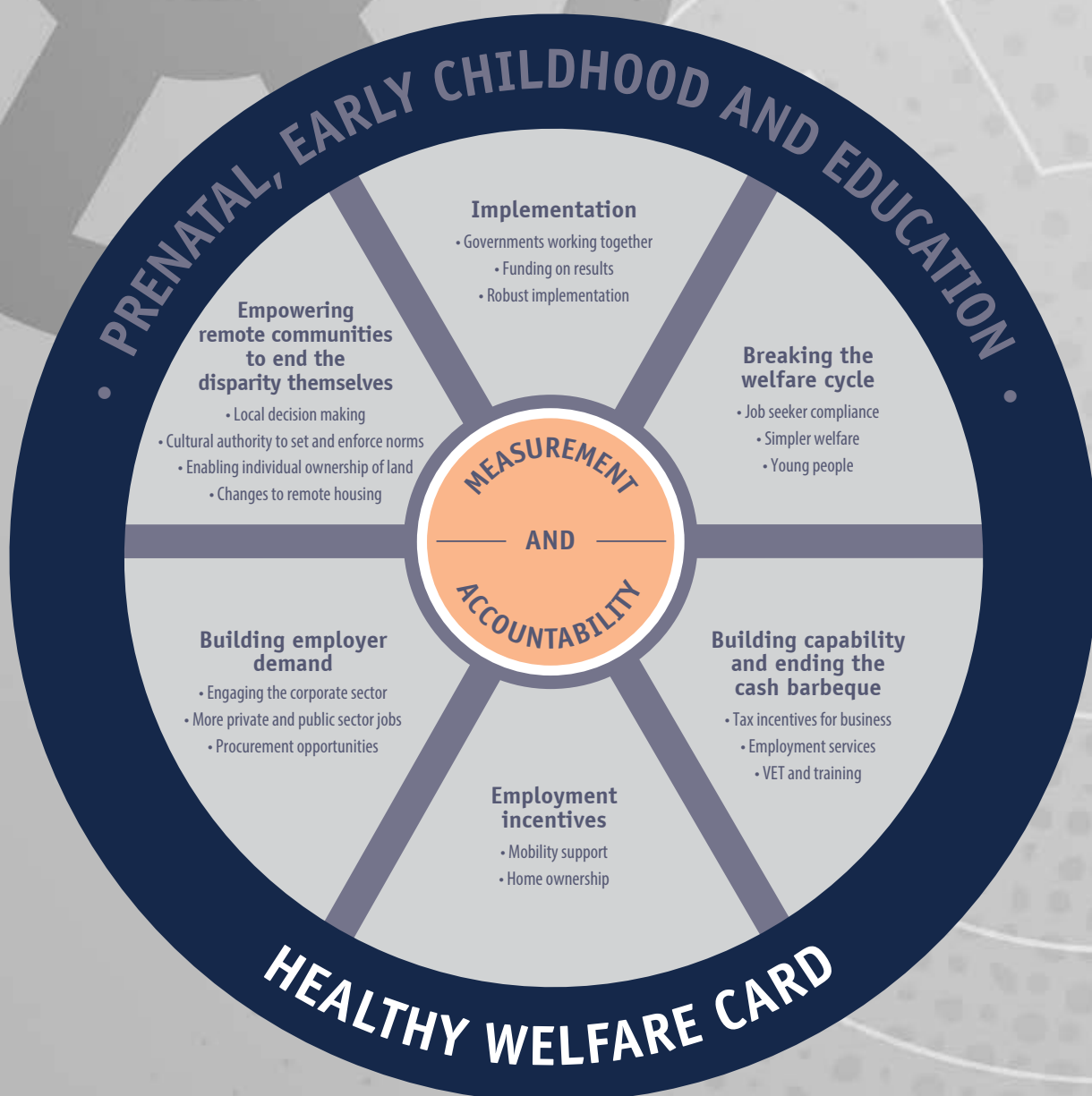
That Commonwealth, state and territory governments, business, sporting organisations and community leaders ensure that school attendance is not unintentionally undermined by sports carnivals, visiting celebrities or any activities that can give families an incentive to take students—particularly from remote schools—away from school for lengthy periods of time.

This will be achieved by the following implementation steps:

- 4.1 business and traditional owners agreeing to make land access and/or royalty payments in school holidays
- 4.2 scheduling cultural ceremonies outside school hours or during the school holiday period, and wherever possible being sensitive to schooling requirements in the timing of ceremonies
- 4.3 recognising that school attendance is critical, government-funded programmes and visits to communities need to be scheduled outside school hours or during the school holiday period.



Chapter 2: The Healthy Welfare Card



Creating Parity



What success looks like

- Home and communities are illicit-drug free.
- Homes where welfare dependency is common have very low alcohol consumption.
- Families budget responsibly, rent is paid and school fees and school support is met normally.
- Food and items needed to sustain healthy individuals are met before leisure.
- Costs are incurred.
- Welfare supports life's essentials.

Just as critical to the reform process is a new foundation for welfare. This would be provided through a Healthy Welfare Card. The Healthy Welfare Card introduces a new system to support welfare recipients to:

- manage their income and liabilities
- save for the occasional bigger expenses like Christmas or school camps
- encourage welfare income to be invested in a healthy life.

Australia's welfare system should be used as it was intended to help people build healthy lifestyles and make the best choices they can for themselves and their families—particularly their children. It is a social safety net of last resort and should never be a destination of choice.

First Australians suffer significantly higher rates of exclusion from financial institutions and their services. The reasons for this are complex but include cultural, geographical and educational factors. In the National Australia Bank evaluation of their Money Mentoring Pilot, low incomes, lack of basic literacy and numeracy, language difficulties and the complexity of dealing with financial institutions were all cited as contributing factors.

The lack of understanding of financial management and budgeting in disadvantaged Indigenous households is a problem identified by most stakeholders as a key contributor to ongoing poverty and exclusion from economic participation. The absence of established financial routines mean that bills are not paid on time, there are unnecessary evictions, use of exorbitant pay-day lenders and accumulating debt. Individuals, including children, go hungry if welfare is used in the first few days of the fortnight and there is insufficient to last until the next payment. These directly result in additional unnecessary stresses and additional supports such as emergency relief payments, often food vouchers, from government. If welfare funds are used on alcohol or gambling this can further exacerbate problems and directly result in high morbidity and mortality rates, failure of families and households to provide safe environments and the collapse of culture and community.



There have been efforts to innovate and address these issues. The current income management system, which operates via the government BasicsCard, is providing very valuable support to women, in particular making sure welfare stretches over the fortnight and that bills are paid and children are fed. However, it is not part of the mainstream banking system, it is very expensive for the government to administer and it has some stigma associated with it for the recipient.

Despite the benefit of the financial stability for individuals, expansion of this system is financially unsustainable, with the existing 23,000 income management recipients making over 46,000 calls a week to Centrelink to change their arrangements.

Financial stability will help the most vulnerable families manage the routines required to hold down a job. It will mean that financial stress is minimised, positive decision making is improved and that rent and other bills are budgeted and paid. A more stable financial structure means that families in receipt of welfare payments are able to focus on getting their kids to school and finding jobs for themselves.

It is time to transform the way welfare payments are made in Australia. Some form of cash welfare (excluding the age and veterans' pensions) is received by approximately 2.5 million Australians, including around 195,000 first Australian people of working age. The total value of these payments is \$37 billion. We need to make sure this money is used in a system that supports people to budget for their costs, pay their regular bills, ensure a roof over their head and put food on the table.

This money is meant as a safety net for families and individuals who need help on a temporary basis, including, through the Family Tax Benefit, to help parents raise their children and send them to school every day. Our nation has always seen this as an important part of a robust, caring society, and that should not change. When hard-working Australians fall on hard times and need a temporary hand up, the nation helps as we should.

We need a new approach.

The search for a new approach

For far too long Australia has increased the risk to its most vulnerable by paying all welfare benefits in cash. Those aware of the tragedy that untied welfare cash has on vulnerable individuals, families and communities have fruitlessly searched for a solution acceptable to the community for decades. Communities, especially remote first Australian communities, are desperate to stop the incoming tide of drugs and alcohol (enabled by untied welfare cash). They have exhausted every possible option in the search for effective methods for restricting the flow of cash to harmful uses and redirecting it to paying for essentials while in temporary and occasionally difficult circumstances, such as unemployment.

Community leaders told us how unscrupulous commerce and organised crime have taken advantage of the cash available to vulnerable welfare recipients by specifically targeting those communities where people are at the highest risk of making poor, short-term purchase decisions, such as gambling and buying illicit drugs (like marijuana) and alcohol. This very often has taken precedence over healthy purchase choices that would otherwise support children, strong lifestyles, and stable efforts to get and keep work and secure homes.



We researched and discussed with leaders and Elders other options, including drug testing, alcohol restrictions and forms of behavioural encouragement. None of these stood up against the criteria of affordable delivery giving sustained behavioural change and being suitable for a broader rollout. We wanted to keep the supports for people to manage their income without the unsustainably high cost of delivering income management. Any new solution needed to make transitioning off welfare and into work an empowering experience so individuals can manage their financial affairs.

There seemed to be no answers apart from stopping welfare altogether, a solution no Australian could reasonably support.

First Australian Elders told us they gravely fear for their children as harder drugs such as methamphetamines with higher cash margins are now entering their communities through organised crime. These crime syndicates then target the users of marijuana, common in many remote and urban communities, with even more dangerous illicit drugs. Several leaders have said that parents could not control their children's drug intake without prompting a threat of suicide. On many occasions, these threats have been carried out.

We confirmed that the damage to Australia's most vulnerable is certainly not limited to first Australian people or remote communities and is occurring in many Australian communities. Cash from government quickly converts to illegal drugs and alcohol abuse, particularly widespread amongst Australia's youth.

For example, arriving in Surrey Hills in Sydney for the review to meet with the banks to discuss a cashless welfare system, we encountered the business activities of a man talking loudly on his mobile to a distressed client. He shouted down the phone that he could supply 'any amount of heroin if you've got the cash to pay for it'. Undisturbed by our presence, he and his pit bull terrier barely moved as we walked into the New South Wales State Office of the Department of the Prime Minister and Cabinet.

This experience replicated similar experiences we had in remote communities where drugs were prevalent and access obvious. We redoubled our effort to understand the problem better to guide us in our search to find a technologically possible, sensible mass solution to end this unnecessary suffering in communities.

Our thinking was influenced by the pioneering experience of the current income management system and BasicsCard in the Northern Territory and the Family Responsibilities Commission in Cape York. These initiatives have demonstrated the benefits to welfare recipients of a more stable financial environment in which rent and other bills are paid and sufficient food is provided. This system is, however, very expensive to deliver and unaffordable on a large scale.

After exhausting all other options we considered a cashless welfare card system, not just for vulnerable first Australians but for vulnerable people across Australia. If technologically possible, it poses a way of providing stability for families and individuals so they can concentrate on finding employment, providing adequately for their families, and sending their children to school.

Clearly, we needed external expert advice if we were to consider a cashless system and we sought the assistance of the major retailers and banks. Various leaders of Indigenous communities and civil society oriented corporations developed this kernel of an idea into one with great potential. Together we have done the work to give the Healthy Welfare Card sufficient plausibility and credibility, so that with some further development it can be considered a working and much superior alternative to cash welfare in the Australian financial, retail and welfare payment system.



Eftpos, Coles, Woolworths, Metcash's (IGA), Westpac, ANZ Bank, National Australia Bank and the Commonwealth Bank of Australia have banded together with initiative and teamwork, at significant cost to themselves, to help a cause of great benefit to Australia. They have proven that a cashless welfare system is not only possible, but with refinements to existing technology, completely practical. We are also grateful to MasterCard who took us through the South African cashless welfare system, which has provided welfare recipients with financial inclusion in the country's mainstream banking system, all but eradicated welfare fraud and saved a fortune in welfare administration.

The South African experience in moving to a cashless welfare system

Valuable lessons can be drawn from a similar cashless card system introduced in South Africa in 2012 for the payment of social security benefits.

The South African Social Services Agency partnered with the private sector to reform the distribution of social security benefits via an innovative social payments card. The card has been successful in South Africa, largely due to increased efficiencies, savings and transparency for government, and has largely eliminated fraud in the social security system. For social security payment recipients it has provided inclusion in the mainstream financial system and, through that process, increased financial freedom and economic potential for those citizens. Collective cost savings have been very large.

Empowering people through the Healthy Welfare Card

If a cashless welfare system is effectively and smoothly introduced, it will render the cash system that preceded it an irresponsible social experiment.

Every day most Australians manage their spending, and saving using debit or credit cards to purchase goods and services that are essential to sustaining themselves and their families. More and more we are becoming a cashless society and this is the way we should manage welfare payments. Paying welfare via a card issued through a responsible financial institution will treat people who have to access welfare support as individuals with capabilities and potential, just the same as other Australians.

The Healthy Welfare Card issued as a debit card through a responsible financial institution of choice, using the MasterCard or Visa system, would be issued to all people receiving welfare payments. This would include these Australians in the mainstream financial world of everyday life. The card would confine welfare and intended spending to essential goods and services to ensure individuals and families get the full benefit from the welfare provided by government.

It would ensure that people enjoy inclusion in the mainstream financial system and it would assist individual responsibility by eliminating spending on alcohol, gambling, and instruments that can be converted to cash like gift cards.



The Healthy Welfare Card will provide a more transparent system for payment of the country's substantial welfare outlay, and through normal and highly efficient bank fraud control procedures, will assist to reduce fraud in Australia's welfare system. Big data mining with specialist fraud firms like Palantir Technologies has proven extremely efficient at identifying fraud in a manner that the cash system has no hope of replicating. In South Africa, which operates a card without the abilities of the card contemplated for Australia, fraud has been almost eliminated and efficiency greatly improved.

For those still needing support to get them back on track, other financial counselling services could be made available that build on different commercial services and pilots currently available as an alternative to the costly income management system. Culturally relevant financial management and mentoring could address gaps in the provision of financial and assistance and support to first Australians. Building on the evidence of existing pilots, locally-employed, independent and accredited financial advisors could work with local people to deliver tailored advice and training to make the service relevant and accessible in the community.

A cashless welfare card managed through existing financial services arrangements will generate significant savings for government because individuals will move to employment more quickly as they are able to concentrate on their return to work. Fraud would be minimised, and over time, emergency relief payments and crisis services would be reduced through a longer-term reduction in welfare reliance. Over the same time period intensive prenatal and early childhood services will be developing children better able to learn and succeed. Any savings generated should be reinvested into the preventative prenatal and early childhood development.

Smart payment system technology

The societal shift to smart phone apps and e-payment systems is with us. It is fast becoming the main means of payments and purchases. There are few cohorts that have picked up breaking communication technologies like smart phones, Facebook and the others more quickly than our first Australian youth.

The kids I know often have to have their iPhones prised away from their hands, even when they go to bed at night. I'm not saying that's healthy, but I am saying that this generation should be steered right away from welfare and still stay highly receptive to new technologies like this. We need to make the most of this enthusiasm to build the financial literacy, inclusion in the banking system and participation in the new payment technologies.

Another key success factor of using apps, EFTPOS, or smart phone payments systems is that they could shift development away from the banks. As supportive as they have been, banks have higher overheads and costs and a slower implementation pace. This is not due to lack of talent—far from it—but rather the legacy environments of their core banking systems.

The development of a welfare benefits app may act as a virtual account on a prepaid basis that could be adopted into the Healthy Welfare system as easily as the debit card.

This is where ePal and similar technologies designed to making payments convenient could come into play. We should consider a process of adding this key product and service capability. Rent, for example, could be host-initiated and routed to a pre-set receiver (government or private) and pre-loaded to issue on the day of the income support payment.



For products for purchase, there could be the ability to use the manufacturer's barcode to hold the product data in the app, in a process not dissimilar to the current shopping apps of the big retailers. Products could be scanned in the selection process or confirmed at checkout using near field communications (NFC) payments capability. This could enable cross-referencing and the exclusion of particular products which do not add to the health of communities.

This smart payment technology is central to the implementation of the new cashless welfare system of the future and I would like acknowledge the advice on new technologies from Mr Mark Tibbles from Westpac.

How the Healthy Welfare Card would work

The Commonwealth Government would partner with the responsible financial institutions, major retailers and major card issuers to put the new system in place. Discussions with Coles, Woolworths, IGA, the Commonwealth, National Australia Bank, ANZ and Westpac banks, eftpos Payments Australia Limited and MasterCard, indicate that the technology to support the card is readily available and affordable. It will use the technology that most Australians use in everyday life.

Early discussions confirm that the system can deliver superior results at a reasonable cost within a short timeframe. The major retailers also agree that this can be done economically and efficiently. They have all agreed in principle to be part of this initiative believing, as we do, that Australia needs to modernise the welfare system and they are working through its detail.

The technology required to block certain purchases or retail merchants from credit card expenditure has been available for some time and usage has increased over the last 10 years. For example, corporate credits cards frequently block gambling outlets. However, the sort of widescale application and practical contemporary approach of the Healthy Welfare Card will make it a first in Australia.

Specifically, banks can distribute a non-cash Healthy Welfare Card that prohibits particular retailers from its use, like bottle shops. We will need to explore if the retailers themselves who sell a mixed range of goods (like vegetables and alcohol) can also classify and prohibit certain purchases at point of sale.

In summary, the Healthy Welfare Card would:

- allow individuals to use the mainstream banking system to manage their welfare payments rather than the expensive Centrelink income management system
- enable the purchase of all goods and services, with the exception of alcohol, gambling products, illicit services and instruments that can be converted to cash (such as gift cards) and exclude activities discouraged by government, or illegal in some places, such as pornography
- be issued by banks on the basis of a current bank account, which is already required for the current cash payment of welfare support
- use a cashless debit card redeemable at Australian retail stores and accepted at any BPAY or EFTPOS terminals through internet and phone banking with the protection of fraud security



- be linked to a locked savings account which can accrue savings for major purchases, such as a deposit on a home, whitegoods, furniture or rental bond, or unexpected large costs
- use existing data mining technology to monitor use of the card to detect any unusual sales or purchases, with Centrelink applying on-the-spot penalties on retailers and individuals for fraudulent use of the card
- have the scope to expand to accept other government payments such as funding for care packages under the new National Disability Insurance Scheme.

Introduction of the Healthy Welfare Card

The advantages of the card are many and communities will enjoy the benefits of significantly reduced illicit drug and alcohol use and gambling activities. However, the Healthy Welfare Card would need to be introduced sensitively and government would need to plan for circumstances in which individuals with existing addictions to alcohol, drugs or gambling would require professional support as they transition from their addictions to a healthier lifestyle.

Experts in policing have warned that organised crime networks and unscrupulous individuals will attempt to subvert the new system in order to retain the revenues they get from the current system. Under this system, such criminals would be faced with a legal framework, enforcement and technology equal to the challenge they present. This new system presents an opportunity to potentially remove the hundreds of millions of dollars from the market that provides the lifeblood of organised crime.

The review team and I strongly recommend that professional counsellors and a heightened police presence be made available as the card is rolled out across Australia to vulnerable communities, during the transition period to healthier living. Additional police and support services may be temporarily needed as the card removes the ability to support long-term alcoholism and drug addiction through cash purchases.

It will be important to provide adequate support for individuals needing to adjust to the new arrangements. In the long term individuals and the community will emerge much stronger and healthier. Not only will it impact on health positively but also lead to a greater participation in the real economy by welfare recipients as they will have the financial order and stability in their life to focus on getting a job and their children to school.

Recommendation 5: Healthy Welfare Card

That the Commonwealth Government implement immediately a Healthy Welfare Card scheme in conjunction with major financial institutions and retailers to support welfare recipients manage their income and expenses.

I recommend that this scheme be implemented so that an individual's welfare payments, other than age or veterans' pensions, would be paid into a savings account drawn on with a Healthy Welfare Card. This card directs spending to purchases that sustain and support a healthy lifestyle for the recipients and any children of those recipients (e.g. essential goods such as food, clothing, utilities, rent) and to savings for larger expenses.



This will be achieved by the Commonwealth Government taking the following implementation steps:

- 5.1 working with major retailers and financial institutions to apply the existing technology that can already block prohibited goods at the merchant level
- 5.2 introducing requirements that emphasise that welfare is to support life's essential costs—that the purpose and use of the account and card are to receive welfare payments, and that social security payments are intended to provide conditional support for vulnerable individuals so that compliance arrangements are understood by all recipients including all those who use, or intend to use, social security payments inappropriately
- 5.3 banks and other financial institutions issuing the Healthy Welfare Card using existing debit card technology
- 5.4 programming the card to block the issue of cash and the purchase of alcohol, gambling and illicit services and gift cards at the point of sale
- 5.5 making the card fully redeemable at any Australian retail store or online facility that accepts Visa and MasterCard with electronic and EFTPOS payment facility, with the exception of alcohol and gaming outlets
- 5.6 protecting consumers with participating banks and financial institutions by using existing technology to identify unauthorised or unusual patterns of purchasing on debit and credit cards to expose potential fraud by retailers and card recipients
- 5.7 introducing penalties for retailers that accept the welfare card for payment of prohibited goods or to issue cash—a penalty for on-the-spot fines of \$2,000 for every \$100 of value for business dealings prohibited by the card
- 5.8 reporting aggregate data on compliance, delivery costs and savings on the CreatingParity website
- 5.9 commissioning the Australian Crime Commission and state and federal police to develop appropriate strategies to manage any impact on organised crime as a result of the introduction of the Healthy Welfare Card
- 5.10 having state police commissioners alerted that, in the short-term, as lifestyles are adjusted, levels of petty crime may be temporarily elevated, before falling to levels lower than they were previously due to the elimination of drug and alcohol abuse
- 5.11 having counsellors available in communities to assist people who come off serious alcohol or drug addictions.



Part 2: The wheel spokes and hub





Chapter 3: Implementation and accountability





What success looks like

- All new policy measures are implemented by government departments exactly in accordance with the policies adopted by government.
- Commonwealth, state and territory governments use the same or have similar policies that achieve parity in education and employment.
- Measures are implemented with robust, regular reporting demonstrating their effectiveness.
- All governments have expressed their commitment to achieve parity with a common approach and have executed a common agreement.
- All action is coordinated and synchronised across government and measures are reported between governments.
- Public funds reward outstanding performance by service providers, funding decisions are made on the basis of demonstrated performance and are regularly scrutinised.

There is published performance data and information about joint government efforts on the CreatingParity website. The standards of measurement and performance for government initiatives for ending the disparity are similar to those used in the project management of top performing corporations.

Serious projects need serious management. There has been a common thread of success in the many multibillion dollar projects that I have successfully overseen, or have directly reported to me. Exacting project management is required to deliver the review's suite of recommendations. This requires a complex, multifaceted implementation plan. Each measure must have clear milestones articulated, with delivery dates and accountable executives. While responsible agencies will plan the detail of their measures, the taskforce must sign off on the service specification, project management and reporting against milestones and provide a report on the overall implementation, risks to success and milestones to be celebrated.

This report contains a series of critical implementation steps. Each of these steps and the various parts of each step are described in this chapter.

Each agency is responsible for its own implementation plan. As I mentioned in the executive summary, there is a powerful practice from the business world that can be applied here. We call these implementation plans 'trees'; others know them as 'value driver trees'. They break down the challenge into small, achievable, measurable steps that can be put into a Gantt chart that shows personal responsibility and timing requirements to enable monitoring and reporting on progress. We need to adopt the same approach.

In the diagram below, each step or sub-point is a deliverable in itself. Each is capable of being tasked to a specific executive and allocated, with agreement, a timetable. It is important that the responsible executive feels that to deliver on the timing is very close to unachievable, so there is both stretch and challenge in the task and satisfaction when it is achieved.

Implementation point

How training providers will operate under the VTEC model





How governments can achieve massive change—fast

We should be aware that if government executives perceive difficulties in the implementation of these initiatives, there will be a natural inclination to abandon them. To assist executives who may risk recycling existing programmes if they encounter difficulty in implementing the new measures, this review contains a series of implementation steps that an executive may follow. Done correctly, these steps will deliver the game-changing result required.

For each of these initiatives there are outcome measures, which are lagging, and tell you when you have achieved your goals. There will also be leading indicators that drive the outcomes for each of these initiatives, and in terms of keeping things moving, these indicators are far more valuable.

Each of the implementation points contained in this review is capable of being identified, elaborated on and mapped in the implementation point chart with timelines allocated to it. With this achieved, each implementation point should be inserted into a Gantt chart that describes each of the responsibilities and the timeline for every implementation point. Once this is achieved, a Gantt chart can be constructed for the entire challenge of the initiative or measure described in this review. In other words, every single initiative in this review is capable of being mapped in an implementation tree and ultimately, a time-driven Gantt chart that describes exactly which department and which executive will achieve the task and the allocated time that the task must be achieved in.

Accountability needs to be specifically defined for each initiative, to the level of department and individual responsible. We can't use the usual bureaucratic processes to get the individuals on board and expect things to be different this time. We will need to use innovative methods to turn the accountable individuals into owners and joint problem-solvers.

Executives charged with the critical responsibility of change most often need to feel, but also must feel, that their own skin is in the game. To enact this change, everyone across the system who is accountable for the parts of the reforms of this review needs to be brought into a room with facilitators, with no-one leaving until all solutions are defined with measures and outcomes, and approvals from all the departmental heads. The participants would then come together on a regular basis—let's say quarterly—to review progress and problem-solve what's not working and is working and how to accelerate progress. This is a very effective approach but to McKinsey's and my knowledge has never before been done in the Commonwealth Government.

When we add all this up, getting the accountability really working is a material task and will be vital to our success. It is like defining a full key performance indicator structure for a company, but with the added complexity of involving multiple governments!

For success we will need to define the structure and taskforce, define outcomes, leading indicators and dependencies by initiative, year by year.*

Most importantly the CreatingParity website will be essential to ensuring the need to define an innovative process to get bureaucrats and business leaders on board and committed to a set of integrated changes—otherwise they will fall back to the comfort of doing their own thing as referred to above.

* Thanks to McKinsey and Company and FMG Strategy for this input.



Paying for results and not process

Like other organisations in Australia that survive on merit, governments must hold themselves accountable to the public for their results. The merit of individual programmes must be assessed through robust performance measures that have been agreed prior to the first cheque being written.

As discussed elsewhere in this report, as government-funded service providers exist on the public purse, so like the rest of us must they be prepared to be paid on results. Certainly the practice of simply funding process, without putting payment at risk and rewarding results, must stop. Publishing outcomes for public benefit is therefore essential.

To create the balance in interest (avoiding conflicting interests) there must be a major component of payments that relies on performance being achieved. Vocational students must be confident that a teacher is being paid on performance, to match the risk of their time (see VTEC as a demanding example). A remote housing provider has to deliver the house as agreed, or the risk of not being paid is too high. This would have avoided the multimillion-dollar waste by the Northern Territory Government before even a house was built in remote communities. Thankfully, Minister Jenny Macklin introduced performance funding for capital works under the agreement and drove results. However, other components of the agreement did not achieve results as there was no funding at risk for states, and they introduced these reforms at their own pace—or in some cases not at all—and the results matched their failure to balance their interests with their contractor.

We must rely on such self-correcting arrangements and incentives in every contract we write if we truly wish to end the disparity. This will not only create excellence in results, it will also avoid the excessive administration and regulation that business, governments and the taxpayer suffer.

Yet this approach is still collaborative because at the end of the day, this is simple common sense and should be followed easily by all reasonable vendors and purchasers. After all, there is too much at stake for all Australians if the disparity continues. Relying on a balance in interests between payer and payee is essential.

We should accept no less than this level of accountability for delivering on results and the bottom line, as we do in the private sector.

The package of recommendations

The recommendations in this report constitute a powerful package of policy measures aimed at ending the disparity in employment for first Australians. If implemented they will drive transformational change through the employment services system, welfare support, tax and social housing systems over the next decade to ensure that unemployed, working-age Australians have as much incentive as possible to get off welfare and into work.

These measures are supported by proposed changes to early childhood education and education more broadly, and the removal of impediments to both by implementing the Healthy Welfare Card proposal. These changes would ensure our country nurtures resilient, educated, well-trained employees and entrepreneurs for the future.

However, recommendations for major policy change are only as good as their implementation. The policies I propose must be effectively implemented over the medium- to long-term.



Implementation is no smorgasbord

I have been clear in the executive summary to this report that the recommendations cannot be treated as a smorgasbord, to be picked off one by one—they represent a package of complementary measures that are linked and reliant on each other. Success will come only if they are implemented comprehensively, as a whole, and for the long term. My own experience, and my discussions with first Australian leaders and others on the ground, have convinced me of this. They have seen firsthand, and repeatedly, the effects cherrypicked, compromised policy implementation has had on their people.

In light of that, I have included a set of critical implementation steps with each recommendation, and have identified responsibilities of the different levels of government for delivery of the measures. I also make clear throughout the report that implementation must be undertaken with first Australian leaders who have cultural authority, and changes must not be rolled out around, or over the top of, first Australians.

Finally, throughout this report in the implementation point diagram and, most importantly, in the roadmap under the heading ‘How governments can achieve massive change—fast’, are clear strategies that, if followed, will facilitate the changes government is looking for to create parity.

Taking this unique opportunity

My discussions with the Prime Minister, federal ministers, state premiers and ministers, the Northern Territory Chief Minister, and federal Opposition representatives has convinced me that there is not one among them who does not understand the need for a comprehensive package of changes, requiring strong commitment from all levels of government.

The burning question for me is whether they will accept this challenge and take this unique opportunity to achieve an end to the disparity in employment for first Australians and through that, all disparity in life outcomes. Will they be committed to make it work? And of course there will be the temptation to play politics with these measures.

This is the opportunity to leave partisan politics behind and for all members of the Commonwealth, state and territory parliaments and assemblies to work together to deliver lasting change for first Australians. Every elected member has walked through streets of Australian communities where the disparity is so significant, and understands that real change needs to be made. We have a very rare and critical opportunity at this moment to work cohesively and deliver this change. I believe that this review provides the basis to bring jurisdictions and different agencies together to end the disparity.

Through programme consolidation, the government must eliminate programmes that are paid the majority of their funding without any evidence that they could or will meet prior agreed results and, instead, introduce simple cost-effective service delivery arrangements that will free up funding. The government must ensure that funding is used wisely to achieve the outcome for which it was intended and make sure there is always a balance in interests in the awarding of contracts. You would not let a fox look after the chicken coop! Similarly, allowing a service provider to judge their own performance and authorise their own payments is not sound business sense. Governments must pay, like the private sector does—almost or totally on results—and stop paying simply on process.



Leadership for the implementation and measurement of successful change

The Prime Minister has assumed the responsibility for the Indigenous portfolio by moving it into his own department. He is also demonstrating leadership through the Council of Australian Governments process where Indigenous Affairs is now a standing agenda item.

Past efforts at integrating implementation of first Australians policy across government have failed for various reasons. I am not proposing to replicate those well-intentioned, but ultimately ineffective efforts. To succeed, this work will need all of the grunt and authority that only a Prime Minister can bring to supporting an appropriate change agent.

It will be necessary to have a respected, proven leader with a clear mandate to direct strategic implementation across government agencies, and the authority over the most senior officials in those agencies. This will ensure all government departments play their part and are accountable for delivery. The leader would head a dedicated taskforce, comprising a high-performing team and, subject to the above, including an experienced very senior bureaucrat, to provide day-to-day strategic advice and administrative support. These executives will be accountable for implementing the road map as described under the heading, 'How governments can achieve massive change—fast'.

It is essential for successful implementation of the changes I propose that delivery be driven within the Commonwealth Government by such an independent leader and change agent. This leader must have the experience to manage across government agencies, the capacity to listen and learn from first Australian leaders and the unflinching support and authority of the Prime Minister and Cabinet members.

He or she must have a very strong track record of major project delivery and be a proven performer in communication. The individual must have had experience in successfully meeting very high-profile and complex challenges. It is unlikely, though not impossible, that at the time of writing, this individual will be in parliament.

A small research staff and access to the Prime Minister's Indigenous Advisory Council is recommended.

Much of what I have recommended has mainstream application and will impact positively on all job seekers and welfare recipients. While large agencies will implement these systems, we need a highly effective leader to implement these recommendations as a cohesive package and importantly, build the management capacity in remote Australia.

The Prime Minister's Indigenous Advisory Council would give critical guidance and support during implementation. This council has members with experience from government and business, and includes first Australians and others with critical experience and knowledge to assist effective implementation.

Delivery of these measures must be driven with a strong, unrelenting hand, but must also be respectful to first Australian leaders with cultural authority, to state and territory governments, and to the individuals who will be affected by the recommendations. This will be essential to effective, sustainable implementation and change.

Progress on implementation should be reported to parliament on an annual basis as part of existing reporting but reported at least quarterly on the CreatingParity website.



Eliminating duplication through free access to data

A lack of understanding of need and what services currently exist and the vested interests of service providers have often resulted in duplication, serious service gaps and treating the symptoms rather than preventing them. Many communities, particularly remote ones, complained often about ridiculous duplication, fly-in fly-out providers that had little understanding of the needs of the community and serious problems that were not being addressed. This review recommends a system successfully trialled in New South Wales where all service providers register their activity and purpose before entering a community so that duplication and mismanagement is avoided.

New South Wales data hub

The Minister for Aboriginal Affairs in the New South Wales Government, the Hon. Victor Dominello, has informed the review that the early stage of rolling out a management information and funding coordination system, a data hub, has been very successful. The data hub establishes a register of human services funding agreements and datasets across state government agencies and NGOs for each local government area. The information can be accessed by the public and will identify the purpose and amount of existing funding giving transparency to assess need, identify service gaps, reduce the duplication of funding and services, and ensure improved service coordination.

The exercise has also helped highlight some unnecessarily complex funding arrangements in smaller communities and for NGOs. Some NGOs have over 100 different state contracts to manage. Some of the smallest communities are overburdened with multiple funding agreements for basic services and spend a disproportionate amount of time on administration. Simplified funding arrangements and a consolidation of data so that all stakeholders can more accurately determine need and impact is a lesson which could be applied across Australia.

Access to data help governments in communities ensure that funding is allocated to the areas of greatest need and reduces possible duplication, but access to data also increases GDP. It has recently been reported in an unpublished study on G20 countries that the doubling of access to data kept by both the public and the private sector would generate billions in revenue.⁹⁸

The data hub and the CreatingParity website will provide transparency, accountability and link people to opportunity—for example, Indigenous businesses could be listed.

An agreement between the Commonwealth, states and territories

The integrated measures for change set out in this report will only be achieved if all Australian governments play their part. In my recommendations I have made clear the responsibilities of the Commonwealth, state and territory governments. I have done this so there can be no blame shifting or finger pointing between jurisdictions, and all Australians who want to see social and economic parity achieved for first Australians will know who to hold to account and what governments have committed to deliver.



Implementation of the recommendations in this report requires collaborative effort between governments at the highest level. The authority of the nation's most senior government leaders is essential to guarantee that the wide-ranging reforms are implemented across government. To that end, I propose a new agreement be established between the Commonwealth, state and territory governments to reinforce their commitment to implement the changes needed to end the disparity in employment for first Australians, and to clearly define their roles and responsibilities for delivering that change.

The agreement should be pitched at a high-level commitment to deliver a set of threshold measures which capture the key recommendations in the report. It should be signed by the Prime Minister and each premier and chief minister, and include agreement to annual reporting. It is expected that the agreement will identify high-level principles to end the disparity and act as a call to arms across jurisdictions. It could be the case that bilateral agreements be negotiated for specific targets and their arrangements.

This is not a funding agreement between governments. All governments agree that the current level of expenditure is sufficient. It is not about more money, but rather about how to use the existing amount of money more effectively to create the parity governments wish to achieve for first Australians. It is on this basis that I have drafted my report. Transformational change is possible within existing resources.

I suggest the agreement commit governments to the following measures:

1. Employment is the key to ending the disparity for first Australians.
 - There must be a national demand-driven approach to employment and training services where training is provided for a guaranteed job and where services respond both to the needs of employers, and ultimately the market, as well as the needs of job seekers.
 - Only training linked to a guaranteed job should be funded.
 - Basic arrangements must be in place in all jurisdictions to equip job seekers with the best chance of getting and retaining employment, such as driver's licences and literacy and numeracy competency.
 - Driver's licences are critical and all jurisdictions must work urgently to put in place arrangements that allow for work-based, locked licences where employment depends on this.
 - Governments must lead the way on first Australian employment and procurement and public sector department and agency heads should be held responsible for achievement of specific first Australian employment and procurement targets.
2. Tax-free status must be available to first Australian businesses that employ large numbers of the most disadvantaged job seekers as an additional incentive to continue to employ those job seekers, and increase their intake.
3. Welfare must include every incentive to get and keep a job and to encourage school attendance, and be used to pay for life's essentials delivered through the new Healthy Welfare Card.



4. To restore accepted social norms and get adults into work in remote first Australian communities and children attending school, a new governance model (Local Responsibilities Boards) must be implemented, led by leaders with cultural authority including 50% women.
5. Implementation must be undertaken with first Australian leaders with cultural authority, and changes must not be rolled out around, or over the top of, first Australians.
6. All governments must work together to reduce duplication and rationalise delivery of programmes and services.
7. The long view must be taken, with full cooperation by all governments from early childhood to adulthood to grow the capable, educated and trained workers of the future.
 - The balance between expenditure to reduce existing disadvantage and investing early in preventative measures must be addressed.
 - A model of integrated early childhood services and proven early years intervention activities must be implemented.
 - School attendance must be measured to drive better attendance and achievement results for individual students, and underperformance managed with clear and timely action to achieve parity.
 - School attendance data must be shared with the Commonwealth to enable welfare to support better educational outcomes.
 - Schools everywhere must focus on the national curriculum and teach English and maths using proven methods of instruction where performance falls below NAPLAN benchmarks.
8. Changes must be introduced to tenure on remote Indigenous land that enable home ownership and economic development, and this should be reinforced with public housing and infrastructure investment only in these locations.
9. The perverse incentives in social housing that stop first Australians leaving their low-rent homes for a job must be removed and home ownership encouraged.

The agreement will provide the mechanism for these threshold issues to be addressed between jurisdictions. It will provide visibility and transparency both in relation to commitment and follow-through from all governments.



What we heard

- Comprehensive change requires all governments to work together. Good programmes and policies are scrapped with every change of government and no-one is accountable for delivering long-term outcomes.
 - Government programmes and policies fail to deliver because of poor implementation and an inability to adjust to different circumstances.
 - Many programmes duplicate services or are inefficient.
 - Government roles and responsibilities are unclear and there is little accountability.
 - There has been a proliferation in bureaucracy and reporting but little innovation, collaboration or real solutions that affect lasting change.
 - Collaboration between levels of government and programmes should be improved, to streamline effort, reduce red tape and avoid duplication. Stronger accountability measures are critical to on-the-ground success.
-

What does success look like in urban areas?

Some 79% of first Australians live in non-remote areas, with 57% under 24 years of age. While Western Australia, Queensland and the Northern Territory have large remote populations, in most jurisdictions first Australians are concentrated in the major cities and regional areas. Across the country, without exception, they are over-represented in the lowest socio-economic suburbs. Even in areas of high labour market demand such as Sydney and Perth, too many first Australians are still unemployed.

The recommendations in this report propose a comprehensive approach. In urban and regional areas this means services that are accessible, well-targeted, affordable and connected to needs and opportunities. It is about making the system work as a whole and not just as the sum of misaligned parts. For first Australians living in our cities and towns this will rely on a number of integrated factors.

- Children and families with the greatest need will have access to early childhood services and support in the one place, usually on school grounds. From prenatal care to counselling, health services and early childhood education, issues will be resolved in an integrated way without endless referrals between services that only focus on one element of care. The importance of schooling and engagement of parents will be established from day one.
- Metropolitan schools, which over 43% of first Australian children attend,⁹⁹ will no longer excuse poor school attendance or tolerate lower academic results for its first Australian students. The worst performing schools will be supported with the best teachers and proven methods of instruction to make sure children are literate and numerate when they finish school. Truancy will be managed effectively.



- Support services in school will identify a path, away from welfare and to a career, a future, and an independent life. They will help first Australian students to reach their potential and ensure those at risk make a smooth transition into study or work.
- Employment services will focus on individual capability, building employability skills and providing support wherever it is needed to get and keep people in work. Demand-driven services will keep individuals motivated and engaged by seeing a clear path to a real job and the dignity of work. Providers will become the 'recruiter of choice' for employers looking for first Australian workers.
- All training will be targeted, relevant and linked to work needs. No longer will individuals be placed in pointless training that leads nowhere.
- Tax incentives will ensure that companies employ the most disadvantaged job seekers. First Australian social enterprises and burgeoning businesses will be rewarded for providing a stable training ground for the long-term unemployed to get into work.
- Incentives across the welfare system for working-age, able-bodied individuals will all be geared to getting a job. The risk of losing your home if you take up work will no longer be a threat. The option of owning your home will not be a pipedream, but an achievable reality.
- A Healthy Welfare Card will ensure people have finances and concentrate on efforts to get back to work and make sure that welfare payments are used, as intended, for food, shelter, clothing and the essentials of life.
- First Australians will be employed in every field and every large company in Australia.
- World-leading first Australian businesses will grow across all areas of the economy as governments and contractors realise diversity in their supply chains makes good business sense.

What does success look like in remote areas?

Only 21% of first Australians live in remote Australia but this is where the highest needs have been identified in relation to every socio-economic indicator.

Change that rids remote communities of crippling disadvantage is possible. While there may not be jobs for all adults within a particular community, there are a variety of jobs available locally and within the region. For remote Australia, the recommendations in this report would lead to the following situation.

- Local people in local jobs and those who strive for employment will move to complete their education or take up work in better labour markets for a stronger career. They will be encouraged and supported to do so and 'orbit' back to their community and contribute to it as active members.
- Jobs Centres will support all working-age adults in the community, connecting them to jobs, services and training for guaranteed jobs, family support and other services.



- First Australian social enterprises and businesses growing with the help of the tax incentive, will take on the most disadvantaged job seekers in a training ground for a strong first Australian workforce.
- The risk of losing a home if a person takes up work will no longer be a threat—individuals will get priority housing if they move to an active labour market. The option of owning their home in their remote community or in town will be in reach.
- A Healthy Welfare Card will help individuals to stabilise finances and concentrate on efforts to get back to work and use welfare for caring for kids, food, shelter, clothing and the essentials of life.
- Cash for gambling, alcohol and drugs will no longer be available.
- Communities will be safer and more likely to attract private sector investment in local businesses.
- Young mothers will attend prenatal services early in their pregnancies to ensure babies are born healthy.
- Early childhood services will be co-located and supported by the school and community to provide support and education from the very first years.
- Children will be in school every day with excellent teachers using proven methods of instruction for English and mathematics.
- Strong community leadership with decisions that affect the community will be made at the local level.
- Local respected Elders with cultural authority, including a 50% representation of women, will set the expectations and oversight services that get children into school, adults into work and make their communities safe.
- Local and capable first Australian organisations will deliver services ensuring there is a local presence, the services match community needs and provide local jobs. Indigenous land will be able to be used for security and development as planning issues and tenure are resolved and social housing will be built in areas where home ownership is possible.



Recommendation 6: Implementation and accountability

That the implementation of recommendations be prioritised across all governments, closely monitored and reported along the lines that are described by the value driver trees.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 6.1 establishing a taskforce to drive implementation of the recommendations across government, led by a respected person with the authority, experience and independence to drive progress, resolve all blockages and hold agencies to account, as described clearly in the section under the heading 'How governments can achieve massive change—fast'
- 6.2 using the Indigenous Advisory Committee to provide advice to the head of the taskforce and to the Commonwealth Government
- 6.3 reporting annually on implementation of this review's recommendations to parliament as part of existing reporting arrangements
- 6.4 replicating and being compatible with the New South Wales Government's Human Services Data Hub, which provides a consolidated view of human services delivered across New South Wales, on a national level (subject to further development). A data hub with information from all state, territory and Commonwealth-funded human services programmes should capture information such as the location, target cohort, funding and cost, as well as the programme's outcomes
- 6.5 making the national human services data hub accessible by the public and using it to identify existing funding to assess need, identify service gaps, reduce the duplication of funding and services, and ensure improved service coordination and transparency.



Recommendation 7: Implementation

That the Commonwealth, state and territory governments ensure that a major component of funding for government-funded service providers is at risk if they fail to achieve satisfactory performance.

This would involve ensuring there is a balance in interest to avoid conflict or disappointment in outcomes, in all funding agreements. This must extend to between governments, and between governments and providers, no matter whether the funding agreement is for provision of a service or capital works. These arrangement must ensure that we only pay for results and not process, and ensure the results have been agreed prior contract settlement.

This will be achieved by governments taking the following implementation steps:

- 7.1 agreeing on accountability milestones within pre-agreed performance schedules
- 7.2 ensuring that the accountability milestones are capable of clear measurement
- 7.3 taking immediate corrective action if contract performance is found lacking
- 7.4 publishing outcomes in the requisite detail on the CreatingParity website.



Recommendation 8: Agreement to implement the recommendations of this report

That the Commonwealth, state and territory governments agree to sign a new multilateral agreement to affirm their commitment to implement the recommendations of this report and be held accountable for delivery, through regular public reporting on the CreatingParity website as detailed in each recommendation.

This will be achieved by governments taking the following implementation steps:

- 8.1 cooperating with all necessary information-sharing in order to allow self-correcting mechanisms like the Family Tax Benefit to provide incentives and encourage parents to send their children to school
- 8.2 making a commitment that they will not use funding or any external issues to subvert the executive outcomes recommended in the Creating Parity report
- 8.3 ensuring that the multilateral agreement pays careful attention to points 1–9 (outlined at pages 118–19) in Chapter 3.



Chapter 4: Breaking the welfare cycle



Creating Parity



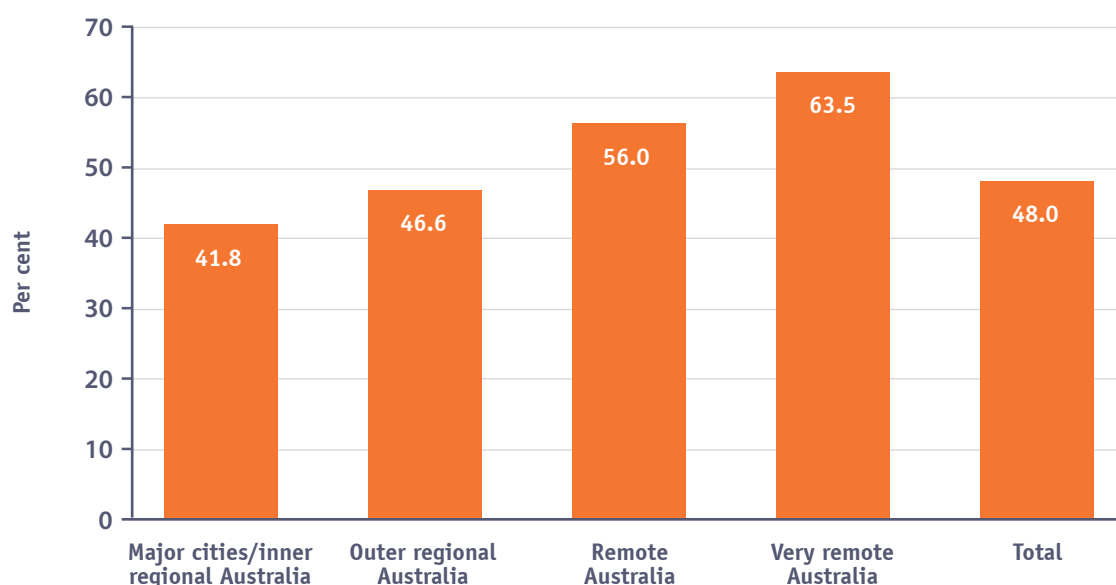
What success looks like

- All welfare and National Disability Insurance Scheme (NDIS) payments are made to the individual's Healthy Welfare Card.
- Welfare fraud is low and immediately or quickly detected.
- Job seekers understand and comply with their obligations and have strong incentives to attain and keep a job.
- There is parity in employment outcomes between first and other Australian job seekers.

The second spoke in the wheel is a package of measures to break the cycle of welfare reliance. The measures in this chapter represent a new way forward for disadvantaged Australians. For too many first Australians, particularly in remote and very remote areas, the welfare system has become a trap. Instead of a temporary hand-up it has become a life-long destination of choice, with many working-age first Australian adults unlikely to ever experience employment, let alone a career. For far too many, welfare has become the norm.

Figure 9 shows that welfare reliance increases by remoteness area. At the national level 48% of first Australian adults aged 18 to 64 are welfare reliant (that is, their main source of income is government income support payments or CDEP). This proportion increases to 56% in remote areas and to 63.5% in very remote areas. In contrast, only 17.5% of all Australians aged 18 to 64 had a government pension or allowance as their main source of income in 2010.

Figure 9: Proportion of first Australians (aged 18 to 64) for whom income support or CDEP is the main source of personal income by remoteness area, 2008



Source: ABS 2009, *National Aboriginal and Torres Strait Islander Social Survey, 2008*, cat. no. 4714.0.



For capable people of working age the Australian welfare system provides an important safety net should they need assistance on a temporary basis if their circumstances change. The system also requires that people who are capable of work should do so except where disability, age or caring responsibilities relieve them of this obligation.¹⁰⁰ This chapter focuses on income support payments available to working age Australians—the misnamed Newstart Allowance, Youth Allowance (Other) and the Family Tax Benefit—and how to improve employment and participation through the welfare system. Recommendations do not include in their scope the age or veterans' pensions.

In many cases, staying on welfare is currently the easiest approach for job seekers to understand—a more comfortable and economically rational option than working. The current system is complex, provides little motivation for people to find work and is expensive to administer with over 30 different payments and a myriad of supplements and concessions applying in different circumstances.¹⁰¹ Understanding the way in which income support acts as an incentive or disincentive to moving into work is challenging for individuals, providers and government itself. Bizarrely, the range of different payments, supplements and taper rates can mean people with similar capabilities can have very different outcomes.¹⁰²

In remote first Australian communities where unemployment and relative poverty are the norm, welfare with poorly enforced mutual obligations and heavily subsidised public housing gives greater incentives for individuals to remain unemployed than to get meaningful employment or move to take up work. Welfare income in these communities is often sufficient for most to secure a minimum standard of living.

Consider a man with a spouse and three young kids who wants to take a job in a town. In the remote community, that family would have, after paying all housing costs, about \$41,600 disposal [sic] income a year from two dole payments (\$24,300), family tax benefits (about \$19,000) plus some smaller welfare allowances. Housing costs are likely to be \$70 to \$100 a week (say \$4,000 a year). In exchange, the father might have to do some part-time make-work activity. More likely, effectively there would be no mutual obligations.

If this family moved for work, the breadwinner would likely receive the minimum wage or just above because of low skills. Family benefits would be about the same. However, rental costs would likely be higher (say, \$350-plus a week including bills), assuming a property was even available. All up, their disposable income after housing would be about \$44,800.

Economically the family would be just above break-even, but the downside would be loss of leisure time, disconnection from homelands and culture, and the risk of losing the job, in which case disposable household income would fall considerably until a new job was found. Further, the family's low-rent social housing in their home community—which they might have had for more than a generation—would be given to another family.¹⁰³

For too many Australians the temporary safety net of welfare has become a trap. Australians who should and could be working are not, because the money they receive through welfare payments provides enough for them to live on, and in many cases supports addictive and damaging habits that remove the incentive and often even the ability to learn, train or work.

The important mutual obligation requirements that are designed to make our welfare system work as it should and ensure individuals actively seek work in return for their welfare payments, are often not applied to the people who most need an extra hand, or a push to get back into mainstream Australian life.



Over time, many people stay on welfare for too long and come to passively accept their lot. This happens far too often to capable working-age Australians. The way the welfare system is currently administered only compounds the problem.

To receive welfare, people must first engage with Australia's welfare agency, Centrelink. This is a giant government bureaucracy with shop fronts across the country. Once you are in 'the system' you enter a period, or a life, of ongoing engagement with Centrelink. It is ironic that unemployment support is called Newstart, meant to convey, no doubt, a positive feeling; however, going on welfare is rarely an empowering experience.

I recommend the misnomer Newstart be replaced with the name 'Unemployment Support' and the Youth Allowance be renamed the 'Transition to Work Allowance'.

Centrelink, with the best of intentions and working under government-approved guidelines, tends to focus on people's disadvantages rather than on their potential. It will often waive mutual obligation responsibilities on the basis of this deficits-based approach. Equally, well-intentioned job service providers often act in the same way and instead of helping people to move off welfare, they are helping to entrap them in a welfare cycle.

We need a recalibration to orient all the elements toward the single focus to get able-bodied adults off welfare and into work.

Key facts

- The longer a person is on income support the harder it is to find a job and the higher the likelihood of transferring to other income support payments.¹⁰⁴
 - Around half of first Australian adults aged 18 to 64 relied on income support payments (including CDEP payments) as their main source of income in 2008 compared to only 17.5% of the general population in that age group. In very remote areas the proportion of first Australian 18- to 64-year-olds reporting government benefits as their main source of income is even higher, at 63.5%.¹⁰⁵
 - More recent data shows that in September 2013 about 195,000 first Australian persons aged 15 to 64 received some form of income support payment.¹⁰⁶
 - Young first Australians are most at risk. About 45,000 young first Australians aged 15 to 24 are currently on some form of primary income support (excluding payments made to students).¹⁰⁷
 - Some 60% of all first Australian 17- to 24-year-olds are not engaged in work or further education (compared to only 26% of other young Australians).¹⁰⁸ In very remote areas the proportion of first Australian 17- to 24-year-olds not attending school and not fully engaged in either work or further education is even higher at 82%.
 - 25% of 20- to 24-year-old first Australian women are on single parenting payments, compared to only with 3% of non-first Australian women.
 - Compliance action is slow—penalties for non-participation can take up to six months, reducing the likelihood of behavioural change.
-



What we heard

- Welfare payments should be a temporary measure, not a destination.
- Passive welfare hampers efforts to obtain and sustain employment.
- Welfare dependency undermines the capacity of organisations to work with job seekers and employers to develop and sustain employment outcomes.
- Tighter restrictions and enforceable conditions to welfare payments are needed as enforcement of obligations can be inconsistent and slow.
- Welfare is an incentive to leave school early.
- Incentives are needed to motivate people to change their behaviour and abandon the welfare lifestyle.
- The onus of proof, and avenues for appeal, should focus on the individual and move from an 'entitlement' model to one of 'opportunity'.
- Cultural authority should be used to support effective job seeker compliance and expectations of work behaviours in remote areas.
- There needs to be obligations attached to family payments where children are at risk and to make parents send their children to school.
- Income management provides helpful support for vulnerable welfare recipients to budget their income.

Young Australians on welfare: earn or learn

The best result is for a young person to complete Year 12 and move from school to work or study without ever coming into contact with the welfare system. The education, employment or training a young person takes up in their teens and early 20s sets the course for the rest of their working lives.

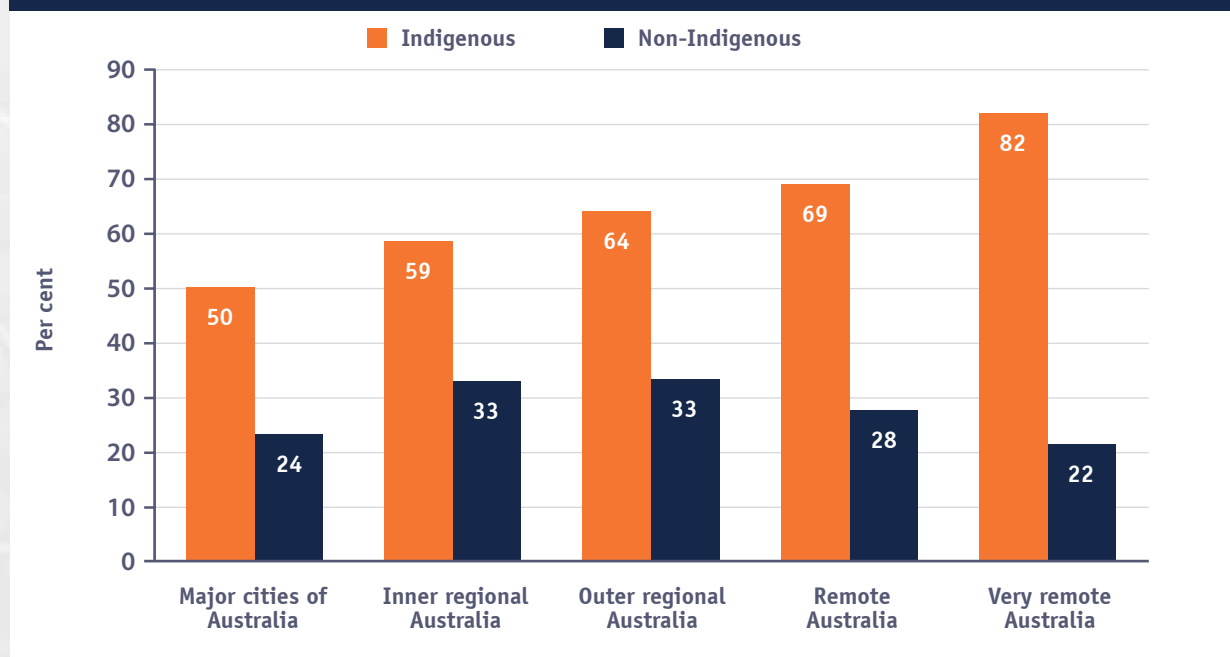
Youth unemployment and disengagement is a growing problem in Australia. It comes at a cost, both now and into the future. In 2006, Access Economics estimated that the loss of GDP from only 10% of 15- to 24-year-olds not connecting to employment was around \$5.2 billion per annum.¹⁰⁹ It would have compounded many times by now. The term 'Lost Generation' is now being commonly heard across Australia as entire communities and generations fall prey to the insidious aspects of a cash-based welfare system.

Young first Australians are most at risk of disengaging from the labour market. About 45,000 young first Australians aged 15 to 24 are currently on some form of income support not related to study or training.¹¹⁰ The risk of condemning another generation of first Australians to a life on welfare is imminent if we don't take action now.



Figure 10 shows the high proportions of first Australian 17- to 24-year-olds who, after having left school, are not fully engaged in work or further study or training. The proportion increases with remoteness, rising from 50% in major cities to 82% in very remote areas.

Figure 10: Proportion of 17- to 24-year-olds not in school and not fully engaged in work or study, by remoteness, 2011



Source: ABS 2011, *Census of Population and Housing, 2011*.

The Commonwealth Government must ensure that the lure of unconditional welfare cash is removed by introducing a Healthy Welfare Card and that all efforts are focused on supporting young people to finish school and make a successful transition into work.

The 'learn or earn' approach introduced by the Commonwealth, state and territory governments in 2009 in response to the global financial crisis and a growing population of unemployed young people, has been foiled by exemptions. The policy was designed primarily to encourage young people to finish high school or connect directly to work. While it shows real promise, it includes a range of exemptions that excuse some 30% of young people from participation requirements. At the same time, more 15- to 19-year-olds have disengaged from the labour market completely.¹¹¹

Services should not just aim to deal with disadvantage. They must nurture talent to help these young people to reach their full potential. Evidence confirms what we saw in programmes that work effectively with young people.

To be effective programmes must:

- identify and engage with the young person early in their schooling, well before problems manifest
- work with families, schools, employers and the community to ensure there are strong connections between school, support services and workplaces



- provide strong mentoring within school, training or work to help the young person remain engaged, complete Year 12 and pursue post-school education or vocational pathways. Mentors need to be respected and build a basis of trust
- offer life skills that build judgement, independence and resilience
- encourage different pathways to work or tertiary education through training that is valued and linked to a guaranteed job
- provide holistic support, ensuring the young person does not get 'lost' in the system.

Ganbina—supporting Indigenous young people

Ganbina provides a collection of unique school-to-work transition programmes (for example, Jobs4U2) that support first Australian students from as early as primary school to post-school age to enable them to explore their career options, build workplace and leadership skills and develop the personal skills they need to succeed in the workplace.

Since 2004, Ganbina has assisted over 800 young first Australians to finish school, undertake tertiary or vocational training or secure full time jobs. Ganbina consistently achieves in excess of 80% completion and retention rates for first Australian students across all its programmes.

Ganbina uses early intervention and high expectations to build the capacity of first Australian students to take responsibility for achieving their own career goals. Participation in Ganbina programmes is voluntary and usually by self-referral, but students are expected to maintain agreed school attendance and achievement rates to continue in the programme.

Each student develops their own individual plan and career and study goals and receives regular mentoring support, life skills training and early exposure to the workplace through industry 'taster' activities and work experience so that they gain part-time or casual employment while they are still studying.

Mutual obligation and job seeker compliance

Australia's income support payments are based on the notion of reciprocity: in return for welfare payments, job seekers are required to look for work. Involving job seekers in meaningful activities reduces their stay on welfare, develops current work skills and is a valuable component in returning job seekers to work.¹¹²

Australia's safety net should not be a guaranteed handout, but rather a guaranteed opportunity to earn a living.¹¹³

Much of the issue is the complex and conflicting range of exemptions that can be applied with discretion. So the 'push' required to help people off the dole queue is circumvented, and the welfare habit becomes a life wasted. Exemptions, while needed in limited circumstances, should be very rare. Exemptions cause good policy to fail.



Well-intentioned providers and government staff use these exemptions to severely reduce the impact of change on an individual job seeker and therefore inadvertently encourage the individual along the path of long-term welfare.

Financial penalties and the suspension of payments are rarely applied, despite the fact that for most people a quick, small 'hit to the wallet' can be the most effective incentive to change behaviour. Those who object and say that special circumstances apply to first Australians are in fact applying their own soft bigotry of low expectations. In 2012–13, less than 25% of penalties raised with Centrelink were upheld and applied to first Australian job seekers; in remote areas this was less than 27%.

Even when they are applied, penalties and suspensions are not timely and do not drive behavioural change. For those currently on activity-tested income-support payments, there is often a delay of several weeks before the impact of the non-compliant behaviour is felt through a consequential loss of payments. Any cause and effect connection designed to change behaviour is lost. In contrast, there was resounding support for the next payday impact of CDEP workers not turning up to work as a result of the 'No work, no pay' policy where properly applied.

All the tools are already available to make it compliance effective in changing behaviour: active participation requirements, capacity to suspend payments and impose financial penalties, job seeker supports and income management. But the current system lacks the simplicity and clarity of logic. Actions are taken by one agency—e.g. Centrelink—in isolation of the other—e.g. the employment provider. The consequences of the current disincentives, loopholes and contradictions are policy confusion, enforcement slippage and fragmented implementation.

The compliance system needs to be simple, ensuring that 'no show' results in immediate 'no pay' consequences. Smaller, but more immediate penalties are more likely to change behaviour.¹¹⁴ The decision to impose penalties should be made by those who are best placed to understand the job seeker's circumstances, the employment services providers.

Complexity of the income support system

Current income support payments are complex. There are about 75 welfare payments and supplementary payments. Some are activity-tested, while others are not. Participation requirements vary according to payment type, work capacity, age and cohort. There is also a wide range of exemptions to participation requirements that are not uniformly applied.

The Pension Review in 2009 provided a comprehensive analysis of the income support system and proposed sensible recommendations to simplify and streamline the system. Matters of adequacy and architecture of the income support system are outside my terms of reference but will be considered by the McClure Review, due later in the year.



CDEP wages

There are about 35,000 job seekers registered in the Remote Jobs and Communities Programme (RJCP) with about 3,000 of those registered receiving income through the CDEP wages arrangement. The remaining job seekers are in receipt of other forms of income support (e.g. Newstart Allowance and Youth Allowance).

There are significant differences between CDEP participants and people on Newstart Allowance and Youth Allowance.

The CDEP payment is more like a wage—in that participants can even accrue leave and their payments can be topped up from other sources of income—even though it doesn't prepare people for the normal working week by only requiring 30 hours per week.

The Government provides funding to RJCP providers so that they can pay CDEP wages to participants whereas in the case of income support the Government pays the job seeker directly.

The basic fortnightly payment a CDEP recipient receives is about \$575 and the participation requirements depend on state and territory industrial awards and the type of activity being undertaken. RJCP providers more closely align the participants' day-to-day activities to the working environment. The financial penalty for a CDEP participant who does not attend an activity is applied in the next payday and reduces the participant's wages for each day they do not show up.

The basic fortnightly payment a Newstart Allowance recipient receives is about \$510 and the participation requirements are about 30 hours per fortnight, depending on age and work capacity. If the job seeker does not meet these requirements, employment providers must recommend to Centrelink that a penalty be applied, and Centrelink will then determine if they will apply all, some or none of the penalty.

The application of these penalties is complex and time consuming to administer with limited local decision making about non-compliance issues. The timeframe between non-attendance and a financial penalty is relatively long, meaning that job seekers are less likely or don't link the two, and therefore are less likely to modify future behaviour.

It is recommended that CDEP wages be abolished and that all job seekers be able to access a consistent income support arrangement with the same rules applying across the board. At the moment, in many remote communities there are activities where participants are doing the same type of work for the same number of hours, yet one group of participants is being remunerated at a different level and faces a different compliance regime to another group. Moreover, the payment of CDEP as a wage sends the wrong message to the community. CDEP activities are not real jobs and individuals should be encouraged to aspire to something more than a welfare activity.

Once the welfare settings are right and give people strong incentives and compliance arrangements to get into work, individuals will be more ready to build their employment capability. This is the subject of the next chapter.



Recommendation 9: Young people

That young people below 19 years of age must be working or in school or other educational institutions, training for a guaranteed job.

Young people identified at risk of leaving school are to be provided with additional support to continue to study or connect to work. As principals have a key pastoral care role, they should coordinate the support to ensure the young person has the best chance of completing their education.

This will be achieved by the Commonwealth Government by taking the following implementation steps:

- 9.1 requiring access to the Youth Allowance to be on the endorsement of the school principal, and be available only through the Healthy Welfare Card, to help remove the incentive for young people to leave school to get an independent cash income on welfare. They can only receive this credit on their Healthy Welfare Card if they register or enrol at a Vocational Training and Employment Centre (VTEC) or other employment service and train for a future trade or guaranteed job, or return to complete their education
- 9.2 only funding programmes and services that demonstrate proven success in keeping young first Australians at school (on a value for money basis) and assisting them to make a smooth transition to work or tertiary study, with the bulk of funding paid on results
- 9.3 guaranteeing that young people at Year 12 equivalent or below, who cannot be encouraged to complete their education, have immediate access to demand-driven employment services such as a VTEC
- 9.4 working with state and territory governments so that principals and teachers identify 'at risk' young people early in their school careers; and working with the Commonwealth to provide mentoring and support services to keep them connected to study or work
- 9.5 reporting aggregate (not individual) data to schools and alternative education providers via the CreatingParity website. This is designed to ensure that the extent of disengagement by young people with the education system can be measured and managed.



Recommendation 10: Job seeker obligations

That all discretion of Centrelink and job service providers to waive job seekers' obligations and grant exemptions and transfers to non-activity tested payments such as the Disability Support Pension to excuse working age, capable welfare recipients from efforts to get meaningful employment be removed.

This will be achieved by the Commonwealth Government taking the following implementation steps:

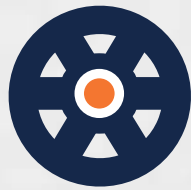
- 10.1 applying mutual obligation requirements to all payments for those who are of working age and capable of work (i.e. all payments except the age and veterans' pension)
- 10.2 reducing Centrelink's role in job seeker compliance to spot checking of employment providers' performance in job seeker compliance
- 10.3 reporting on the CreatingParity website the aggregate number of exemptions to job seeker obligations for first Australians as provided by Centrelink and job service providers.

Recommendation 11: Breaking the welfare cycle

That the welfare system be simplified by reducing the number of different working age payments available to a single unemployment benefit (with only a very limited number of supplements available) along the lines of the 2009 Pension Review by Jeff Harmer.

This will be achieved by the Commonwealth making changes so there can only be one unemployment benefit. It will be achieved with the following policy components:

- 11.1 ensuring people in similar circumstances with similar capabilities are treated in the same way
- 11.2 eliminating the discretionary waivers and exemptions to remove excuses not to work
- 11.3 reducing the unemployment benefit for under-21-year-olds to less than the full-time student allowance to avoid creating incentives to leave study
- 11.4 renaming the youth unemployment benefit by removing the misnomer of Newstart Allowance and replacing it with a more accurately titled 'Unemployment Support', and renaming the Youth Allowance to 'Transition to Work Allowance'
- 11.5 transferring recipients of wages through the Community Development and Employment Projects (CDEP) to the Newstart Allowance (or the proposed new Unemployment Support) and into the Remote Jobs and Communities Programme where it is replacing the CDEP in communities. This is designed to ensure all job seekers have the same incentives and obligations in return for income support.



The Forrest Review

In a nutshell, it's time to end the paternalism, to expect able first Australians to stand on their own feet and become independent, and for governments and government-funded non-government organisations (NGOs) to remove the impediments so that they can.

Andrew Forrest



Chapter 5: Building capability, dismantling the cash barbeque and eliminating disincentives





What success looks like

- Employers rank Indigenous employees as equal in skills and contribution as all other employees.
- First Australians commonly hold positions across the leadership spectrum including as chairpersons and chief executive officers of non-Indigenous businesses.
- Government-funded services are responsive to employers' needs and produce job-ready workers across all industries.
- All first Australians at school age and working are competent in basic maths, are fluent in English and are licensed to drive.
- All traditional owners are encouraging of school attendance and career obligations, while individuals cycle between work and communities as active valuable participants in traditional culture as well as education, training and employment.
- There is parity in education and employment outcomes between Indigenous Australians and other Australians.

Removing the disparity that exists in Australia's employment of the most disadvantaged first Australians is paramount. They are the most expensive group to service, get the poorest outcomes and churn through the system at the highest rates. No existing government policy has any chance of fixing this. We must look to the power of business incentives to eliminate this entrenched hard-core disparity that creates such high barriers to employment entry for individuals. Forming the third spoke of the wheel is a package of measures to build the employment capability of first Australians and disadvantaged Australians who are about to enter the workforce.

Successive governments have adopted a supply-driven approach to the delivery of employment services. This means they concentrate on addressing job seeker disadvantage and hope there is an employer with a job located where the job seeker lives. The evidence and overwhelming feedback from employers shows that this approach has comprehensively failed to deliver the intended outcomes because it has not been responsive to the needs of employers—that is, it has not been demand-driven.

Jobs are created by employers as a result of the market determining the needs for goods and services. To use anything other than a demand-driven approach that responds to employers' needs is completely unsustainable. The current national employment services system, Job Services Australia (JSA), may be compared to an army of providers more skilled at identifying profitable contracts than delivering outcomes. This is entirely alien to the business-to-business environment where contractors and providers put their own capital and time at risk in order to secure and perform on contracts.

The need for change is clear. Only employers should dictate what training is provided as only they can give a guarantee of a job and only they understand what is required in their workplaces. Not only is this more effective, but it avoids wasteful government expenditure.



Any replacement system must demonstrate that it is totally demand-driven; otherwise, it will be the same cash barbeque we have now. We must pay the bulk of funding on 26-week outcomes and not on the process.

Seismic, not incremental, change is required and the time for action is now. These solutions are not expensive and parity is completely achievable with the strength of will from each of us.

In 2008, governments committed to halving the gap in employment outcomes for first Australians by 2018. The evidence clearly shows that current measures have no hope of halving the gap in this timeframe, let alone closing it.

I don't just want to halve the disparity in employment; I, like all Australians, want to see it ended. The actual number of first Australians in paid jobs in 2012–13 was only 178,000. By 2018, we need to get another 188,000 first Australians into jobs—an increase of more than 100% on the current pool of working first Australians.¹¹⁵

Approximately 80,000 young first Australians will reach working age in the next five years,¹¹⁶ and if this situation is left unaddressed, it will become dire.

There is a 30 percentage point difference in the employment outcomes for first Australians.¹¹⁷ This disparity has grown over the last five years, and without change, will continue to expand and is the root cause of appalling life outcomes for our first Australians. After parity in education, the only way to end this disparity is meaningful employment. The way to get this employment is to use the power of the market and the private sector to create jobs and investment.

Over the same five-year period, governments have spent more than \$2.38 billion per annum on employment and training for first Australians,¹¹⁸ and they have spent a total of \$9 billion on employment services for all job seekers over the last four years.¹¹⁹

First Australians want to work—whether they live in Redfern, or in the remotest of communities in the Northern Territory.¹²⁰ This report proposes real alternatives to the current costly and wasteful supply paradigm of building workforce capability.

Taxation incentives (or saving the taxpayer \$1 million per incarceration)

Treasury, please don't have a heart attack. These individuals pay next to no tax anyway and they are costing the nation a fortune.

We need powerful new incentives for first Australian businesses to create training grounds for the most disadvantaged job seekers. Even the dramatic changes I propose for employment services and vocational education and training providers are not enough. We now must have a market lever to achieve what no government service ever has—employing the most disadvantaged on a mass scale, and having them contribute, most for the first time, to the national tax pool. Further, the businesses that will service these new businesses would previously not have existed and they will be paying full taxes. Let's also not forget the massive social benefit before we take into account the fiscal economic benefit of the multipliers in this industry which previously did not exist.



I propose tax incentives to free up the leadership, management intensity and capital for first Australian and other business investors to generate meaningful careers for the most vulnerable in our communities. This is why I have included this measure in the chapter about workforce capability rather than in the preceding chapter about demand. We are incubating workers and first Australian businesses to build capability in order to meet demand.

Guma ICRG JV Pty Ltd, Western Australia

Guma ICRG JV Pty Ltd was established by Niyaparli traditional owners Raymond Drage, Michael Stream and Victor Parker with the Indigenous Construction Resource Group (ICRG) in 2012. Located in the East Pilbara, the company provides mining services, civil works and construction support to major mining companies.

‘Guma’ means ‘coming together’ and that’s how the Guma–ICRG joint venture works. Ancestors of the Guma team have been walking Western Australia’s mineral-rich region for tens of thousands of years. They have a stake in the regional native title rights and have developed strategies to ensure more traditional owners have the opportunity to work on their lands. ICRG was established in 2010 with a plan to boost employment opportunities for regional Aboriginal communities.

The joint venture now employs 95 Indigenous people, which is 62.5% of its total workforce, and has contracts under management to the value of \$50 million. The company’s policy is that there is no less than 55% Indigenous employment. Guma ICRG JV Pty Ltd is a minimum 51% Aboriginal owned and controlled and in December 2013 was accredited by Supply Nation.

In March 2014, ICRG committed to hiring a further 150 Aboriginal people over two years.

Pulling the market lever—creating and encouraging commercial power to assist the most disadvantaged

Outside of the VTEC model, and despite the billions spent by governments to assist disadvantaged job seekers, including the TAFE systems of education, none have made a systemic and major inroad into finding meaningful employment for the majority of the most disadvantaged first Australians.

We need a much larger employer pool if we are to draw into successful careers the tens of thousands of first Australians who are counted among the most disadvantaged. A significant proportion of these individuals suffer from lifestyle and health conditions that pose considerable obstacles to employment, including drug addiction, antisocial habits and presentation, poor physical and mental health, homelessness, regular incarceration and other characteristics of the permanently unemployed and welfare-dependent segment of the population. The West Australian Government estimates the cost to the state every time a person commits a serious offence, is arrested, is processed through the court system to incarceration, and then undergoes resettlement in the community, at \$1 million per person.



Viewed through this lens, there is enormous incentive to prevent such disadvantage as opposed to attempting to cure it after the fact.

Vocational Training and Employment Centres (VTECs) can do much of the heavy lifting but are viewed by many investors as a high-risk business model due to their remuneration alignment with the trainee. Hence the rash of investors into the standard JSA system of income certainty despite little or no requirement for results.

Vocational Training and Employment Centres

Vocational Training and Employment Centres (VTECs) connect first Australian job seekers with guaranteed jobs and bring together the support services necessary to prepare job seekers for long-term employment. The guarantee of a job before job-specific training starts is the key feature of VTECs and payments exclusively reward achieving 26-week outcomes.

A VTEC is a specialised training provider, sometimes working in conjunction with a local TAFE in partnership with regional industry, that delivers quality training programmes linked to the community and business needs of the region. By providing quality, flexible training to upgrade skills, especially by providing driver's licence training, VTECs can get participants job-ready within six weeks to undertake on-the-job training or further training courses, from entry-level Certificate I to apprenticeships and traineeships, in a wide range of industry areas.

While governments claim JSA funding is outcome based, only 8% of it is at risk if providers do not retain job seekers in work for 26 weeks. Compare this to a VTEC service, where 100% of their funding is at risk if 26-week outcomes are not achieved. It's pretty clear who will focus on getting and keeping people in long-term jobs.

I have recommended this be eliminated in this review.

The VTEC model of remuneration means that the interests of the trainer and the trainee are aligned for the first time. However, VTECs report that in many cases they can deliver training-ready disadvantaged Indigenous people only (as opposed to job-ready), and rely on a close working relationship with the corporate employer, and good will, to complete the individual's training on the job.

As 70% of all learning occurs on the job, employers need to be ready to support these employees with the additional effort needed for them to become productive in the workplace.

To be blunt, not all corporations have this good will.

The core of Indigenous disparity, and certainly the most difficult challenge, is that part of the Indigenous population that lacks education and motivation due to the factors described above.



The education, welfare and employment systems, rooted in the racism of low expectations, have created entire communities with either impenetrable or barely penetrable barriers to employment entry. In government circles, this group of the most disadvantaged job seekers is referred to as streams 3 and 4 under JSA. These job seekers' characteristics can include drug, gambling and alcohol addiction; a criminal record; homelessness; and limited or no ability to read and write or do basic mathematics, and therefore very limited chances of getting a driver's licence.

Further, the application of fearless honesty means that we have to say in this review that the existing training systems, despite the billions spent, have next to no chance of reaching these people with sufficient direct attention and care to make them taxpaying contributors to society.

For example, a disadvantaged job seeker may be very enthusiastic about a job but lack the organisation and will to turn up to training in a timely and regular manner. In many situations I have witnessed these individuals appreciate a visit to their home and considerable encouragement to get out of bed, clean up and present well for training. With sufficient care, energy and empathy this person, who would otherwise never make it to training and therefore work, can become successful. Extra efforts are always required to ensure people classified into streams 3 and 4 present themselves at the workplace ready to undertake training. This may involve mentoring for months or years and include punctuality, hygiene and personal presentation.

This type of service is not provided by normal training colleges, but is the practice of local VTECs with dynamic leadership and employers with empathetic and caring managers. I would expect that these companies would have the same energy, care and passion to see these disadvantaged job seekers, their employees, succeed.

The existing welfarist and 'training to nowhere' policies (that amount to little more than occupational therapy) have exacerbated the welfare dependence of the marginalised working-age adult population. The long-term cost to support them and address their continued disadvantage is already huge and growing exponentially.

The three key measures of this report combine to create an unbeatable solution to end the disparity for the most disadvantaged first Australian job seekers. These measures are:

1. Tax-free status (from Commonwealth income tax) for new and innovative first Australian commercial enterprises, which are defined as those that have:
 - a minimum of 25% Indigenous ownership and board membership and at least 50 employees
 - a minimum of 60% of all employees who are Indigenous people
 - a minimum of 40% of all employees sourced from streams 3 and 4
 - at least 10% of Indigenous employees from remote areas (although this should be increased to 20% if this measure succeeds)

Payroll tax exemption is a critical incentive for business to become labour, not capital, dependent.



2. A new requirement for the Commonwealth to procure 4% of its \$39 billion annual purchasing of goods and services from first Australian businesses, with similar obligations passed to state and territory governments through all funding transfers.
3. Commercial operation for Work for the Dole projects so that tax-free status can be used as an incentive to move from a social enterprise to a profitable business.

The Commonwealth, state and territory governments should apply this exemption. Tax incentives will encourage these companies to quickly grow into viable businesses. However, there is an immeasurable Treasury opportunity cost as the people involved generally do not pay tax but they do cost governments a fortune in maintenance. The companies that are capable of doing this currently are rare or do not exist, so there is no 'tax leakage' anywhere.

There will, however, be very significant benefits to the states and territories and the nation as stream 3 and 4 people join the workforce and unemployed members of remote communities also become taxpayers.

Turning the current welfarist approach around with these three measures would deliver direct economic benefit and be tax-accretive.

Again, we must look to the power of business incentives to eliminate this entrenched disparity and the high barriers to employment entry for individuals. We can achieve an end to this disparity by encouraging commercial enterprises to train and employ the most disadvantaged Indigenous people. We should allow the tax system to provide the incentive to go the extra mile to train and employ the least capable in our society. These tax incentives will need to be substantial and be awarded to those companies that meet strict ownership and employment criteria.

The tax incentive is designed to reward job seekers from the 2,000 or so remote Indigenous communities across Australia, where, more often than not, jobs are scarce and prospects for advancement are poor. It is specifically designed to support remote job seekers wishing to relocate and should be considered in the light of other recommendations in this report, such as the first Australian housing loan proposal and the various training and employment and mobility recommendations relating to job seekers in remote areas.

Let's consider the rewards available to Australians and Australia if the gaps in social and economic outcomes between Indigenous people and other Australians were closed, by 2031:

- The national economy would be at least \$24.3 billion larger, equivalent to 1.15% of GDP, and potentially many times larger as these calculations do not take into account the multiplier impact of employment and investment.
- Benefits would be shared between metropolitan regions (+\$7.8 billion), regional areas (+\$10 billion) and remote parts of Australia (+\$6.5 billion).
- Government budget positions would be improved by \$11.9 billion.¹²¹



Indirect economic benefits would include:

- around 12,000 fewer arrests of first Australians over a five-year period
- about 7,000 fewer first Australians being incarcerated over a five-year period, resulting in savings of \$1.6 billion over the five years
- a reduction in first Australian demand for public housing by up to 30,000 places, resulting in savings of as much as \$0.8 billion
- improvements in first Australian health, which would reduce health system costs substantially and substantially improve first Australian subjective wellbeing.¹²²

First Australian businesses can be drivers of change as they are 100 times more likely to employ first Australians than other businesses.¹²³ There is a huge opportunity to harness this strength to create the perfect training ground to develop a first Australian workforce from a cohort that is currently not working and is costing taxpayers. This workforce will feed the new demand for first Australian employees in the public and private sectors proposed in the report in a way no employment programme could ever deliver.

These measures in combination provide a unique opportunity to lift first Australian businesses and severely disadvantaged job seekers at the same time.



Key facts

First Australian businesses

- First Australian owners and/or managers of businesses grew by 32% between 2006 and 2011.¹²⁴
- First Australian majority-owned businesses are about 100 times more likely to employ first Australians than other businesses.¹²⁵
- Each Indigenous Business Australia business loan to a first Australian business generates 2.3 jobs.¹²⁶
- In 2012–13, only a handful of first Australian businesses secured 0.02% of the overall Commonwealth Government spend (around \$6.2 million of the \$39 billion spent).¹²⁷

Disadvantaged job seekers

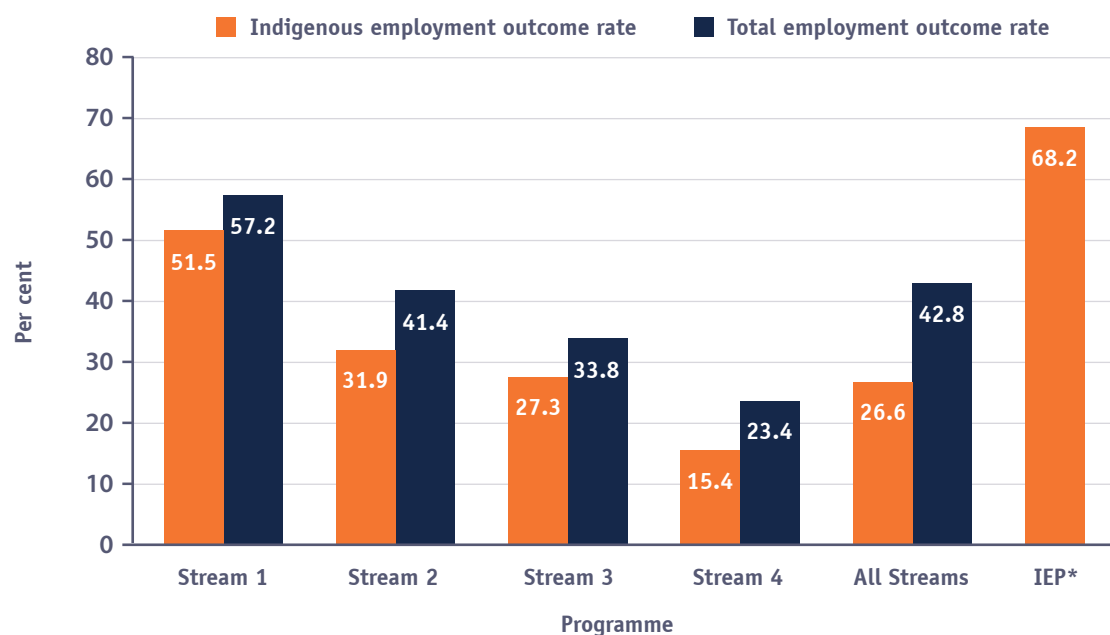
- Streams 3 and 4 of JSA account for almost 40% (or over 300,000 job seekers) of the total JSA caseload of over 760,000 job seekers. There are almost 70,000 first Australian job seekers in JSA, of which 69% (or almost 48,000) are in streams 3 and 4.
- It costs \$7,500 to get a stream 4 job seeker into a job, compared with only \$2,000 per outcome for less disadvantaged job seekers.¹²⁸
- Government expenditure through labour and employment programmes is currently 7.9 times higher per person for first Australians than for other job seekers, yet the employment outcomes are much worse.¹²⁹
- In the 12 months to September 2013, 15.4% of first Australian job seekers in stream 4 were in a job three months after participating in the programme. Employment outcomes after three months for the full stream 4 cohort (first Australians and other Australians) in the same period were 23.4%.¹³⁰
- A 1 percentage point increase in the number of first Australian employers is associated with a 5 to 14 percentage point increase in private sector jobs for first Australian males and females respectively. 'In contrast, [changes in numbers of] other employer[s] [are] not associated with higher rates of first Australian private sector employment.'¹³¹
- Analysis of the JSA caseload shows the importance of getting people into work in the first 12 months as exit rates fall sharply in the second year, and that 60% of the first Australian caseload had been on the caseload for 12 months or more.¹³²

These facts clearly show that the current approach to dealing with the most disadvantaged job seekers only through employment services will fail.



Figure 11 contrasts the effectiveness of the Commonwealth Government's demand-driven Indigenous Employment Programme (IEP) and supply-driven employment services (JSA).¹³³ More than two-thirds of participants in IEP have an employment outcome after three months, compared to the best three-month outcome rate for first Australian JSA participants—52% in stream 1, and only 27% across all JSA streams.

Figure 11: First Australians and total employment outcome rates for Job Services Australia streams and Indigenous Employment Programme, 12 months to September 2013 (outcomes after three months)



Note: IEP= Indigenous Employment Programme

Sources: Department of Employment 2013, *Labour market assistance outcomes—Job Services Australia, September*; Department of Employment 2013, *Labour market assistance outcomes—Indigenous Employment Programme, September*.



What we heard

- First Australian businesses drive both social and economic outcomes for first Australians.
- Growing first Australian businesses should be a priority because they employ more first Australian workers than other businesses.
- Tax incentives should be used to encourage companies to take on the very long-term unemployed.
- The minimum wage is too high to take on stream 3 and 4 job seekers.
- The costs of employing large numbers of very disadvantaged job seekers are high and employers need more support than current subsidies offer.
- Discretionary government subsidies and other cash payouts are not trusted by first Australian entrepreneurs.
- There are high up-front costs in servicing the most highly disadvantaged job seekers.
- Indigenous Employment Programme funding is unreliable and employers need more certainty to make long-term commitments including taking on employees.

Why tax free status?

The case for tax incentives is clear. Employment services as they currently operate are ineffective and most providers appear to be 'gaming'. Disadvantaged job seekers need a leg-up and not a hand-out.

Entrepreneurs make their investment and employment decisions according to the bottom line. Where business makes altruistic efforts these too are funded by the bottom line. To employ such high percentages of very disadvantaged workers is not affordable or sensible for most companies, especially big ones. To end the disparity for stream 3 and 4 job seekers we need the power of a market-based approach using tax incentives.

Tax incentives:

- give businesses skin in the game because a business owner will chase success exponentially more than an employment provider
- give full control to the entrepreneur to establish and grow their business and negligible reporting to government
- provide legislative certainty of cost for long-term planning and investments. This is critically important as all other parts of the entrepreneur's business are uncertain
- effectively reduce the cost of the minimum wage for businesses employing stream 3 and 4 job seekers while retaining the financial incentive of the high minimum wage for the job seeker
- give stream 3 and 4 job seekers a leg-up and a competitive advantage.



In contrast, subsidies are seen as:

- a partial contribution that may not cover the cost of employing disadvantaged job seekers and is seen by the entrepreneur as being at the whim of a faceless remote decision maker or change of government
- burdensome due to the red tape involved in reporting and applying for funding
- unpredictable because governments turn funding taps off and on and change programme guidelines at will
- complicated and untrustworthy despite having the same monetary value as tax-free status
- labelling job seekers as 'damaged goods' from the stigma associated with a direct wage subsidy.

Inevitably, there will be strong debate about the merit of a tax incentive over government subsidies provided directly to employers. This chapter will lift the heart of a Treasury official if they consider the tremendous savings to the nation of the maintenance of Australia's most vulnerable individuals and, further, the likely considerable tax take as tens of thousands become taxpayers.

In addition, it will be very attractive to a genuine entrepreneur prepared to put their own capital at risk to end the disparity. It is the choice of a strong government that understands the power of the market over welfare and how to create incentives to stimulate business. Clearly and lastly, tax incentives self-manage and encourage. Subsidies and grants incur administrative burden and generate inefficiencies for both employers and governments. One is self-regulating and the other requires external regulation with its attendant inefficiencies and costs.

Australian businesses should be encouraged through the tax system for creating jobs for low wage earners (many of which will be Indigenous Australians) with positive impact on overall social conditions and cost savings related to government's saving of no longer having to pay these individuals the Newstart allowance (the dole).¹³⁴

[T]o encourage funding from corporate Australia to non-profit entities and to reduce their IEP reliance the Australian Government may potentially offer a 150 per cent deduction for any expenditure in supporting non-profit entities that deliver ... Indigenous employment initiatives.¹³⁵

These qualified and tax-free first Australian businesses will essentially become training grounds for the other companies. In other words, their employees will be headhunted to better jobs: a high-class problem. To maintain their tax-free status, the qualified first Australian employers will need to continue drawing from the shrinking pool of stream 3 and 4 first Australians in order to maintain their status. Therefore we have created an ongoing, sustainable, strong incentive for business to continue to recruit and train the most disadvantaged.

This tax-free initiative will build a commercially driven, fully sustainable training ground, saving the nation a fortune each time a stream 3 or 4 first Australian job seeker goes into employment (defined as continuously employed on a full-time basis for six months). Market forces and commercial reality will force the business to optimise workers' productivity to work against the churn incentive.

Some will argue for the tax incentive to be expanded so large companies can participate. For government to consider the merits of the incentive, given the precedent set by its introduction, it needs tight criteria to ensure it is not rorted. The solution is clear: a large company wishing to participate can invest in a company that meets the tight eligibility criteria.



Operating Work for the Dole on a commercial basis

Work for the Dole activities are typically run by non-government organisations (NGOs) and often produce worthwhile community projects. The more innovative NGOs replicate a commercial workplace. Work for the Dole activities can also use this tax-free status to transform them from a loss-making or break-even social enterprise or intermediate labour market to a profitable business. Later in this chapter, I propose that, with an eye to the market, Work for the Dole activities must mirror the requirements and pressures of the workplace and provide skills and experience valued by employers to encourage job seekers to engage with employment.

[S]ocial enterprises delivering ILM [intermediate labour market] programs are an effective model to support long term unemployed people to develop the soft skills required to enter and stay in the workforce. Where possible these social enterprises should be Aboriginal and Torres Strait Islander controlled. Given the need for ILM programs to strike the right balance between overall commercial or service delivery demands and the needs of individual participants, we urge the Australian Government to adopt policy and funding arrangements to stimulate the Indigenous social enterprise sector.¹³⁶

Early expert advice indicates that the costs of the tax-free status will not be large and there is likely to be a net benefit through a permanent lift in the size of the labour force with people on welfare brought into new jobs, rather than displacing other workers. Given that there are very few existing companies which would meet the required criteria, there are unlikely to be any tax losses as a result of its introduction. Without this change, streams 3 and 4 are almost permanent cost centres to the government. Only employment can change that.

It's a straight no-brainer.

Employment services

Employment services in Australia are generally provided through three key programmes:

- Job Services Australia (JSA)—operates in urban and regional areas and services around 760,000 unemployed Australians. As at 1 December 2013, JSA serviced nearly 70,000 first Australian job seekers,¹³⁷ which equates to approximately 9% of the JSA caseload.
- Remote Jobs and Communities Programme (RJCP)—operates in remote Australia and services around 36,000 unemployed Australians. As at 1 December 2013, RJCP serviced nearly 30,000 first Australian job seekers, which equates to approximately 83% of its clients.¹³⁸ The RJCP draws together the previous programmes of Job Services Australia, Disability Employment Services and the Community Development and Employment Projects (CDEP) programme in remote Australia.
- Disability Employment Services (DES)—assists approximately 153,000 people with a disability, injury or health condition to secure work. As at December 2013, DES serviced around 7,000 first Australian job seekers, which equates to approximately 5% of its clients.¹³⁹



These supply-driven programmes each have different rules and guidelines, apply different reporting and contracting requirements, and structure payments differently. Describing them as 'services' does not mean they are effectively servicing. In fact many programmes compete with one another by feeding off each other for resources, market share and reputation.

In many cases it means churning job seekers back through the system to collect fees for the service provider, while not providing the long-term employment sustainability that the taxpayer reasonably expects.

The competitive nature of the funding models provides little incentive for providers to collaborate in meeting either job seeker or employer needs. This report does not examine Disability Employment Services in detail, given that the same demand-driven principles that apply to JSA should apply to DES.

Continuing with the same supply-driven approach to employment services and expecting something different is madness.

We need accountability for the cost and effectiveness of these services. The only measures that count here are the off-benefit outcomes for job seekers placed in work for 26 weeks or more, the unit rate for each employment outcome to achieve this and post-programme monitoring data. This must be publicly reported on the CreatingParity website to drive accountability for all government-funded employment services (JSA, VTECs, IEP etc.).

There is a clear alternative based on the approach taken in VTECs.

Vocational Training and Employment Centres

The Commonwealth Government has committed up to \$45 million to deliver Vocational Training and Employment Centres (VTECs) for up to 5,000 jobs, based on GenerationOne's demand-driven employment model, to help more first Australians into jobs by better connecting employers and job seekers.

VTECs connect first Australian job seekers with guaranteed jobs and bring together the support services necessary to prepare job seekers for long-term employment. The guarantee of a job before job-specific training starts is the key feature of VTECs and payments exclusively reward achieving 26-week outcomes.

Seventy per cent of the VTECs' job seekers are the most disadvantaged. VTECs provide individualised services for their clients, focusing on what is needed to get them ready for the jobs identified. This can include anything from basic literacy and numeracy skills, to help with getting a licence, housing, medical appointments or navigating the justice system. Intermediate labour markets are used to build work-readiness and ensure people are prepared to enter work.



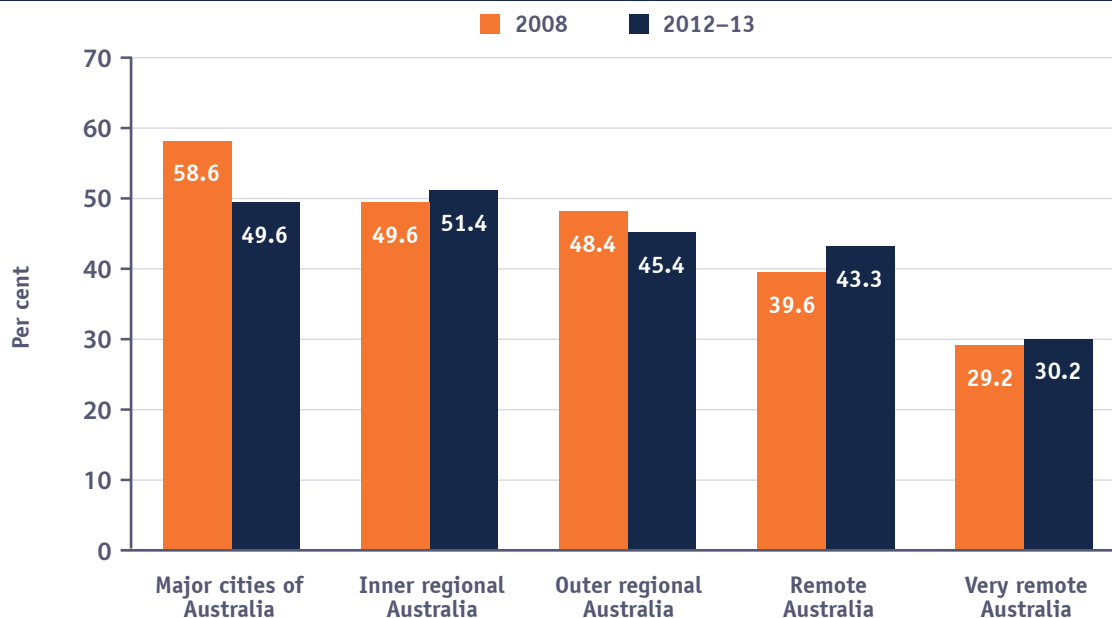
Key facts

In understanding Australia's labour force there are three key statistics:

- **Employment rate**—Less than half of the working-age population of first Australians are in paid work: 46% compared to 76% of other people. In remote and very remote areas, only 35% of first Australians are in paid work compared to other Australians at 83%.¹⁴⁰
- **Unemployment rate**—Working-age first Australians are over four times more likely to be unemployed than other Australians. In major cities the unemployment rate is 23% for first Australians compared to 4% for other people. In remote areas the unemployment rate is 22% for first Australians compared to only 1% for the rest of the population.¹⁴¹
- **Non-participation rate***—The non-participation rate for working-age first Australians is 39%, compared to 20% of the non-Indigenous population. In remote areas, the rate is 44% for first Australians compared to other Australians at 16%.¹⁴²

Figure 12 shows that mainstream first Australian employment rates are much lower in very remote areas than they are in regional areas and the major cities. For example, in very remote areas only 30% of all first Australians of working age were employed in a non-CDEP job in 2012–13. The combined proportion in remote and very remote areas was 35% in 2012–13.

Figure 12: Mainstream (non-CDEP) employment rate of working-age (15–64) Indigenous persons, by remoteness area and year



Sources: ABS 2009, National Aboriginal and Torres Strait Islander Social Survey, 2008, cat. no. 4714.0, unpublished data; ABS, Australian Aboriginal and Torres Strait Islander Health Survey, 2012–13, cat. no. 4727.0.55.001, unpublished data from the National Aboriginal and Torres Strait Islander Health Survey component.

* Measures how many people of working age are not in work or looking for work but should or could be.



To understand how well the employment services system is responding to the needs of the labour force, employers and job seekers, we need to consider the following measures:

- *Concentration of disadvantage relative to others*—First Australians are over-represented in the employment services system. Some 9% of the JSA caseload is first Australian, with the majority assessed as the most disadvantaged and hardest to place job seekers (69% are in streams 3 and 4 compared to 37% for other participants).¹⁴³
- *Duration on unemployment benefit*—Forty per cent of first Australians in JSA have been unemployed for two years or more.¹⁴⁴
- *Churn through the system*—The churn of first Australian job seekers through JSA is very high, even for those who make a 26-week outcome. Of the few who do reach 26 weeks, 28% are back in JSA within 12 months.¹⁴⁵ This of course suits the JSA system of remuneration.
- *Employer awareness*—Only 13% of employers surveyed in 2012 had used JSA in the past year, and only 5% used JSA to find employees in their last recruitment round.¹⁴⁶
- *Potential vested interests*—Around 35% of JSA employment service providers are also registered training organisations, so circulation of job seekers in and out of training may be expected.¹⁴⁷
- *Value for money*—Government expenditure on employment and labour programmes is 7.9 times more for first Australian job seekers than for other job seekers.¹⁴⁸

What we heard—about employment services

- First Australians want to work and reject ‘training to nowhere’ and ‘sit-down money’.
 - The employment system, particularly Job Services Australia, is not working to support first Australians, communities or employers.
 - Employment and training services should be linked to employer and industry demand.
 - The system should be less complex, be easier to navigate and promote innovation for employers and job seekers.
 - Providers should be paid on results they achieve at the 26-week outcome milestone.
 - Employment service providers must earn their fees by providing wraparound and long-term support, particularly for job seekers with complex needs.
 - The outcome and payment structure needs to support long-term, sustainable outcomes.
 - Governments should reduce red tape: there is too much time spent on paperwork instead of on supporting job seekers and employers.
 - Remote areas need tailored approaches including intermediate labour market approaches to provide work-readiness and strategies to place local people into local jobs.
-



First Australian employment—Job Services Australia

The JSA system has proven woefully inadequate at delivering sustainable employment outcomes. At its core, the design of JSA is flawed; it is not designed to meet the needs of employers or the market.

- Provider behaviour is strongly influenced by the structure of fees and outcome payments. The system rewards JSA providers that place people into training and short-term jobs and churn them back into the dole queue. JSA providers on average spend about 46% of their discretionary funding for first Australian job seekers on training courses¹⁴⁹ and fees are paid on placement into training, and 36% of JSAs run registered training organisations.¹⁵⁰
- There are 144 outcome payments that can be claimed by JSA providers.¹⁵¹ The current system is open to ‘gaming’ by providers, an exposure created by the range of different outcome payments able to be claimed and the key performance measures for providers.¹⁵²
- The system is highly transactional in nature. JSA providers spend as much as 50% of their time with job seekers on administration instead of providing services that get people into work.¹⁵³ The reality is there is no time for individualised case management and pre- and post-placement support to keep people in jobs.
- Job seeker compliance is not timely or effectively enforced and does not motivate positive job seeker behaviour.

We must pay only on results, not process. As I stated previously, you wouldn’t give a fox responsibility for the chicken coop. Similarly, allowing JSAs to authorise their own payments is commercially nonsensical. I have referred to this previously as a balance in interests. Only employers are qualified to judge whether a trainer has delivered what the job requires.

Training by JSAs is largely for qualifications below Certificate III level. Eighty-nine per cent of all JSA training funding is spent on first Australians undertaking certificate courses is for Certificates I and II, which employers often do not value. To avoid the churn and waste of resources, all training below Certificate III must be linked to a job and an employer.

Although the claim is made that the programme is outcomes driven, nearly two-thirds of payments made to providers are service fees based on the number of job seekers on their caseload, and only a third is focused on the achievement of outcomes. As stated earlier, of all funds available for JSA, only about 8% is at risk if job seekers do not achieve 26-week employment outcomes. In contrast, 100% of payments to VTEC providers is at risk if they do not retain job seekers to 26 weeks of employment. It’s pretty clear who will focus on getting and keeping people in work. More than 4,000 training positions have been allocated to over 20 training organisations recently. Each training company is confident enough to take the risk on the same basis as its students—i.e. success.

The design and operation of JSA needs a fundamental overhaul so that services are responsive to the needs of employers and payments provide incentives to focus on 26-week employment outcomes. Employers, rather than providers, need to direct where training funding is spent to ensure that training builds the skills they need, effectively ending the pattern of training for training’s sake.



A demand-driven system is not about just placing the job-ready job seekers in employment, but meeting job seekers at the level of their capability and raising their skills to that expected by an employer. At the same time, there needs to be a balance between the carrot and the stick, with flexibility for local innovation. Individual case management that addresses drug and alcohol use, low literacy levels and family violence and mobility support are important components of any scheme that aims to build work-readiness. In remote Australia the need for local flexibility becomes even more important and the need to work with local leaders with cultural authority is paramount. I discuss this and changes to the Remote Jobs and Communities Programme in Chapter 8.

Role of Work for the Dole and intermediate labour markets

Not all job seekers are ready and able to move into work immediately. Intermediate labour markets and case management support need to be provided to keep these people motivated and focused on the skills and experience needed to move into a guaranteed job over time.

An intermediate labour market programme provides disadvantaged job seekers with opportunities to gain work skills and to develop their non-vocational skills with the objective of improving their readiness for the open labour market.¹⁵⁴

While the demand-driven model starts with an employer who is committed to first Australian employment, employers are not able, nor should they be expected to lower their standards and expectations for new employees, particularly around important issues such as workplace health and safety. An intermediate labour market programme creates a real-world, yet highly supportive workplace environment. There are many jobs, even entry-level positions, where one of the primary prerequisites is that the candidate have previous work experience. This is a chicken-or-egg situation for a long-term unemployed person looking for work. An intermediate labour market programme addresses this important issue and will unlock the opportunities for a job seeker.

In some areas, there may not be enough jobs for the supply of workers. The motivation of job seekers may also be an issue. In these circumstances, Work for the Dole activities are a useful way of building work-readiness. With an eye to the market, Work for the Dole activities must mirror the requirements and pressures of the workplace and provide skills and experience valued by employers to encourage re-engagement with employment. Work for the Dole activities should be modelled on successful approaches to providing a pathway to employment. Existing social ventures and intermediate labour market models offer considerable promise here.

Activities will succeed most when they are run on a commercial basis. Using my proposed tax incentive will launch them into profitable business ventures that are permanent training grounds for the most disadvantaged workers. They will be feeder companies to the private and public sectors of valuable employees that under the previous system were considered out of reach for these job seekers.

Building the right services and offering incentives goes some way towards addressing the issue. However, to be effective, the compliance system must also support employment.



Young workers

Some young Indigenous people will be the first in their family to have ever held a job, gained a tertiary qualification or pursued a career. Exposure to work and study opportunities through school-based apprenticeships and traineeships, university camps and work experience needs to start in school. These opportunities can make school relevant for these young people, build workplace skills and nurture talent to its full potential—and keep them from ever coming into contact with the welfare system.

Support for traineeships, apprenticeships and cadetships needs to be expanded to ensure young first Australians seamlessly enter the workforce and tertiary study, regardless of the path they choose to take.

CareerTrackers

CareerTrackers is a national non-profit organisation that supports first Australian students to complete their degree and successfully transition to the world of work in the private sector through paid internships (or cadetships). The programme has 86% of interns moving into graduate employment with the employer that sponsored their internship. Ninety-three per cent of interns complete two or more internships while completing their degree.

CareerTrackers engages first Australian university students, links them with private sector employers and provides year-round coaching and training. Employers are given a structured employment framework tailored to the goals and skills of each intern and each manager participates in cultural awareness training.

Job seekers with a criminal record

We must ensure that incarceration is an empowering experience and the individual on release is much better prepared for independence in society. All funding to the correctional services system must give incentive to achieve this end.

There are very particular disadvantages that arise for those who have experience with the criminal justice system. In all Australian state and territory correctional systems, first Australians are over-represented and recidivism rates are high and growing.

Upon release from prison, first Australian ex-prisoners face myriad social and cultural issues that can inhibit their reintegration into the community. Having a criminal history becomes an additional obstacle to gaining employment. Ex-prisoners generally have poor work histories and are typically employed in low-wage jobs with few tangible rewards.

There are very particular impacts that arise for those job seekers that have a criminal record. These require a special approach from within the correctional system.



There are numerous identified barriers to employment that may affect first Australian and other ex-prisoners.¹⁵⁵ These include:

- lack of personal and work-related skills
- educational disadvantage and low literacy levels
- unfavourable employer attitudes (resistance related to ex-prisoners and crime)
- racism on the part of employers
- lack of work opportunities in their neighbourhood or community
- lack of job contacts because of segregated social networks
- financial difficulties affecting interview/job
- problems making the transition from benefits to employment
- behavioural problems
- lack of qualifications
- low self-esteem, confidence and motivation
- absent or poor work experience history
- difficulty adjusting to the routine of work.

Prisons throughout Australia have voluntary pre-release employment-focused programmes that enable individuals to leave prison with a skill base that can improve their chance of successful employment after release. However, the participation rates remain low and this limits the effectiveness of these initiatives and increases the likelihood of reoffending.

Sentenced to a job

The Northern Territory Government strongly promotes an innovative pre-release employment programme for prisoners. It works with correctional services and employers to promote a ready-made local workforce, with relevant skills and experience, which it will assist to transition back into the labour force.

The programme targets employers' needs and minimises recruitment costs. Participating employers have an opportunity to make a contribution to the community. Participating prisoners and ex-offenders are motivated and have a trial period in which they have to prove themselves to the employer. Prisoners also contribute 5% of their salary to NT Victims of Crime Inc.

When prisoners return to work they are much less likely to return to jail, which in itself generates a significant saving for the Territory. Costs are reduced for courts, prison services, policing and social welfare. The reduced incidence of crime also decreases costs for the private sector, through less expenditure on security and insurance. The Northern Territory Government reports that the programme has contributed to a drop in recidivism rates from 40% to 13%.



In many communities we spoke to, going to prison was almost a rite of passage and many young people wore it as a badge of honour. These very same people whom I knew (and many whom I grew up with) now wear that same badge with shame as they tell every employer they go for a job with of their regret about their wasted years.

Some may claim the low participation rates can be attributed to under-resourcing. Yet the same governments are required to spend substantially more when the most likely outcome of reoffending happens again. This is a stark example of why government services need to look to prevent, not just passively accept, the cost of the symptoms of disparity.

Compulsory participation in education and training and achievement of a qualification as eligibility conditions for parole will build personal responsibility for inmates to make a better future on release.

Offenders should exit the system able to read, write and drive and with some vocational training in addition to that provided to avoid reoffending. Participation in pre-release job skills training could also include life skills such as money management and healthy homes, and job search support.

The vocational education and training system

Training for training's sake has led to first Australians accumulating Certificate I and II qualifications that are not valued by employers and rarely translate into a job. The training system is woefully unable to meet employer demand and is wasting funds on training to nowhere with substantial funding paid on course enrolments rather than completions. We must pay on results and not process.

Employers are looking for people with basic literacy, numeracy and work-readiness skills including a driver's licence, financial literacy, presentation skills and an understanding of the teamwork, discipline and punctuality that employment requires.

Unless Certificate I and II courses, or courses for specific skill sets like heavy materials handling, commence with commitment from an employer, they never lead anywhere.

While first Australians accumulate multiple low-level and irrelevant certificates, employers are crying out for work-ready people. Our consultations confirmed that most employers would readily subsidise training that is tailored to the individual and the requirements of their job. Their use of the VET system is relatively low and decreasing.

In 2013, just over half of employers used the vocational education and training (VET) system to meet their skills needs, and most reported that they were less satisfied with training options than they were in 2011. The majority of employers (over 75%) used informal training to meet skills needs.¹⁵⁶

[T]oo often have individuals been provided with training opportunities that have no employment outcome. This has led to 'training churn' where individuals have a number of training experiences yet are unable to transition into employment. Too often training is not even directed towards employment.¹⁵⁷

This pattern of training for training's sake erodes confidence, motivation and ultimately people's aspirations.



Both the Commonwealth (directly and indirectly) and state and territory governments contribute funding to the VET system. State and territory governments manage the delivery of VET within their jurisdictions and have traditionally provided approximately two-thirds of the funding (around \$4.3 billion in 2012).¹⁵⁸ Formal VET courses and qualifications fall under the Australian Qualifications Framework (AQF). The VET sector's quality arrangements include a joint government framework that covers registration of training providers and accreditation of courses and sets assessment standards. There is currently some industry group and employer body input into VET qualifications and other courses that fall under the AQF.

Some of the most common feedback I receive from employers is that this is not enough to ensure the training is relevant and of sufficient quality to meet employers' needs. Employers and industry, not trainers, must have the dominant input on course design. Employer satisfaction with the training output and course graduates must drive payment to VET providers. We must make the system responsive to employers' needs and pay on results not process. There is no excuse for any AQF course or registered training organisation to waste the time and opportunity of any Australian with irrelevant training.

Many registered training organisations are selling people unrealistic dreams, with no real connection to employment. A recent report from the Australian Skills Quality Authority found that as much as 45% of these organisations' marketing and advertising could breach national standards and laws. Some 8.6% of those surveyed are potentially engaged in the more serious false or misleading representation in media and advertising. Misleading media and advertising includes advertising unrealistic timeframes for completion of qualifications, guaranteeing completion of qualifications regardless of performance and guaranteeing employment.¹⁵⁹

Key facts

The following statistics show why first Australians describe themselves as being 'the most educated unemployed people in Australia'.

- First Australians are 2.5 times more likely to be in VET than other Australians.¹⁶⁰ They are more likely to be enrolled in lower qualifications than other students. These courses are not valued by employers and rarely translate into a job. In 2011, 48% of Australian AQF VET qualifications completed by first Australians were in Certificate I and II courses, compared to 22% of other students.¹⁶¹
- Many first Australians hold multiple low-value Certificate I and II qualifications. Fifty-two per cent of the first Australian VET students in 2012 already holding a Certificate II qualification (as their highest qualification) were enrolled in a qualification at or below that level. The corresponding figure for other students is 30.4%.¹⁶²

Approximately 90% of this training is primarily government funded and this equates to waste when we can least afford it. For every 100 VET qualifications commenced by first Australian students, only 23 are completed.¹⁶³

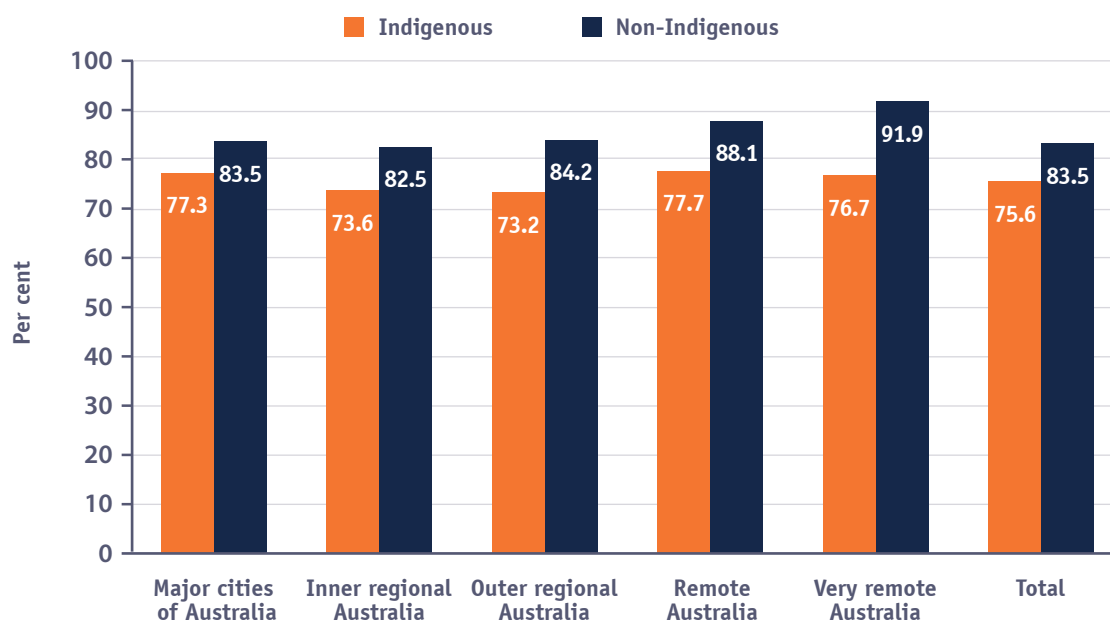


What we heard—about training

- First Australians are sick of training for training's sake, with no jobs in sight.
- Providers should be paid based on completion and job outcomes rather than on enrolments.
- The quality of most training in remote areas is costly yet sub-standard due to insufficient instruction time, a high turnover of trainers, and limited provider options for students.
- Better pathways into work from school (quality and industry-relevant pre-employment training to post-employment) are needed.
- Language, literacy and numeracy and driver's licences are foundation skills for any job.
- More support should be directed to increasing tertiary qualified professional staff and career development.

Figure 13 shows that both first Australians and other people with a Certificate III or above are likely to be employed in both remote and non-remote areas.

Figure 13: Employment rate for persons aged 20 to 64 years with highest level of educational attainment of Certificate III and above, by remoteness area, 2011



Source: ABS 2011, *Census of Population and Housing, 2011*.



The biggest epiphany for me during this review was the realisation that there is no employment gap between well-educated first Australians and other Australians. Figure 13 shows that when people have qualifications at Certificate III level or above, they have strong employment outcomes. Churning people through Certificate I and II courses leads to waste and despondency for individuals when they realise employers view these qualifications as useless. Training at these levels should be restricted to situations in which the training is linked to a guaranteed job and an employer. The need for change is clear. Employers and providers both recognise that demand-driven training with a clear link to a job is needed. Not only is this more effective, but it avoids wasteful government expenditure. This requires different performance standards for training organisations. A provider's ability to meet employers' needs and deliver training that links to real jobs must be heavily weighted through the accreditation system.

Models such as the National Workforce Development Fund (\$700 million over four years), which funds training that employers want through a co-contribution model, should continue to be pursued but with simplified administration. This would create strong incentives for demand-led training, put 'skin in the game' from employers and maximise the return on investment for governments.

[T]he National Workforce Development Fund [is] a good example of a mainstream funding programme that provides the necessary flexibility to support Indigenous learners through their training, and then place them into real jobs. Although the programme encourages the participation of learners from identified priority groups, including Indigenous Australians, no specific incentives are provided. Nonetheless, around 2,000 of the almost 60,000 learners that have participated in the programme have been Indigenous (3 per cent), with the majority undertaking Certificate III and IV level courses.¹⁶⁴

The VET system needs to be strengthened to ensure training goes further towards job outcomes and responds to the needs of employers. Having a demand-driven training system, where training is provided for real jobs, through a voucher system, will be a positive way the Commonwealth, state and territory governments can get better value from the VET system. The VTEC model already ensures that training is connected to specific jobs. We should build on this approach. A voucher-based system in which the funding is tied to the individual based on need (e.g. stream 3 and 4 job seekers), and in which the voucher can only be redeemed by the training provider once the employer has referred the job seeker to them, would ensure that training is directly related to real jobs.

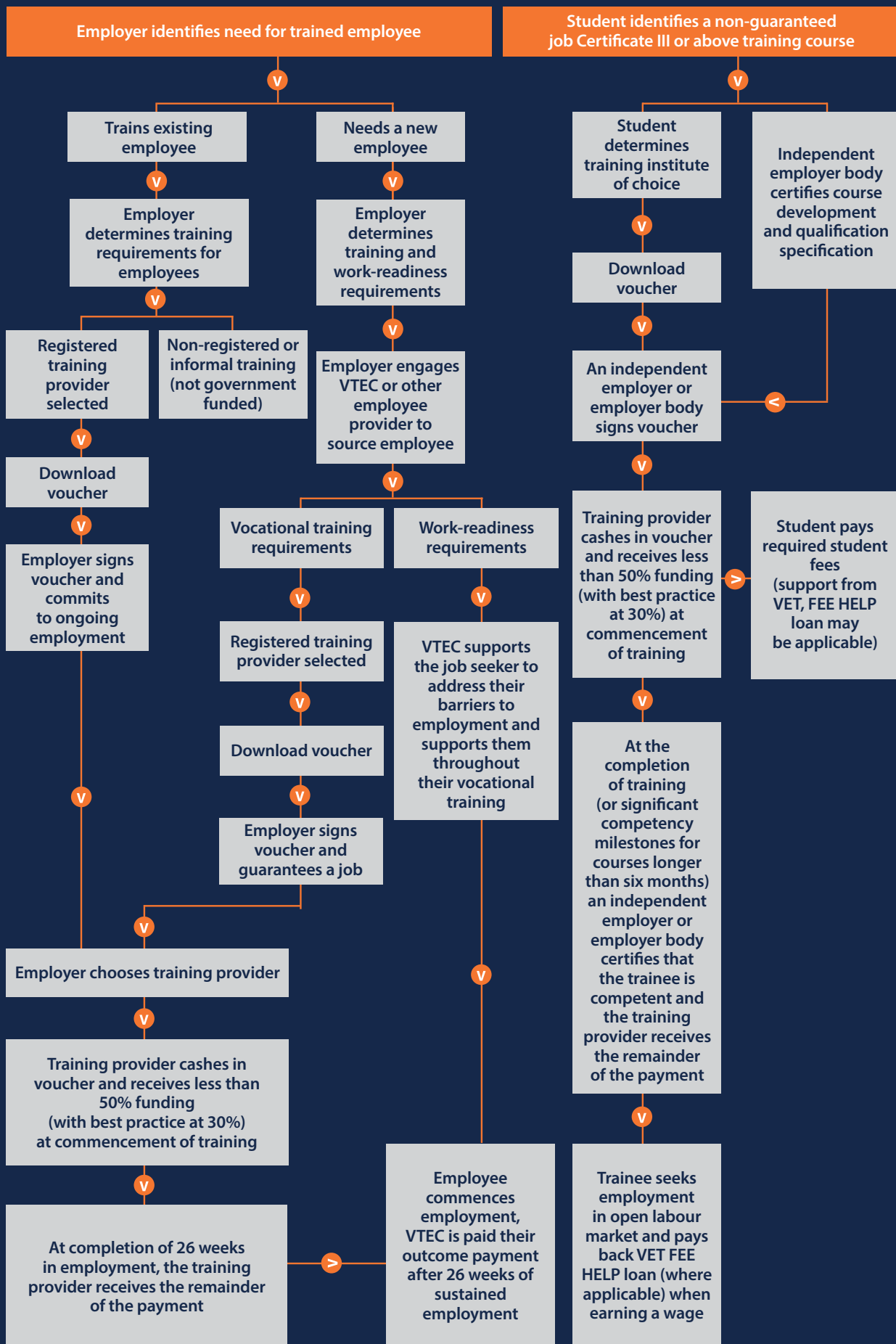
Vouchers should apply to all qualifications and skill sets. For courses for Certificate I and II, these vouchers should require a guaranteed job to be signed into the voucher. Certificate I and II courses are those with the greatest incidence of training churn.

Certificate III and IV courses tend to have more rigorous requirements and are more trade-oriented, leading to real jobs. Data show that the employment gap closes considerably when first Australians have Certificate III or above qualifications.

There is much less need to have a guaranteed job applied to a voucher system for Certificate III and IV courses, but even with these courses, there is no room to allow training for training's sake. These courses should be designed by employers and each trainee should be independently assessed at completion of the training, or at significant milestones for long courses, before the voucher can be cashed in.

The voucher system

Creating the system to ensure training is to employers' standards





Getting the basics right for work

Some basic skills are taken for granted. A driver's licence is one of the most common requirements for employment, but for many first Australians this is the barrier that prevents them from securing a job.

Lack of a driver's licence has been identified by all sectors of the labour market as a key barrier to employment, including by employers, employment/support services providers and job seekers.¹⁶⁵

In remote communities, limited servicing, prohibitive cost, limited access to vehicles, low literacy and numeracy, and personal identification issues all combine to mean that few adults have a driver's licence.¹⁶⁶ For those who do, unpaid fines or infringements can often lead to unemployment, or worse, prison.

Indigenous people, who may have lost their driver's licence due to unpaid fines, are caught in a cycle of needing a job to earn money to pay fines but are not able to secure a job without a licence.¹⁶⁷

In the Northern Territory alone, half the court cases in remote first Australian communities are for driving offences. Eighty-two per cent of the prison population are first Australians and driving offenders make up about 25% of the prison population.¹⁶⁸

Driver training and licensing is one of the most basic of work skills. Getting these fundamentals right is the key to unlocking a person's working potential. Not only does it meet common job specifications, it gives individuals and their families independence, mobility, confidence and access to wider employment opportunities.

Braking the Cycle

In Queensland, the Police-Citizens Youth Club's Braking the Cycle programme delivers a practical solution that addresses licence issues. With the programme's assistance, 165 young people now have driver's licences, after logging more than 9,000 driving hours under the supervision of the project's 94 volunteer mentors across south-east Queensland.

Braking the Cycle mentors act as driving supervisors, enabling the learner driver to complete the 100 mandatory log book hours required before they can take a licence test. A large number of programme graduates have reported securing further training or employment within three months of gaining their licence.

The project has received three state and four national awards acknowledging its success and community employment benefits.

Losing your licence due to unpaid fines or traffic infringements should not result in losing your job. 'Locked' licences would allow people to get a driver's licence with specific restrictions that allow them to drive for work. It would be clearly identified, limited to a specific geographic region and valid only for work purposes. A person whose licence has been suspended due to outstanding fines or warrants could be granted a 'locked' licence and would also have a payment plan developed to pay off any outstanding fines once they were working. In all cases the driver would be responsible for carrying proof of employment and contact details for their employer.



A number of governments are starting to help people who have never learnt how to drive or who have temporarily lost their licence:

- In Queensland, the Indigenous Driver Licensing Program aims to reduce unlicensed driving in remote first Australian communities in Far North Queensland, including Cape York, the Gulf and Torres Strait islands. The programme has a mobile driver licensing unit based in Cairns, which takes licensing services to remote areas where residents cannot access mainstream customer service centres. The unit provides learner driver licence testing, practical driver testing for cars and trucks, driver's licence replacements and renewals and 18+ cards.
- In the Northern Territory, the DriveSafe NT Remote programme is being trialled in 14 remote communities over two years. It covers, free of charge, the cost of a birth certificate, a learner licence, theory classes, driving lessons, a provisional licence as well as L and P plates.
- Western Australia allows a person who has been disqualified from driving, and who would lose their principal means of earning income if they couldn't drive, to apply to have an extraordinary licence granted. A range of conditions may be imposed on the applicant, including the use of the licence solely for work purposes.

A national approach to ensuring that licensing does not become a barrier to work must be adopted across all jurisdictions.

Recommendation 12: Tax incentives

That tax-free status be provided to new and innovative first Australian commercial enterprises that create real jobs by providing the training grounds to eliminate the disparity for the most disadvantaged job seekers.

These commercial operations should benefit normally from existing assistance, but not more than any other employer can. They should be designed to allow one-to-one volunteer mentoring by peers of a new disadvantaged employee.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 12.1 legislating to give effect to tax-free status for first Australian commercial enterprises that are designed to allow one-to-one mentoring by peers within the workplace—which in my experience is the optimal ratio of volunteer mentors to disadvantaged employees—and that have:
 - 12.1.1 a minimum of 25% Indigenous ownership and Indigenous board membership
 - 12.1.2 a minimum of 60% of all employees who are Indigenous people
 - 12.1.3 a minimum of 40% of all employees from the most disadvantaged job seekers (currently defined as sourced from streams 3 and 4 in Job Services Australia)
 - 12.1.4 at least 10% of Indigenous employees from remote areas.
- 12.2 requiring these companies to report their success in Indigenous employment on the CreatingParity website



- 12.3 introducing a new mandatory requirement for the Commonwealth to procure 4% of its \$39 billion purchasing of goods and services from first Australian businesses
- 12.4 operating the government's policy of Work for the Dole on a commercial basis so that tax-free status can be used as an incentive to move organisations from a social enterprise to a profitable business that employs the most disadvantaged job seekers.

Recommendation 13: Employment services

That the Commonwealth Government replace and consolidate current Job Services Australia services and other work preparation and literacy and numeracy programmes with a demand-driven system.

The design of the system should draw on the Vocational Training and Employment Centre model, where training and support are provided to get people into guaranteed jobs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 13.1 only funding training when it is fully recognised by employers and linked to a guaranteed job
- 13.2 driving accountability and rewarding outcomes with payments that are heavily weighted to getting and keeping people in jobs for 26 weeks or more
- 13.3 selecting providers on the basis of demonstrated performance in meeting employers' needs, achieving 26-week employment outcomes and establishing effective relationships with the Indigenous community
- 13.4 implementing the government's policy of Work for the Dole so that activities reflect real workplace pressures and requirements through an intermediate labour market or preferably a commercial operation
- 13.5 providing driver's licence, literacy and numeracy training using proven methods of explicit instruction as a compulsory part of Work for the Dole activities for those who need it
- 13.6 assessing job seekers on what they can do, not on the basis of their disadvantages
- 13.7 rigorously applying job seeker obligations, with exemptions and discretion strictly limited
- 13.8 changing suspension and financial penalties to have a next payday impact to drive job seeker behaviour
- 13.9 authorising providers to apply suspensions and financial penalties directly
- 13.10 providing case management support to build employability skills and address issues such as drug dependency, with in-job support wherever possible
- 13.11 redirecting savings from the consolidation of labour market programmes into intensive early childhood care and education as proposed in recommendations 1 and 2



- 13.12 transferring recipients of Community Development and Employment Projects wages to Newstart Allowance (or the proposed new name of Unemployment Support) to ensure all job seekers have the same incentives and obligations in return for income support
- 13.13 requiring Job Services Australia providers to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website.

Recommendation 14: Vocational education and training

That, in order to create job-specific employer-directed training, the Commonwealth, state and territory governments, as joint regulators and funders, introduce vouchers for employers redeemable at education providers to replace all funding for the vocational education and training system, particularly the TAFE system.

These vouchers would only fund training that is designed by, and meets the needs of, employers.

This will be achieved by the Commonwealth, state and territory governments taking the following implementation steps:

- 14.1 introducing voucher funding for vocational education and training that responds to employer needs and that has a guaranteed job at the end. The level of funding would be tied to the relative disadvantage of the job seeker (e.g. streams 3 and 4 would attract the highest level of funding) and the employer would decide what training it wished to purchase in full or in part with the voucher redeemable through the registered training providers
- 14.2 requiring vouchers for all qualifications and skill sets (including Certificates I–IV). Certificates I and II would require a guaranteed job written into the voucher and it would only be redeemable on completion of 26-week outcomes. An up-front payment or loan—deductable against the structured outcome—could be made as a proportion of the voucher funding (but it must be less than 50%—with best practice at 30%). With Certificate III and above, courses would be designed by employers (not trainers) and participants would be assessed at significant milestones for successful completion before the voucher could be cashed
- 14.3 redirecting savings from vocational education and training into intensive early childhood and education as proposed in recommendations 1 and 2
- 14.4 making employers and industry bodies drive the content of courses under the Australian Qualifications Framework to ensure relevance, and use employers' satisfaction with the training provided to drive performance-based payments in vocational education and training.



Recommendation 15: Driver's licences

That all state and territory governments introduce a consistent approach to issuing provisional 'locked' driver's licences for people who are unable to drive due to unpaid fines or other traffic infringements so that they can get and keep a job by being able to drive.

This will be achieved by state and territory governments introducing a national locked licensing model that has the following characteristics:

- 15.1 the licence is issued for employment only (a provisional licence) and is specific to one employer
- 15.2 the licence is specific to a particular geographic region and cannot be used outside that region
- 15.3 the issuing of the licence is based on successful completion of a skills test specific to the geographic area and/or work site for which the licence is provided
- 15.4 the licence looks different to a normal driver's licence so that it is readily identifiable
- 15.5 the driver is required to carry proof (e.g. a letter confirming employment from the employer with a telephone number) to show, if they are pulled over by police while driving for work
- 15.6 provision is made for payment plans to pay off any outstanding fines or warrants for people who are disqualified on that basis.

Recommendation 16: Training in incarceration

That states and territories require compulsory participation of inmates, while in incarceration, in proven methods of explicit instruction in English and maths, driver's licences for those who need them, and job skills training.

Successful completion of training would also be a condition of parole eligibility subject to time constraints in prison. Inmates must be able to read, write and drive and have some vocational qualification upon release.

This will be achieved by state and territory governments implementing the following steps:

- 16.1 providing individuals in correctional facilities and services with proven methods of explicit instruction in maths and English
- 16.2 using simulation machines for offenders to accumulate the requisite minimum number of hours of driving experience to sit and be issued with a driver's licence, and where necessary issuing driver's licences for employment only (a locked licence) and specific to one employer
- 16.3 providing vocational education and training that is relevant to employers in the community where the individual will resettle
- 16.4 ensuring that a substantial portion of funding to correctional facilities is dependent upon on achieving outcomes based on the above
- 16.5 remunerating out-placement services on the basis of performance in successfully resettling individuals in the community for 26 weeks or more without reoffence.



Chapter 6: Incentives for housing and mobility



Creating Parity



What success looks like

- First Australians join all Australians as being mobile and cycling back to family and traditional homes according to customs and for ceremonies and holidays.
-
- First Australians, no matter where they are educated, confidently take up any job with any employer.
-
- Tenants in public housing have every incentive to take up work no matter where they live.
-
- There is parity between first Australian and Australian home ownership rates.
-

When we look at the reasons for serious disadvantage, we don't have to go much further than housing policy. Our system currently traps first Australians into living in remote communities, whether they want to or not, even when there are no jobs there. When one is asking to end the disparity through employment, this policy, perhaps, is the most irrational of all that this review has considered. The Minister for Indigenous Affairs, Senator Nigel Scullion, is making major inroads into the inefficiencies of the programmes and practices he inherited. We continue to support his efforts.

If we are to end the disparity, getting and keeping a job must be a rational choice for all first Australians to make. There are many inputs to this choice, like the support and training individuals receive, what they are obliged to do in return for welfare and what impact it will have on their lifestyle, especially housing. Yet the comments made by Elders to me across Australia, such as Mr Richie Ah Mat, a highly respected Cape York leader, support this case. He, like the other Elders, state firmly that nothing changes a family's life or improves its standard of living more quickly than living in a home the family owns. This is particularly so for the safety and security of children, for, among other reasons, visitors can be controlled.

People told us outright they would give up the dole for a job anytime—but not if it meant losing their house. The pull of low-cost housing, even on welfare, is too strong. An urgent shift is required. We must use housing to make employment much more attractive, not less attractive. Right now, the most expensive houses to build are those being built, with taxpayer funds, in communities where there simply aren't meaningful long-term careers for the majority of first Australians who live there. The discount in housing must be applied when there are strong prospects of employment and long-term careers.

Job seekers, especially those in remote Australia, said they didn't have the personal resources to move for work, and they didn't know if they could get help and where to go to access support.

Social housing is a significant part of the Australian welfare system at an estimated cost of over \$7 billion over four years to the Commonwealth alone. For many of Australia's most vulnerable citizens social housing is a valuable part of society's safety net. Over 100,000 people on Newstart and Youth Allowance (who are required to look for work) are in social housing. For them the social housing system often undermines job aspirations and entrenches welfare reliance and reduces the likelihood of home ownership and self-reliance. A person can be discouraged from taking a job because an income higher than the dole could mean eviction from social housing.



The situation is most stark in remote first Australian communities. When the review team visited remote communities the misery was palpable. Chronic overcrowding often leaves kids too tired to go to school and parents without the energy to push them along. Increasing the social housing stock in remote communities can act like a magnet, and as more houses are built families expand to fill them until overcrowding reoccurs.

There are better solutions to chronic overcrowding than building more unsustainable social and public housing. Home ownership and mobility to take up work and the ability to orbit back to the community are clear alternatives.

People do not take up jobs because their income level will require they exit social housing. This becomes a problem where no private housing market exists and where affordable housing is not available.¹⁶⁹

Recently, the Commonwealth Government has invested significant funding to encourage mobility for people who wish to take up employment opportunities in stronger labour markets. For example, the Relocation Assistance to Take Up a Job programme provides an incentive for job seekers to relocate to take up a job. Under some circumstances, up to \$11,000 in assistance is available. There is also the Job Commitment Bonus for Young Australians, which provides an incentive of up to \$6,500 for long-term unemployed young Australians to find and retain employment. Employment service providers are also funded to support job seekers to relocate to where they can find jobs.

The mobility support is already in place. It is simply a case of using it and, for jobs seekers from remote communities, providing the additional mobility brokerage proposed in this report. This will make sure the risks for the job seeker are mitigated, making the decision to move to take up work a rational one.

Recent research by the Centre for Aboriginal Economic Policy Research shows that the mining boom has had a positive effect on nearby remote communities. While house prices and rents have increased, this has been offset by increased first Australian household income. Overcrowding has also decreased in first Australian communities close to mining sites.

Home ownership is a critical incentive to keep people in jobs and out of the welfare trap. Most Australians aspire to home ownership to generate wealth and provide financial and housing security for their families. The 2011 census showed that 37% of first Australian adults lived in owner occupied homes compared to 70% of other adults.



Key facts

- Social housing is a significant part of the Australian welfare system at an estimated cost of over \$7 billion (over four years) to the Commonwealth and \$5 billion per annum in total for state and territory governments.
- The Commonwealth spends around another \$4 billion annually on Commonwealth Rent Assistance to help welfare recipients to access the private rental market.
- Around 27% of first Australian households are in social housing, compared to around 4% of other households.¹⁷⁰
- Eighty-three per cent of first Australian households in remote communities are in social housing, as alternative housing is negligible.
- In non-remote Australia, 37% of first Australian households rent privately compared to 25% of non-first Australian households.¹⁷¹
- Thirty per cent of public housing tenants in non-remote areas are on Newstart Allowance and should be actively looking for a job.

What we heard

- First Australians are sick of welfare housing and want housing linked to jobs or to own their own home.
 - Individuals said they would move off welfare payments to get work, but not at the risk of losing housing.
 - Increasing social housing stock only encourages more people to stay in their low-rent homes, rather than look for work outside their community.
 - Home ownership is a driver of employment and wealth creation; greater support is needed for first Australian home ownership initiatives.
 - Lack of access to affordable housing is a barrier to achieving in employment and education.
 - Mobility costs restrict remote residents' ability to attend training and employment. Mobility programmes need to provide access to housing at the destination location to be successful.
 - Governments should work to address the perverse incentives in public housing including income eligibility cut-offs.
 - Portability of entitlements for social housing and remote home loans is needed.
-



The social housing trap

Low-rent housing is an impediment to getting and keeping a job. Paying only a small amount of rent, or no rent, and not having to put much effort into the upkeep of a house makes it unattractive to move to a location with much stricter requirements through a private rental market. Similarly, the prospect of taking up one of the few real, paid jobs in a community is made less attractive because of people's fear of losing their heavily subsidised houses if their wages are high enough to take them over the income limit for social housing.

Consider a man with a spouse and three young kids who wants to take a job in a town. In the remote community, that family would have, after paying all housing costs, about \$41,600 disposal [sic] income a year from two dole payments (\$24,300), family tax benefits (about \$19,000) plus some smaller welfare allowances. Housing costs are likely to be \$70 to \$100 a week (say \$4000 a year). In exchange, the father might have to do some part-time make-work activity. More likely, effectively there would be no obligations.

If this family moved for work, the breadwinner would likely receive the minimum wage or just above because of low skills. Family benefits would be about the same. However, rental costs would likely be higher (say, \$350-plus a week including bills), assuming a property was even available. All up, their disposable income after housing would be about \$44,800.

Economically the family would be just above break-even, but the downside would be loss of leisure time and the risk of losing the job, in which case disposable household income would fall considerably until a new job was found. Further, the family's low-rent social housing in their home community—which they might have had for more than a generation—would be given to another family.¹⁷²

Being a good tenant is the best path to home ownership. Most Australian homeowners start out in private rental homes. Complying with tenancy obligations and learning to meet your responsibilities by paying your full rent on time is a critical first step if you aspire to owning your home one day. This, along with a savings record, is the way most other Australian homeowners start off and establish dependability in a housing market and a credit record.

The current low-rent arrangements, especially in remote housing, for those capable of work amount to unconditional welfare, paid by state governments. It provides no clear incentive for a person to fulfil their social contract as a community member.



We must recast the housing system to support and encourage workforce participation, particularly for those who are relocating for work. This can be done while not affecting the most vulnerable social housing tenants, namely aged pensioners and people with significant disabilities. In line with recommendations in other chapters of this report, governments should use every lever available to them to get capable adults into work, get children attending school and support safer communities. In social housing the key changes to effect this are:

- introducing market rent, with a reasonable discount, for those capable of work and in social housing in all locations
- giving priority in social housing allocation to those who are in work, relocating for work, or making decent efforts to get work and send their children to school
- providing strong incentives for home ownership
- requiring automatic rent deduction from welfare payments for those in public housing.

Mobility for work

Welfare recipients of working age usually have little or no personal resources to move to take up a job. This is particularly so for people in remote communities. The high cost of travel to regional centres, the prospect of taking their chances in a potentially racist private rental market and the lack of support to transition into work make taking up a job in town a big risk.

The Commonwealth's Relocation Assistance to Take Up a Job programme provides financial assistance to long-term unemployed job seekers who relocate to secure employment. The programme commenced on 1 July 2014 and is part of the Commonwealth Government's plan to increase employment participation in Australia.

The programme will provide long-term unemployed job seekers with the opportunity to take up ongoing employment in regions that have more jobs on offer. Up to \$6,000 will be available to long-term unemployed job seekers if they move to a regional area to take up a job or up to \$3,000 if they move to a capital city. Job seekers with dependent children will also be provided with an extra \$3,000 to help cover additional relocation costs.

The relocation assistance will only be available to long-term unemployed job seekers who have been receiving Newstart Allowance, Youth Allowance or Parenting Payment for more than 12 months. Relocation payments will be available through Job Services Australia and Disability Employment Services.

There are also some small programmes like the Commonwealth's Indigenous Youth Mobility Programme that support young people to move to a regional location to take up work.

We need to build on these programmes to significantly expand support for people to take up work where the market provides it and to orbit back to their home communities for holidays. As people build reserves and independence they will cover these costs.



This new mobility support approach includes support to access the private rental market and, for those who wish, home ownership assistance linked to sustained employment. Brokering a smooth transition into that market with assistance with rental bonds and rent advances, and a positive ongoing experience, will be important for job retention.

For those that need it, the mobility support could also provide an introduction to, and start up in, using the banking system. This would help to set up different bank accounts for different circumstances, such as support for family back home, daily living, and a savings account for a deposit on the purchase of a home and other purchases. Assistance accessing schools and health care, and support for return visits home, will all be important to a new worker in a new location.

Further work, with organisations such as Aboriginal Hostels Limited and Indigenous Business Australia, is needed to ensure affordable workers' accommodation is expanded at places where there is work.

Home ownership

Most Australians stay in employment to make sure they can have their own housing. Many people have created equity in their home and benefited from capital gain. Some have used the equity to start a business and make other investments or to provide an inheritance for their children. We know from experience in the mining sector that the opportunity to own a home is a powerful incentive to take and remain in a job. We have inadvertently reversed this with many first Australians with our soft-thinking government policy, concentration of social housing in remote communities and low rents that make alternatives unappealing.

Home ownership is a critical incentive to keep people in jobs and out of the welfare trap. Specifically, there should be ready and sufficient access to generous deposit assistance and lower interest loans for those who relocate for a job and sustain it for 12 months.

The Commonwealth and some state governments can build on their existing arrangements. For example, the Commonwealth's Home Ownership Programme, which started in 1974, is arguably the most successful government programme established to assist first Australians. It has provided around 15,800 home loans for first Australians from regional and urban areas to successfully purchase and retain their own homes. This has made a substantial difference to individual families' circumstances, lifting them out of poverty and giving them a capital gain. Indigenous Business Australia (IBA) estimates that the programme has generated \$1.9 billion in wealth to first Australians who own or are purchasing their own home.¹⁷³

For all Australians owning a home creates a strong incentive for long-term employment. Children of first Australian homeowners are more likely to attend school, have a job themselves and want to own their own home.

IBA gives loans to first Australians who are not able to get a loan from a bank. Very few could enter a regional or urban housing market or get a loan from a normal bank even as an employed person without savings or a credit rating. Once IBA customers have built equity in their home and shown they can pay back a loan, most transfer their loan to a regular bank.

IBA has approved more than 16,000 home loans to first Australians. IBA is working with the major banks to get them involved in helping first Australians buy their own home. Over 30% of loans approved by IBA now include a part loan from a bank.



IBA was not always viewed by the community, or by me, in the same favourable light as it is today. While IBA is a very different organisation now, it suffers from an insufficient capital base to match its ability to increase wealth and reduce welfare dependency for a large number of first Australians through lending. The government needs to enable IBA to accept private capital and to sell off housing loans as they become marketable.

The proven success of the Home Ownership Programme in urban and regional areas continues to attract increasing numbers of aspiring first Australian homeowners from those areas. But the pool of funding is diminishing, without any increase in the number of loans to people from remote first Australian communities. In reality, the only home not at risk of overcrowding is a home that is owned. For remote people wanting to own their own home the choices are frustrating. The inaction of both state and territory governments and the Commonwealth Government, given its responsibility for administering the *Aboriginal Land Rights (Northern Territory) Act 1976*, stifles progress, as demonstrated in Chapter 8 of this report.

The funding available for people from remote communities is still too inflexible, because it remains for use only for homes purchased on Indigenous land. Allowing portability of this entitlement to other areas would be a real incentive to get and keep a job.

The Commonwealth Government should change the guidelines for the Home Ownership Programme to allow people from remote communities who move for work, and stick at a job, to keep their eligibility for remote community subsidised home loans, to be used for the purchase of a home in a non-remote area. There must be an increase in the level of funds available for this portability to benefit applicants from remote communities who relocate for work. Branding these as 'first Australian employment home loans' would make it clear that the government has provided the subsidy to support those who are prepared to back themselves into self-reliance.

Redirecting some of the remote housing funding to home loans will correct the current imbalance that draws first Australians to, and holds them in, remote communities without alternative options.



Recommendation 17: Housing

That the Commonwealth, state and territory governments work together to put in place housing delivery mechanisms to support and encourage workforce participation, optimise transition and mobility to work, and remove disincentives and impediments to taking up work.

This would involve reforming land tenure arrangements, increasing mobility assistance, and prioritising housing and home ownership for those in work.

This will be achieved by taking the following implementation steps:

17.1 Commonwealth Government:

- 17.1.1 building on existing mobility programmes by making accommodation part of a support package for people relocating from remote communities to take up jobs that includes access to secure accommodation in town; brokered assistance such as bonds and rent advances for the private rental market; and case management for families including financial management support and assistance with accessing schools and health care
- 17.1.2 enabling Indigenous Business Australia to accept substantial private sector capital to increase the capital available for employment home loans for first Australians
- 17.1.3 enabling Indigenous Business Australia—once a portion of the first Australian employment home loan portfolio is performing to market expectations—to sell that portion into the commercial markets in order to recycle those funds to create more low-interest (initially) home loans for all first Australians, provided they have been employed for 12 months or more
- 17.1.4 having the Australian Treasury credit-enhance up to \$500 million (at a time) of first Australians' home mortgages. Indigenous Business Australia can then provide a credit enhancement to its loan portfolio by way of a partially guaranteed loan book, which will allow it to borrow funds at competitive prices from the banks
- 17.1.5 redirecting remote housing funding to increase first Australian employment home loans administered through Indigenous Business Australia with generous deposit assistance for first Australians who relocate from the remote areas to better labour markets for work and retain a job for at least 12 months
- 17.1.6 deducting rent on a compulsory basis from income support entitlements for social housing managed by the states and territories, and ensuring that the money is used to subsidise rent for people who move to take up employment and pursue a career. Rents should be set at 80% of market rates or at least cover the cost of the asset.



17.2 State and territory governments:

- 17.2.1 giving existing social housing tenants on activity-tested payments an incentive to relocate to better labour markets to take up jobs a preference to a rental house at the location of the job. After one year of employment this would trigger a purchase option
- 17.2.2 continuing eligibility for public housing for those who take up and retain work for up to 30 months while they transition to the private rental market or home ownership
- 17.2.3 giving priority in the allocation of social housing to families in employment and meeting social obligations, such as their children regularly attending school, over those who are capable of working but choose not to
- 17.2.4 ensuring that all public and social housing tenants on activity-tested payments pay rent at a comparable market rate (not less than 80% of the private market rate in a comparable location), up to a reasonable cap, with an appropriate transition period
- 17.2.5 publicly reporting on the implementation of these new arrangements on the CreatingParity website, including providing annual data on rents charged compared to rents collected and the rent default rate to ensure social housing is not a welfare trap.



Chapter 7: Building employer demand





What success looks like

- All businesses employ first Australians at around parity.
- Australian top 100 companies and Commonwealth, state and territory government departments (as model employers) have 4% first Australians in their workforce.
- There is a proliferation of profitable small to medium-sized businesses that employ a minimum of 60% first Australians, with at least 10% from remote areas and 40% from disadvantaged backgrounds.
- Employers rank Indigenous employees as equal to all other employees in skills and contribution.
- There is parity in employment outcomes between first Australian and Australian people.

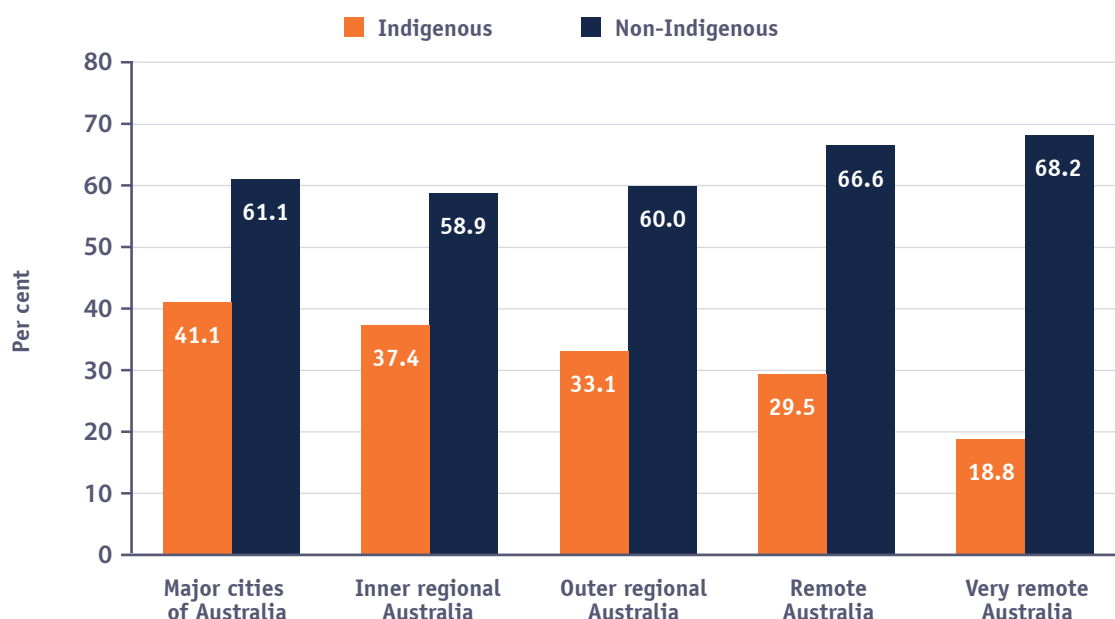
The fifth spoke of the wheel is the need to generate employer demand. As the capability of the new entrants to the workforce is developed, employers will be able to tap into a supply of skilled workers. I don't just want to halve the disparity in employment; I, like all Australians, want to see it ended. The actual number of first Australians in paid jobs in 2012–13 was only 178,000. By 2018, we need to get another 188,000 first Australians into jobs—an increase of more than 100% on the current pool of working first Australians.

Large businesses employ approximately 31% of Australians.¹⁷⁴ The top 100 companies in Australia employ a significant proportion of that 31%, with diverse job opportunities, particularly in retail, mining, energy, construction, banking and related services.

Figure 14 shows that the employment gap, outside of the strong contribution made by the mining industry, is a private sector gap. The very low incidence of private sector employment for first Australians in remote and very remote areas by the non-mining industry is stark. In contrast, for other Australians the private sector employment rate is higher in remote areas than it is in regional areas or the major cities. In very remote areas the proportion of first Australians aged 15–64 who had a private sector job in 2011 was less than 19%.



Figure 14: Private sector employment rates for Indigenous and non-Indigenous people aged 15–64 (excluding Community Development Employment Projects) by remoteness area, 2011



Source: ABS 2011, *Census of Population and Housing, 2011*.

Across the country, employers have told us that they are willing to step up and provide opportunities to first Australians, but they need help to do it. Part of the problem is that employing unskilled, often long-term unemployed first Australians takes time, resources and persistence. It also requires investment by employers to make sure the workplace is a place that first Australians want to work in (for example, with cultural awareness training).

The success of the Australian Employment Covenant programme clearly shows that demand for first Australian employees continues to grow across all employers: around 18,000 of the 60,000 job commitments have been filled.¹⁷⁵ Yet the same employers express strong frustration at the inability of:

- the employment services providers to deliver them job-ready job seekers
- the training system to provide on-the job and off-the-job training directly linked to a job
- the education system to produce school leavers with the skills required to succeed in the workplace
- the welfare system to give job seekers clear incentives to take up and stay in work.

Employers consistently report that the current system of support provided by government is complex and frustrating, full of unwarranted red tape and does not meet the specific circumstances of their business.

Funding needs to be flexible and responsive to employers' diverse needs and focus on markets where there are jobs. What works in one industry or for one employer may not be effective in another.



Each company uses different networks and recruitment strategies to identify and attract talent. Accordingly, the pathways into work need to be strengthened, particularly for the large young population of first Australians.

Australian Employment Covenant

The Australian Employment Covenant, a GenerationOne-led programme, was established in 2008 to create the demand for 50,000 jobs for first Australians. The initiative has led to over 60,000 jobs being committed by nearly 350 companies and some 18,000 jobs being filled by first Australians.

Under the programme, the company's board of directors commit their company to the following legally binding obligations:¹⁷⁶

- commit a specified number of jobs (available jobs) to first Australian job seekers who satisfactorily complete training in accordance with the employer's training specifications
- assign first Australian participants who are employed upon completion of training with a one-on-one workplace mentor
- ensure that workplace culture and practices are supportive of the recruitment, retention and development of first Australian employees
- ensure that workplace practices and terms of employment are non-discriminatory of first Australian employees
- raise awareness of its participation in the programme within the workplace and assign responsibilities to management and individual employees to ensure compliance with the employer commitments set out in the covenant.

Indigenous Employment Programme

The Indigenous Employment Programme is the only demand-driven Commonwealth Government employment programme providing tailored support to employers to recruit and retain first Australian employees. Over the years, the employment outcome rate for the programme has consistently been about 55% better than the employment outcome rate for the mainstream employment services. Contracts are tailored to the specific needs of employers and training and support services are structured accordingly. It is not a supply model. It focuses on the strengths, rather than the disadvantages, of the job seeker.

Employers like the flexibility of the programme, but noted they had lost confidence in it recently due to:

- the uncertainty of access to funding
- lengthy approval processes and ever increasing administrative requirements



- the introduction of the needlessly restrictive school-based traineeships programme (the Indigenous Youth Career Pathways programme), which has come at the cost of outcomes. We see our School Based and Full Time Traineeship programs as the bedrock of our efforts to increase employment participation by Aboriginal and Torres Strait Islanders in ANZ. The vocational nature of the training addresses provides participants with real skills in real roles and a direct pathway into a role and a career at the end of the program.¹⁷⁷

It is also clear that employers want to learn from each other about successful models across industry and are prepared to be accountable for increasing first Australian employment. What they ask in return is for governments to provide support that meets individual company needs, rewards success and eliminates needless administration and duplication.

Employers have a genuine commitment to taking a mix of job seekers, including the most disadvantaged. Employers told us they need the assistance of Vocational Training and Employment Centres and other demand-driven services to work with them to make sure the most disadvantaged job seekers are competitive and job-ready.

The bulk of funding paid under the Indigenous Employment Programme should be on the achievement of 26-week outcomes. Again, pay on results not process.

Using Commonwealth procurement to create demand for first Australian business

Both as employers and as major purchasers of goods and services, governments can drive market behaviour and create demand for first Australian employment and business.

Other countries such as the United States and Canada have used government procurement to stimulate their minority or aboriginal business sectors for decades. The US Government has a procurement target of 23% of all procurement from small business, with a sub-target of 5% from disadvantaged small businesses (which includes minority-owned businesses).¹⁷⁸ A similar policy applies in Canada, where aboriginal businesses are growing at five times the rate of other businesses thanks to government procurement policies.¹⁷⁹ The NANA Corporation, for example, is owned by aboriginal people in Alaska and has grown from small beginnings to a turnover of more than \$1 billion. The company is competitive without government subsidy. Its success is based on government procurement alone through the US Government's aboriginal exemption policies.



Fortescue Metals Group Ltd—a billion opportunities

Recognising that an economic hand-up is always better than a hand-out, in December 2011, Fortescue Metals Group developed a programme to award \$1 billion worth of contracts to First Australian businesses within two years, to create sustainable economic futures for first Australians through employment and the active stimulation of first Australian businesses.

Giving individual managers direct accountability to the CEO to deliver these contracted levels drove Fortescue to achieve the target in July 2013. It has now awarded 156 contracts and subcontracts totalling \$1.53 billion to more than 50 small and large first Australian businesses and joint ventures.

More than 80% of the \$1.53 billion has been awarded to businesses with a first Australian ownership of 50% or more. Fortescue's approach drives outcomes by including a requirement for tenderers to provide first Australian engagement strategies that identify measurable Indigenous employment and supplier targets in their tender documents. The successful contractor's performance is monitored regularly as part of Fortescue's active contract management processes. All contractors are well aware of Fortescue's commitment to Indigenous engagement, and failure to meet their contractual obligations affects their prospects of doing business with Fortescue in the future.

Incentives delivered through the tax system have been used effectively overseas. For example, in the United States, the New Market Tax Credit Program offers individuals and businesses a tax credit of 39% over seven years for investing in community development organisations in low-income areas. US companies can also claim a 6.2% tax incentive (the cost of Social Security taxes) for hiring unemployed job seekers and get a bonus payment if they retain them for 12 months.

Government and private sector procurement is a major lever to drive both first Australian employment and the growth of first Australian firms as suppliers. The experience of the mining sector in Western Australia highlights the power and importance of using procurement effectively. It is a strong motivator for private sector contractors to offer opportunities to first Australian employees and businesses.

To date, government procurement has not been effective in driving first Australian employment. The policies have enabled contractors to pay lip service to their contractual obligations, often because of loose 'best endeavours' clauses. Penalties or other ramifications for non-delivery are rare. In contrast, contractors have shown great flexibility and adaptability to employ first Australians when there is a contract at stake. Again, driving accountability gets real results.



The Indigenous Opportunities Policy (IOP) (which aims to provide more opportunities for first Australians and businesses through government procurement) and the introduction of an exemption in the Commonwealth Procurement Rules for Indigenous businesses held great promise but failed to deliver meaningful results. Indigenous Business Australia estimated that in 2012–13, only a handful of first Australian businesses secured 0.02% of the overall Australian Government spend (around \$6.2 million of the \$39 billion spent).¹⁸⁰ These policies, while well intentioned, lacked any kind of accountability, sanctions or incentives to compel agencies or their contracted suppliers to comply. First Australians and businesses, community organisations and major contractors have all expressed their frustration with how these policies are applied.

Currently, the government's policy encouraging companies to follow the IOP in tendering for government contracts does not extend to recognising this practice in final contracts (requirements are in tender documents only) and there seems to be a lack of consistent performance evaluation against any IOP criteria.¹⁸¹

However, clear contractual requirements that hold chief executive officers accountable to deliver will change this. Commonwealth tender documents need to clearly outline expectations and apply serious weighting to first Australian criteria if they are to be taken seriously. Commitments and quantifiable conditions need to flow through contracts, with sanctions, contractual penalties and transparent reporting applied. Portfolios must report on meeting their procurement targets in quarterly (on the CreatingParity website) and annual reports.

The Federal government could achieve significant success in increasing Indigenous business activity and its resulting Indigenous employment outcomes if it were to strengthen the monitoring, introductions of targeted spend for Departments and enforcement of the IOP and Exemption.¹⁸²

Growing demand through government

The government cannot expect the private sector to do all the heavy lifting. While the most serious inroads into employment disadvantage will be in the private sector, the government must do its share. Almost two million Australians are employed in the public sector, and the Commonwealth alone employs approximately 250,000 people,¹⁸³ and purchases over \$39 billion in goods and services annually.¹⁸⁴

State and territory governments, given their relatively large workforces and responsibilities for roads, infrastructure, housing, hospitals, schools and other essential services, also need to play their part.

Both as employers and as major purchasers of goods and services, governments can drive market behaviour and create demand for first Australian employment and business.

In 2009, all Australian governments (except Tasmania) committed to increase their first Australian workforces by 2015, to reflect the proportion of the first Australian population at that time. The National Partnership Agreement on Indigenous Economic Participation set an overall target of 2.6% across the public sector, with individual state and territory targets agreed (see Table 1). As the first Australian population grows, governments must continue to be ambitious and lead the way on first Australian recruitment and retention. The old targets are insufficient and cannot be retained if governments are to truly reflect the first Australian population share (which is now at 3%).¹⁸⁵



Table 1: Current targets and outcomes for public sector first Australian employment, first Australian population share and public sector workforce across jurisdictions

Jurisdiction	Target (%)	First Australian representation in government workforce (%)	First Australian population share (%)	Government workforce	Gap to meet target
ACT	1.2	1.1	1.7	25,500	26
NSW	2.6	2.7	2.9	451,700	0
NT	10.0	8.2	29.8	25,200	454
QLD	2.6	2.1	4.2	289,700	1,449
SA	2.0	1.6	2.3	113,700	455
VIC	1.0	0.3	0.9	332,700	2,329
WA	3.2	3.0	3.8	172,200	344
TAS	–	Not available	4.7	39,500	–
Commonwealth	2.7	2.2	3.0	248,500	1,243

Source: ABS 2013, *Employment and earnings, public sector, Australia, 2012–13*, cat. no. 6248.0.55.002.

Given the sluggish pace to date, we need a shock to the system to get traction and momentum. Ministers need to be accountable and their agency heads contractually accountable to deliver on results with transparent reporting of progress towards the required contracted levels with full parliamentary and public scrutiny. They should also take on the same leadership requirements found in the Australian Employment Covenant commitments and be personally accountable to mentor a first Australian in the workplace.¹⁸⁶

There will be claims of insufficient qualified first Australians to meet merit-based recruitment in the public sector. Frankly this just doesn't cut it. Just as the private sector has to step up and recruit, retain and develop staff, the public sector has to do the same. There are a couple of key private sector practices that the public sector could adopt to enhance its capacity. These include chief executives having personal accountability to deliver on contractual requirements and better capacity to deal effectively with non-performing staff. There is also a need to set an annual target to ensure the overall four-year target is met. How many times have we heard the pathetic reasons given by the public sector for delaying real action until it's too late to achieve the target? This has got to stop. Real accountability must be driven by having transparent reporting and key performance indicators to employ first Australians written into the employment contracts of every agency and department head.

Circumstances in remote Australia are unique and complex and require a different approach to building demand and capability, supporting mobility and delivering welfare. These are the subject of the next chapter.



Recommendation 18: Government procurement

That the Commonwealth Government purchase at least 4% of its goods and services within four years (either directly or through subcontractors) from first Australian businesses (with a minimum of 25% Indigenous ownership) and in particular from the new first Australian commercial enterprises once they are established.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 18.1 setting the required level of 4% over four years, with an annual increase of 1 percentage point to achieve an overall 4% increase over four years in purchasing goods and services from first Australian businesses. The rate of, and achievement made towards, the targets must be published in agencies' annual reports and be monitored quarterly on the CreatingParity website
- 18.2 holding portfolio ministers and each department and agency accountable for meeting portfolio procurement levels and milestones towards them, with requirements set out in department and agency heads' employment contracts
- 18.3 requiring bidders for government tenders to detail a first Australian engagement strategy that sets out their approach to delivering the required level for first Australian employment and purchasing from first Australian firms
- 18.4 setting the level of first Australian employees in successful contracting companies in non-remote areas to the public sector level in the jurisdiction where they are based (at a minimum) to be consistent with either the underlying first Australian population in that jurisdiction or 4% (whichever is higher at the time of tendering to government); and in remote areas setting the level at the greater of at least 20% or the first Australian population of that region
- 18.5 including in criteria for all tenders a substantial weighting in assessment where companies with a first Australian workforce consistent with the underlying first Australian population in that jurisdiction or 4% (whichever is higher) receive the maximum score against that criterion
- 18.6 capturing required levels of first Australian employment in contracts and enforcing them. Failure to meet contractual obligations should affect the awarding of any future government contracts to the company
- 18.7 defining first Australian firms that qualify for preferential Commonwealth procurement policies as those that have 25% or more first Australian ownership and management and can demonstrate significant first Australian employment outcomes.



Recommendation 19: Top 200 employers

That the Commonwealth Government provide the top 200 companies in Australia and those with a strong track record of first Australian employment, with tailored contracts to increase the proportion of first Australians among their employees.

Best practice would be 4% over four years, but with a minimum requirement of 4% over five years. More time should be provided to achieve 4% first Australian employment for those organisations that have a significant proportion of very highly skilled or professional positions for which there are currently insufficient qualified first Australians.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 19.1 establishing a 'Corporate Leaders Group' to share best practice across employers and industries
- 19.2 issuing invitations to the largest companies and those with a strong commitment and track record in first Australian employment, to participate in the Corporate Leaders Group
- 19.3 negotiating individually tailored contracts with these companies that provide for payments rewarding retention of employees at 26 weeks and that require overall growth in their first Australian workforce to be reported in their annual reports and monitored quarterly on the CreatingParity website
- 19.4 supporting these employers to take the most disadvantaged job seekers by having effective demand-driven employment services like Vocational Training and Employment Centres working with employers
- 19.5 publicly celebrating the successes of this group with the involvement of the Prime Minister at an event and as companies sign up to the group.

Recommendation 20: Support for employers

That the Commonwealth Government ensure the Indigenous Employment Programme funds training only when there is a guarantee of an ongoing job and has the flexibility to package support according to employers' needs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 20.1 removing the unnecessary limitations on school-based traineeships
- 20.2 funding initiatives with proven success—particularly for connecting disadvantaged groups (such as pre-release prisoners and disengaged young people) with jobs
- 20.3 broadening eligibility for cadetships to include para-professional opportunities—for example, bookkeeping, retail, and some engineering and construction industry jobs
- 20.4 requiring the Indigenous Employment Programme to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website

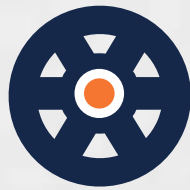


Recommendation 21: Public sector employment

That the Commonwealth, state and territory governments each set and enforce public sector first Australian employment targets of 4% within four years for each portfolio with a minimum of 4% within five years, but with no individual portfolio with less than 3%.

This will be achieved by Commonwealth, state and territory governments taking the following implementation steps:

- 21.1 holding department and agency heads accountable for meeting the target and milestones towards it
- 21.2 requiring that progress towards the target be published in agencies' annual reports and be monitored quarterly on the CreatingParity website
- 21.3 increasing the number of offers of cadetships to first Australian university students and ensuring there is a guaranteed job at graduation.



The Forrest Review

In every state and territory there are suburbs in large prosperous cities where intergenerational welfare is endemic and people are disengaged from work and education. For this reason, I suggest the key changes should have national application.

Andrew Forrest



Chapter 8: Empowering people in remote communities to end the disparity themselves





What success looks like

- Remote communities are safe, vibrant and positive environments and local people and community members are able to orbit to larger town centres to take up work.
- People can take pride in owning their own home in remote communities.
- Indigenous communities have a vibrant range of businesses that people can start in their own towns through owning their own home and drawing down equity on that home.
- Decisions are made by local people that maintain high standards in the community, relevant, necessary services are offered, and sustainable, ethical businesses are well established in the community.
- Leaders have a proven record in honesty and competence and have cultural authority, so they have the support of government to build positive and safe local environments.
- There is a standard of living parity in basic health and parity in standards between remote homes and urbanised homes.

Comprising the sixth spoke of the wheel are measures to empower people in remote communities to manage and end the disparity themselves. More than 143,000 first Australians live in remote and very remote communities in Australia.¹⁸⁷ Despite the chronic need, substantial investment, a resources boom and significant media and public focus, there has been almost no improvement in rates of employment, welfare dependency and educational outcomes in remote Australia in the last 10 years.

Many local leaders told us that the root of this failure is ‘sit-down money’—the payment of welfare where the obligation to seek work in return for payment is not enforced. It leaves people idle and bored with time on their hands. It means they have the time, and money, to buy drugs and alcohol, and so lose interest in work and study.

Alcohol and drugs are ravaging remote first Australian communities. The health impacts are shocking. Alcohol is a major factor in liver disease, pancreatitis, diabetes and some types of cancer. It is also a frequent contributor to motor vehicle accidents, falls, burns and suicides. It is also linked to mental health and other drug issues and has the potential to lead to antisocial behaviour, violent assault, imprisonment recidivism and family breakdown. Mothers who have consumed excess alcohol during pregnancy may have babies born with foetal alcohol spectrum disorder.

The impacts of excessive alcohol on first Australians are very significant. Indigenous male prisoners are 2.5 times more likely to have used alcohol at the time of arrest or offence than other adult male prisoners. First Australians who are unemployed are more likely to binge drink than those who are employed. First Australian men die from alcohol-related causes at five times the rate of other men, and first Australian women die from causes related to alcohol at eight times the rate of other women. For a proud people with, historically, a very strong work ethic, this is devastating. So many older Indigenous people worked hard in industries such as the pastoral sector, or moved, often far away from home, to take up work in cities or regional towns.



Every Australian has the right to choose where they live, but not to disregard the law of the land or accepted social norms wherever they live. The accepted social norms for families and communities all across Australia are that children go to school, adults go to work or are meaningfully engaged, and residents feel safe and secure in their homes and neighbourhoods. And yet the Elders tell us these norms are disregarded in many communities. Their strong view is that unless people receiving welfare are required to comply with their obligations and penalised if they don't, then nothing will change.

For all able working-age Australians, employment is the key to taking control of their future and providing for their families. It is no different for first Australians in remote communities. Vastly fewer jobs opportunities are available in remote communities than in bigger labour markets that have strong regional economies. However, there are always some local jobs, although they are frequently filled by people from outside the community, while local people remain unemployed.

Measures in this chapter complement the measures recommended in the preceding chapters. Tax incentives, changes to social housing policy, and increased home ownership and mobility support are strong incentives for those job seekers from the 2,000 or so remote Indigenous communities across Australia who choose to relocate to better labour markets to take up work. I don't expect everyone to move from their community unless there is a strong proposal for a better life. We need to be helping those who want to move and build independence for themselves and their families in areas where there are jobs and economic opportunities. We also need to make sure the housing and welfare systems do not trap people in remote communities.

For most Australians, economic wealth and security are generated through home ownership or business development and investment. The ability to purchase and use available land for home ownership and business is the key to prosperity and empowerment. Most people work hard to earn the financial capacity to own these assets so that they can support themselves and their families. Current arrangements do not enable this to happen in most remote communities.

Many first Australians are land rich but live in poverty. Over 20% of Australia is now Indigenous-owned under various land rights regimes, or exclusively controlled under native title, but it generates very little economic wealth or independence for the traditional land owners.

There is an urgent need to apply every available government and community lever if first Australians from remote communities are to get the employment, economic development and home ownership opportunities they need to manage their own destinies. This means action is needed to ensure that:

- local people are employed in local jobs
- sustainable economic development opportunities are identified and available for local people
- every able-bodied working-age adult who is not in employment or caring for children is participating in meaningful activity in a work-like environment
- attractive mobility packages are available for local people who are prepared to move to another location for work, including home ownership opportunities through low-cost loans and coverage of other settling-in costs such as private rental bonds and return home visits
- perverse incentives in the welfare and social housing system, which effectively rob people of the will to step up into employment, are removed (see Chapters 4 and 6 of this report)



- decisions on job seeker compliance are made locally by the provider and enforced on a no-excuses basis
- the capacity of Remote Jobs and Communities Programme (RJCP) providers is rigorously assessed to determine whether they are capable of making the changes needed
- RJCP providers are rebadged to operate as Job Centres that deliver the role of an integrated local 'job shop'
- an appeal mechanism is in place so that job seekers can be assured that compliance decisions are fair and reasonable, through a structure similar to the Family Responsibilities Commission in Cape York
- people in remote communities can purchase their own home and raise finance on land to create a business.

The strongest community lever is effective local leaders who model the behaviours and social norms they expect to see across the community. None of this will work effectively without fundamental change at the community level. Many times during the review local people told us that they understood the importance to the future of their communities for adults to be in work and kids to go to school. They told us they are ready to take on the challenges, the spot audits and the accountability to deliver real results. It is time to shift from the overwhelming influence of government in the everyday lives of remote first Australians and put power and decision making into the hands of strong, sober local leaders who have the cultural authority, the willingness and the drive to implement change.

Leaders and Elders told us they would back government to make these changes, and in return would expect governments to back them. These must be empowered leaders who are not afraid to encourage their children take up opportunities for work and education outside the community because they understand that in the long term this will make for a more mobile, vibrant community back home.

Empowering local leaders is not a new concept. The real change in the last 10 years has been the leadership from Indigenous people themselves in implementing new approaches. There is now a stronger voice coming from first Australian leaders to stop the pervasive influence of welfare, move to set clear expectations of community-level change and provide incentives for self-reliance.

They want to lead the decisions about services to their community and how they should be delivered, starting with leaders who have the cultural authority to make it work.



What we heard

- Sit-down money is no good for anyone, and in remote first Australian communities it is devastating.
 - In remote first Australian communities accepted social norms are lacking and it is commonplace for children not to go to school, for adults not to work, and for law and order to be diminished to the point where many communities are not safe places.
 - Young people often leave apprenticeships and return to welfare to avoid 'humbugging' (the practice involving harassment by others to force family members to share their earnings). They found that even after a whole week of work, if they were 'humbugged' they were financially worse off than being on welfare.
 - Leaders in many places gravely fear for their children as harder drugs, like methamphetamines, with higher cash margins are now appearing. Biekie gangs are infiltrating their communities to sell the drugs. Young people with access to cash often become addicted to the substances and commonly threaten suicide if parents try to take action to control the drug intake.
 - The way social housing is implemented stops people from moving into employment because they are afraid they will lose their eligibility for a house as a result of their increased income.
 - There is a strong push for creation of employment and business through housing construction and maintenance projects in remote locations.
 - Local people want to be able own their own home and raise finance to start a business in their remote community but can't because of the land tenure.
 - Broader behaviour change requires strong leadership from within the community, with an increased level of local authority and autonomy.
 - Governments must back respected leaders with strong cultural authority.
 - Local capacity needs to be built for coordinated service delivery, with reduced red tape.
 - Workers and employers need to be supported to balance employment and cultural obligations.
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Key facts

- In remote areas, 82% of first Australian 15- to 24-year-olds are not engaged in either education or work, compared to 22% of other 15- to 24-year-olds in the same areas.¹⁸⁸
 - In very remote areas of the Northern Territory, only 25% of first Australian students attend school 80% or more of the time compared to 82% of other students in the same areas. At least 80% attendance is needed for students to learn effectively.¹⁸⁹
 - In the Northern Territory in Term 3 2013, the preschool attendance rate for first Australian students was 57% compared to 87% for other students.¹⁹⁰
 - The rate of foetal alcohol spectrum disorder may be as high as one in every four births in remote areas.¹⁹¹
 - In the Northern Territory, first Australian children are eight times more likely to be the subject of substantiated child abuse and neglect than other children.¹⁹²
 - Only 35% of first Australians in remote areas are employed in real jobs, compared to 83% of other people in the same areas.¹⁹³
 - Women in the Northern Territory are 80 times more likely to be hospitalised for assault than other women.
-

Employment services in remote communities

In remote areas, the failure of government-funded employment programmes to ensure first Australians are employed is most stark. Decades of ineffective supply-driven, well-intentioned employment programmes that have delivered 'training to nowhere' have failed remote communities and contributed to the ongoing exclusion of first Australians from employment opportunities. The Community Development and Employment Projects programme, which substituted income support for wages, became a destination rather than a transition point for capable adults; it has attained low rates of movement into employment and limited retention.¹⁹⁴

Every community has some jobs available, but most of the jobs supplied by the market are in regional areas, towns and cities. Local jobs can and need to be filled by local people. Currently, over 80% of other Australians in remote and very remote Australia are employed, compared with only 35% employment for first Australian remote and very remote residents.¹⁹⁵ These percentages indicate that other people with low-level qualifications are still more than twice as likely to be employed in remote areas compared with first Australians. It also suggests that other workers are taking unskilled job opportunities in remote communities.

It is widely recognised that in many remote communities there are more job seekers than available jobs. However a number of those existing jobs are held by non-Aboriginal people with specialist skills from outside of those communities. It is essential that any labour market program aimed at remote communities identifies local existing or emerging job opportunities and works with Registered Training Organisations and Job Service Providers to develop targeted training and skills development programs to build up people's skills to match the employment opportunities.¹⁹⁶



In 2013, the Remote Jobs and Communities Programme was introduced in remote areas of Australia. It drew together the previous programmes of Job Services Australia, Disability Employment Services and Community Development and Employment Projects into a new remote service-delivery model. While communities and providers support some components, including communities steering service provision and the requirement for a local presence, there are problems:

- Like JSA, RJCP has poor engagement with employers, perpetuates training for training's sake, has incentives that are skewed to inputs rather than outcomes, is complex and administratively burdensome, and is not getting people into jobs or keeping people active in gainful activities.
- Employers have to negotiate with several providers to secure local workers for major projects.
- RJCP funding provides even more revenue certainty for providers than JSA. We should pay the bulk of funding on 26-week outcomes achieved, not for process.
- Job seeker compliance arrangements are not timely and often providers and Centrelink do not adequately enforce mutual obligation, which communities see as a return to sit-down money.

Providers need to support job seekers to access employment opportunities in stronger labour markets. A mobility support package, linked to the housing initiatives outlined in the Chapter 6, would facilitate orbiting arrangements that encourage a move to a labour market with better job prospects while allowing people to return to their home communities and traditional country at regular intervals. RJCP needs to be changed to a demand-driven Jobs Centre.

Myuma Group—an exception in the group

The Myuma Group in north-west Queensland is an RJCP provider that runs a demand-driven pre-vocational training programme (the Dugalunji Prevocational Training Program) that provides first Australian participants with intensive, holistic pre-employment training. The programme builds foundational skills and improves self-confidence and workplace-readiness while helping participants to overcome personal barriers to employment.

All participants are sponsored by employers to complete the required training. Employers select participants, commit financial and in-kind support to subsidise training, and guarantee employment upon graduation. Participants complete Certificate II level accredited training, including wraparound literacy and numeracy support and tuition, work-readiness coaching and cultural education.

Dugalunji programme participants live away from community and family distractions in a secure drug- and alcohol-free environment. They are bound by a code of conduct while in the programme, which includes the need to pass repeat drug and alcohol tests before they can graduate. The programme runs for 10 to 13 weeks to give participants time to adjust to a working lifestyle.

Participants are considered employed while in the programme and are paid a training wage to help them acclimatise to employment, pay off debts and save for rental bonds and other future expenses.

The programme has achieved high employment retention levels—approaching 90% after six months.



Keeping people active and engaged

Idle hands and a lack of the dignity that work brings have contributed to the dysfunction of many remote communities. Compounding the pernicious effects of welfare, remote Australia is now an easy target for those peddling drugs, illegally sold alcohol and gambling. Full-time Work for the Dole activities from day one of unemployment will keep people active.

There are some areas of remote Australia where some people still live largely traditional hunter-gatherer lifestyles. Some of these people would like to make the transition to paid jobs, but lack the skills and capabilities that employers need in a workplace. Here engagement is the first hurdle. Using activities like Working on Country projects that interest this group and incorporating basic skills development such as literacy and work routines will more effectively engage them to achieve work-readiness. In remote Australia, quality work-like activities and RJCP providers can help people from very traditional backgrounds to find work in the mainstream economy.

This should not be mistaken as calling for a reinvigoration of Community Development and Employment Projects. Rather, activities should be linked with future job possibilities that also have cultural appeal. Land management, child care, cattle mustering, mine-site rehabilitation and food production are all examples of work experience activities that are likely to engage more traditional Indigenous people in seeking employment, while still providing relevant skills that the market values. Activities should target areas of market need, but where there is a market failure due to costs and barriers to entry, social enterprises or intermediate labour markets should be supported to deliver these activities. This will add a commercial imperative to activities, while benefiting the community and developing workplace skills for remote area job seekers.

This new approach should be flexible enough to do what it takes to get individuals active, ready for the world of work, mobile for work and supported in jobs. Many young first Australians have never worked or had role models that did. Some people may need to experience the world of work away from the distractions of community life with the support to stick at a job. In Cape York, they approached this with the Boys from the Bush programme. Local providers need flexibility in funding to innovate in this way.



Boys from the Bush

Boys from the Bush was an independent not-for-profit programme that provided entry-level employment pathways for disengaged young people in Cape York communities. Participants were generally in their teens with severe barriers to employment, such as substance abuse, extreme disengagement and seriously challenging behaviours.

The programme aimed to demonstrate that changes in environment can effect a change in behaviour. Participants moved from their communities into positive social and work environments. Young people were supported as they developed work skills, social skills and domestic care and financial management techniques.

Boys from the Bush had success in a number of projects:

- Eucalyptus and melaleuca oil production, a bush oils social enterprise, was used as an initial work placement. Small groups of four to six young people collected eucalyptus leaves in the bush (for relatively short periods) and then worked on the oil production and sale of the bush oil products.
- Fruit and vegetable picking and packing work placements were used to allow young people to gain further workplace skills. Small groups of four to six were placed in fruit picking and packing jobs in South Australia or the Northern Territory (for one to six months). Participants were expected to earn to provide for the cost of returning home (if they returned before the project was completed).
- Meat processing work placements also provided the next step for young people when they were ready to prepare for long-term employment through a more demanding and highly structured work placement. Participants were placed in large assembly or processing companies in Victoria. Placements were from six months to one year. Some previous participants were continuously employed by their meat processing employers for three years.

The Cape York Institute says that behavioural changes had led to drug and alcohol abuse and self-harming behaviour, in all but one case, ceasing. There were good employment outcomes and improvements in the overall physical and mental health of participants; and all participants managed to save a substantial amount of their earnings, with several managing to buy themselves a vehicle.

Distancing participants from their typical welfare-dependent lives and the influence of state organisations also limits distractions. One 17-year-old programme participant from Mossman Gorge stated: 'You can't stop the drinking here, it's too strong. If you want to stop, others will force you into it. You can't say no, they will make you. If you don't drink with them they will think bad of you. The only way to stop is to get out of this place.'



Empowered communities leading the way

Leaders from eight regions, five of them remote, have been working for some time now to improve life outcomes for their people, with a strong focus on restoring community norms and getting people into work. The recent emergence of this group as the Empowered Communities group—which is working together to design a new approach, with the backing of some of Australia’s most influential corporate leaders such as Westpac, KPMG, Allens and Ernst & Young—could show a way for others. For example:

- In Cape York Peninsula, the Cape York Welfare Reform and the Family Responsibilities Commission have had success in restoring social norms in communities.
- In the East Kimberley area, Wunan’s work through the Living Change initiative, with its focus on employment and the provision of transitional housing, is community-led with a panel of local leaders driving change.
- In northern New South Wales, Darkinjung Land Council provides opportunities for first Australians to enter the home ownership market with affordable housing and employment and enterprise development opportunities.
- In Shepparton, Victoria, Ganbina and an employment programme for young people, supported by the Kaiela Institute, are part of a broader programme working towards restoring social norms.
- The Ngaanyatjatjarra Pitjantjatjarra Yangkutjatjarra Women’s Council, working across central Australia, teaches and preserves women’s law and authority, and delivers range of services ‘from cradle to grave’ to help people lead healthy and productive lives.

Backing local leaders to get local people into work

Empowering first Australians through education and work has been the driver for the recommendations in this report.

In remote first Australian communities local leaders with cultural authority must be empowered to steer the design and implementation of the broader changes I propose in the report, to create parity in employment for first Australians. Critical to success and changing attitudes is that sober, respected first Australian leaders give their full support and authority to the changes, and take responsibility for driving real change in their communities.

The new arrangements should be spearheaded by groups of respected Elders, which should be known as the Local Responsibilities Boards, with 50% of their membership being women. First Australian women bear the primary responsibility for the nurturing of children and families. They are far less likely than first Australian men to drink alcohol, use illicit drugs, be arrested, or be imprisoned. For these reasons, throughout the country they are usually the reliable community leaders, who deliver good outcomes to their communities. They have established community organisations, serve on the governance bodies of community organisations, and work in them, delivering essential health, housing and other services to their communities.



Women are also traditional land owners and custodians of sacred sites in their own right and wield traditional cultural authority and influence in their communities. They are more likely, given their responsibilities to families and communities, to administer penalties for breaches of the welfare system, failure to send children to school, failure of an able-bodied adult to work, and failure to maintain social norms by using the measures recommended in this report.

Opting in and earned autonomy

Communities should be able to choose to opt in to these new arrangements and be supported by government. In some locations there are already groups of leaders with cultural authority who are ready and willing to take up this challenge. In others, capacity will need to be grown.

A key attraction for communities that opt in will be earned autonomy. Local leaders will be empowered with more flexible decision making and allocation of resources. In return for increased accountability, there will be less frequent reporting requirements and longer, more flexible contracts. It is not intended that Local Responsibilities Boards take on the role of, or replace, local government structures.

The Local Responsibilities Boards would be charged with restoring social norms and be given power under Commonwealth legislation to set rules and enforce mutual obligations for income support—in particular, children attending school every day and compliance with job seeker obligations for capable adults.

This is not an easy role. It will be very new to local leaders, and potentially sensitive, and it will be essential that appropriate mentoring is provided. Retired magistrates or judges, who would be able to transfer the relevant knowledge and skills critical to making tough but fair decisions, would be highly appropriate as mentors to board members.

The boards must monitor local service delivery that supports the reinstatement of social norms, including government services and grants. Service delivery within the community should be consolidated, and integrated through credible local service organisations. The largest service providers, other than health and education providers, are likely to be the Remote Jobs and Communities Programme providers. They should form the rump of the new consolidated services and should be rebadged to be Job Centres in communities.

For maximum benefit, all levels of government—Commonwealth, state, territory and local government—must support the new model for it to work. The boards' authority to get people to work and send their children to school will need to be backed by all governments that fund services in the community to ensure the boards' ongoing effectiveness, credibility and respect.

Consolidating service delivery

Essential service delivery in remote first Australian communities has not been effective. Even when governments have talked the talk about tailoring to community needs, integrating service delivery and 'it's not a case of one size fits all', implementation has not matched the good intentions.

Governments run giant national or state-wide competitive tendering processes to select the best organisations to deliver services of every description across the nation. The tenders ensure contestability, probity and consistency, which are important preconditions, and in many locations they work. They have not worked, however, for remote first Australian communities.



Competitive tendering processes are likely to continue to deliver lowest common denominator outcomes for remote communities. The probity requirements of the tender do not allow genuine engagement with local first Australian authorities through the assessment and decision process. First Australian organisations that could rise to the challenge and perform well will continue to miss out. The standard and polish of their tender documentation will rarely be competitive with that of an experienced non-government organisation (NGO) with multiple business arms, and staff with a dedicated focus on winning government tenders.

While on paper the product may look good, in practice it frequently fails to connect with the real needs of local people. The essential mutual trust between a service provider and its clients is hard to achieve with a fly-in fly-out service or a big NGO or private provider that has no demonstrated relationship with the community. The disconnect leads to under-usage and poor service and fails to meet local needs.

You can drive out to a remote first Australian community like Kalumburu in Western Australia on any day and see up to seven planes on their little tarmac. Each plane has delivered a team providing some kind of service, but they're often overlapping and most likely uncoordinated with any other service delivered in this town of 467 people.

The bottom line is that remote communities become sinkholes for governments and government-funded NGOs because of the lack of coordination and inefficiency—and an even bigger sinkhole for taxpayers' money.

Often there are several providers delivering different services in a single remote location, with very little coordination of effort. Most remote regions are 'thin markets' for service delivery purposes, and when multiple providers are involved it can quickly overwhelm and confuse the small market population. Having a single local provider is more effective and efficient in a thin market as that provider can more easily form a holistic view of the market in which they need to match employers and job seekers.

The New South Wales Government is in the early stages of rolling out a management information and funding coordination system, a 'data hub', which establishes a register of human services funding agreements and datasets across state government agencies and NGOs for each local government area. The information will be accessible by the public and will identify the purpose and amount of existing funding, giving transparency to assess need, identify service gaps, reduce the duplication of funding and services, and ensure improved service coordination. The exercise has also helped bring to light some unnecessarily complex funding arrangements in smaller communities and for NGOs. Some NGOs have over 100 different state contracts to manage. Some of the smallest communities are overburdened with multiple funding agreements for basic services and spend a disproportionate amount of time on administration. Simplified funding arrangements and a consolidation of data, so that all stakeholders can more accurately determine need and impact, must be applied across Australia.

Previous approaches to service delivery by first Australian organisations did not work either. Local first Australian organisations were funded to deliver services they clearly lacked the capacity to deliver, without the required standards of probity, accountability and professionalism. They were funded simply because they were first Australian, and on the spot, without investment in building capability, effectively setting them up to fail.



There are lessons from both approaches that can inform the next steps to reform service delivery in remote communities. Governments must commit to engaging with and listening to local leadership groups and boards that have community and cultural authority over service delivery in their communities.

It is time to back and grow credible local first Australian organisations, but not in the old way. There can be no tolerance of incompetence. The high tolerance for ineptitude and illegal behaviour has already had a disastrous impact on first Australian lives and the cultures of their communities. Government must require the same high standards of implementation of government-funded services as for other statutory and non-government corporations. There must be strict contract conditions stipulating stern consequences for illegal behaviour, including automatic referral of offenders for police investigation.

I am recommending consolidating the delivery of services through local organisations, with links to the Local Responsibilities Board or a group of respected leaders with authority, and strongly backed up with support from experts to build capability, accountability and skills. A local organisation with strong links to the local board with statutory powers and community respect through cultural authority is more likely than an unknown NGO to hit the mark for the people who need to access services.

Integration of services through a single local organisation is essential for this model to work. Appropriate organisations will not be available from the start in every community that decides to opt in to the new governance arrangements. Expanded capability will have to be grown over time. In communities where Local Responsibilities Boards are not in place, government must still work with the community and service providers to reshape and redesign services to meet community needs and circumstances.

For local organisations to be successful and not repeat the mistakes of the past, a number of fundamentals need to be in place:

- Communities would have opted in to the new governance arrangements, and a board of respected leaders with cultural and community authority would be in place to direct the organisation and ensure services meet family and community needs (noting this could happen ahead of legislative change).
- Governments would need to consolidate services through the organisation, as quickly as possible. In some cases this would be a staged process as organisational capacity grows.
- Organisations would have to be accredited through normal arrangements.
- Performance and capacity requirements would be set and poor performance addressed immediately.
- While support mechanisms would be available to help organisations lift performance, ongoing poor performance would not be tolerated.
- Above-average performance would be rewarded with greater flexibility in how funds can be used and increased scope of decision making.



- Financial management and accountability would meet usual industry standards.
- Illegal behaviour would not be tolerated and accountability would flow all the way up to the minister if prosecutions were not undertaken.

In effect, the organisations would deliver services as mandated monopolies, under the direction of the board and with the backing of governments, as long as they operated legally, and effectively. They would focus primarily on getting people into work and providing services to them and their families to support that outcome. They would operate with Job Centres as the core. In addition to guidance from the board, the range and type of services available through the Job Centres would need to be determined through a sensible process, informed by what is available in regional and urban areas, and taking a realistic approach to remote locations and population size.

Recommendation 22: Remote Job Centres

That the Commonwealth Government replace and consolidate current Remote Jobs and Communities Programme services and other work preparation and literacy and numeracy programmes with demand-driven Job Centres, drawing on the Vocational Training and Employment Centre model, where training and support are provided to get people into guaranteed jobs.

This will be achieved by the Commonwealth Government taking the following implementation steps:

- 22.1 only funding training when it is fully recognised by employers and linked to a guaranteed job
- 22.2 driving accountability and rewarding outcomes with payments that are heavily weighted to getting and keeping people in jobs for 26 weeks or more
- 22.3 selecting providers on the basis of demonstrated performance in meeting employers' needs, achieving 26-week employment outcomes and establishing effective relationships with the Indigenous community
- 22.4 implementing the government's policy of Work for the Dole with mandatory participation for all unemployed people from day one. Activities should reflect real workplace pressures and requirements through an intermediate labour market or preferably a commercial operation
- 22.5 providing driver's licence, literacy and numeracy training using proven methods of explicit instruction as compulsory part of Work for the Dole activities for those who need it
- 22.6 assessing job seekers on what they can do, not on the basis of their disadvantages
- 22.7 rigorously applying job seeker obligations, with exemptions and discretion strictly limited
- 22.8 changing suspension and financial penalties to have a next pay day impact to drive job seeker behaviour
- 22.9 authorising providers to apply suspensions and financial penalties directly



- 22.10 providing case management support to build employability skills and address issues such as drug dependency, with in-job support wherever possible
- 22.11 offering a mobility package for work-ready people moving from Remote Jobs and Communities Programme regions to areas with strong labour markets, to take up jobs, with effective support at the destination location
- 22.12 redirecting savings from the consolidation of labour market programmes into intensive early childhood care and education as proposed in recommendations 1 and 2
- 22.13 transferring recipients of Community Development and Employment Projects wages to Newstart Allowance (or the renamed Unemployment Support) to ensure all job seekers have the same incentives and obligations in return for income support
- 22.14 requiring Remote Jobs and Communities Programme providers to report aggregate job seeker off-benefit outcomes, the cost of employment outcomes achieved and post-programme monitoring data for first Australians on the CreatingParity website.

Recommendation 23: Local governance

That community decisions about job seeker compliance and social norms be made locally by a local responsibilities board and not remotely.

Honest and hard-working Indigenous leaders deserve support under a system of trust and verification to run their own communities. It is a very small minority that let down the vast majority, causing large departments to be established to rigorously monitor the competence and honesty of management of local communities.

However, under a system of trust and verification, this review believes it is now time for the Commonwealth to support wide community governance arrangements. This must enable local first Australian leaders with cultural authority to have the power to encourage, develop and enforce job seeker obligations, and administer and enforce the economic and social norms (accepted across Australia) in their communities. This will be achieved by the Commonwealth Government taking the following implementation steps:

- 23.1 adopting lessons learned through the Family Responsibilities Commission's activities in Cape York, and other successful local governance arrangements. Communities could opt in to work in partnership with governments to ensure adults are in work, children attend school every day, communities are safe and the obligations that come with receiving welfare payments are complied with. This will include:
 - 23.1.1 authorising already existing, functional community governance groups to take a strong role in the new arrangements
 - 23.1.2 providing assistance to develop the capability where such arrangements do not already exist



- 23.1.3 inviting communities to opt in to design and deliver these arrangements
- 23.1.4 working with communities to develop and implement 20 to 30 of the new governance arrangements over the next 12 months
- 23.2 ensuring the new governance arrangements operate through a board of respected Elders, a minimum of 50% of whom are women. The boards will have:
 - 23.2.1 strategic oversight of local service delivery, including government services and grants, through credible local organisations
 - 23.2.2 the power to set out and enforce rules, expectations and consequences in relation to matters such as work, schooling and other social norms
 - 23.2.3 the power to hear and determine appeals by individuals against a decision to withhold, or income-manage, welfare payments
- 23.3 making sure board members are supported to:
 - 23.3.1 stand behind their decisions when challenged by those who are affected
 - 23.3.2 get training in areas such as literacy, corporate governance and ethical decision making, with appropriate mentors, such as retired magistrates and judges
 - 23.3.3 occupy these roles as paid positions with a sunset clause to ensure membership is refreshed on a regular basis
- 23.4 operating on the basis of trust and a system of verification that ensures accountability to government and community residents through measures such as:
 - 23.4.1 recognising and rewarding good governance and performance with earned autonomy, increased scope of decision making and greater flexibility
 - 23.4.2 investing in enforcement of drug and alcohol laws by police and other relevant agencies
 - 23.4.3 either providing training and guidance in relation to discrepancies, or, where there is illegality, investigating and prosecuting under the law
 - 23.4.4 conducting random and spot audits to check appropriate use of funding and identify both incompetence and illegality
 - 23.4.5 ensuring accountability flows all the way to the minister if prosecutions are not undertaken
 - 23.4.6 using mainstream quality accreditation and accounting standards to build skills and competence.



Recommendation 24: Consolidating service delivery

That, to reduce duplication and improve outcomes from service delivery from services aimed at improving employment and social wellbeing of first Australians, the Commonwealth, state and Northern Territory governments engage with Local Responsibilities Boards to consolidate and integrate service delivery in credible local first Australian organisations.

This will be achieved by taking the following implementation steps:

24.1 Commonwealth Government:

- 24.1.1 ensuring transparency across all funding to remote communities so that the future service mix meets the needs of the community, and addresses the Prime Minister's top priorities of all children going to school, all capable adults going to work and safe communities
- 24.1.2 delivering the revised employment services (the new Job Centres) in conjunction with a comprehensive range of support services including:
 - 24.1.2.1 assisting people into local or out-of-town jobs with job mobility support
 - 24.1.2.2 showing individuals that using different bank accounts to manage their income enables them to budget to meet responsibilities for extended families, manage their household budget, and set aside savings for a house
 - 24.1.2.3 supporting transition into home ownership
 - 24.1.2.4 seeking out local first Australian business opportunities, and helping establish enterprises where viable.

24.2 State and Northern Territory governments (in partnership with the Commonwealth):

- 24.2.1 supporting already existing, functioning groups of respected leaders as they work through the opt-in process for the new model
- 24.2.2 strongly encouraging communities to opt in and supporting those that do
- 24.2.3 once a community has opted in, consolidating state and territory services and delivering those services through the Job Centre as far as possible
- 24.2.4 where there are state or territory services (e.g. health clinics) that may require separate delivery arrangements, ensuring there is coordination and cooperation with the Local Responsibilities Board and the Job Centre
- 24.2.5 ensuring transparency across all funding to remote communities so that the future service mix meets the needs of the community, all children go to school, all capable adults go to work, and communities are safe.



Remote housing

As stated in the Chapter 6, people told us outright that they would give up the dole for a job but not their house. The pull of low-cost housing, even on welfare, is too strong. An urgent shift is required. We must use housing to make employment more attractive.

Responsibility for construction and management of remote first Australian housing and a package of reforms was accepted by states and territories in 2008 in return for \$5.5 billion over 10 years from the Commonwealth through the National Partnership Agreement on Remote Indigenous Housing (NPARIH). There is a significant amount of funding, around \$1.3 billion, still available in the NPARIH to be rolled out over the next four years.

The states and territories agreed to deliver a package of remote housing reforms, including increasing the supply and improving the standard of housing, resolving land tenure to enable home ownership and business investment, and ensuring tenants met their obligations to pay rent. Around 1,600 new houses and 5,200 refurbishments have been completed since 2008, and some jurisdictions have reported a substantial reduction in overcrowding.¹⁹⁷ However, this is not the case in the Northern Territory, where overcrowding remains chronic. In 2011, 60.4% of all first Australian households in very remote parts of the Northern Territory were still subject to overcrowding—substantially higher than in any other jurisdiction.¹⁹⁸

Under the NPARIH, agreed targets for construction and other capital works were achieved, with the exception of two states in the first year of construction. Penalties were applied and following that all states met their targets. Tenancy changes and enforcement of obligations has lagged behind, as has land tenure change for home ownership. The Commonwealth shares responsibility with the states for this unsustainable system because it:

- imposed incentives and penalties on the states to only improve performance in capital works
- did not introduce automatic deduction of rent from social housing tenants' welfare payments.

This is a clear example of the effectiveness of performance-based funding. Where it was applied results were ensured. Remaining funding in this agreement should be paid on the basis of performance in delivering the requirements of the agreement.

Low-rent housing is an impediment to getting and keeping a job. Paying only a small amount of rent, or no rent, and not having to put much effort into the upkeep of a house makes it unattractive to move to a location with much stricter requirements through a private rental market. Similarly, the prospect of taking up one of the few real, paid jobs in a community is made less attractive because of peoples' fear of losing their heavily subsidised houses if their wages are high enough to take them over the income limit for social housing.

The remote housing system will continue to have huge long-term operating costs into the future unless the sustainability of the system is addressed. Housing authorities need to balance the cost of building more social housing against the cost and complexity of running and maintaining social housing systems with a geographically distant landlord. The Commonwealth could assist with rent deduction for social housing directly from welfare payments.



Increasing the social housing stock in remote communities can act like a magnet, and as more houses are built families expand to fill them until overcrowding reoccurs. Unfortunately this is typically a poor government investment as these houses are not maintained, soon become overcrowded and are therefore not conducive to a healthy training and employment lifestyle of their occupants. Therefore, apart from the loss of tax revenues, the extra maintenance cost caused by an increasing unemployed and long-term welfare-dependent population is very large.

The Commonwealth Government must work with states and the Northern Territory to get a new approach to remote housing with a more sustainable system where funding is paid on performance.

There are better solutions to chronic overcrowding than building more unsustainable social and public housing. Home ownership and mobility to take up work and the ability to orbit back to the community are alternatives.

In reality, the only home not at risk of overcrowding is a home that is owned. For remote people wanting to own their own home the choices are frustrating.

While low-cost home loans for first Australians from remote communities to purchase a home on Indigenous land have been available since 2007, the take-up rate has been almost nil because underlying land tenure, or progress to realise it, in all states and the Northern Territory has precluded home ownership, and therefore tradeable and marketable housing. Since 2007, a small number of traditional land owners from six communities in the Northern Territory have agreed to 99-year lease arrangements (such as in the Australian Capital Territory) to allow home ownership. As a result, 16 home loans were granted in the Tiwi Islands in 2007 and since then, only one further loan has been made for home ownership on Indigenous land in Palm Island in Queensland.

Land tenure is the key to home ownership and is discussed in the next section.

Recommendation 25: Remote housing

That governments ensure the approach to remote housing on Indigenous land is revised to include performance-based funding to move to a sustainable system with strong incentives for workforce participation and home ownership.

This will be achieved by the Commonwealth, state and Northern Territory governments agreeing on a new approach to social housing delivery that has the following implementation steps:

- 25.1 state and territory governments enforcing tenant obligations for public housing, in particular in remote communities
- 25.2 only building new social housing in remote communities on land with secure tenure that can be used for business investment and private home ownership, through long-term leasing or freehold title, where traditional owners agree
- 25.3 state and territory governments giving priority in the allocation of social housing to families in employment and meeting social obligations, such as their children regularly attending school, over those who are capable of working but choose not to
- 25.4 publicly reporting on the implementation of these new arrangements on the CreatingParity website, including rents charged compared to rents collected and the rent default rate, to ensure remote social housing is not a welfare trap for those capable of work and of working age.



Land—the key to economic development and home ownership

Anything that stops first Australians from owning their own land so that they can enjoy the fruits of ownership and pride in their own homes must be swept away.

The ability to purchase and use available land for home ownership and business is the key to prosperity and empowerment for most Australians. They build their wealth and security through home ownership, business development and investment. Individual ownership fosters individual responsibility and wealth creation. This capacity to own assets as individuals, such as the family home, is denied to many thousands of first Australians living in remote communities. As a group, first Australians lag behind other Australians in home and asset ownership and savings.

Even more important than competent and honest self-management of communities is the ability to own your own home and develop business on your own land. For most Australians economic security comes from home ownership or business investment to build self-reliance and complete the journey out of passivity and into financial independence.

Reliable land tenure, predictable under common law, underpins most advanced economies.

Similar to the way mining and pastoral leases can coexist with Indigenous ownership of the land, first Australians should be allowed to take up long-term leases on their land. The Commonwealth needs to actively engage in a promotion of long-term leases that will encourage first Australians to raise finance to buy a home or start a business without affecting the underlying title (just like what happens in the Australian Capital Territory) and to dispel the misinformation concerning this issue. A long-term lease on Indigenous land should be no less valuable than a long-term lease on Commonwealth land.

The ability to purchase and use available land for home ownership and business is the key to prosperity, empowerment and financial independence for first Australians and their families. More than 20% of Australia is now Indigenous-owned under various land rights regimes, or exclusively controlled under native title, but it generates very little economic wealth or independence for the traditional land owners in many areas.

In fact, to underscore how necessary this measure is, there are fewer than 20 homeowners on Indigenous land with long-term leasing in all of Australia. Yet, if we unlock this land in the manner suggested, some 20% of Australia's land mass, which is currently chronically underutilised, may be put to work by first Australian businesspeople and homeowners. Unlocking this land in the manner recommended in this report with strict timetables for land councils and governments will bring significant sustainable economic advantages to first Australians and, correspondingly, the wider Australian economy. This multiplier effect of introducing reliable individual land title underpins all advanced economies and could be substantial.



Barriers to home ownership

The barriers to individual home and land ownership apply in those areas where land is vested in forms of Aboriginal title. State governments have responsibility for statutory Aboriginal titles, other titles, state land legislation and land planning and administration matters. In the Northern Territory, the Commonwealth has responsibility for administering the *Aboriginal Land Rights (Northern Territory) Act 1976*, and historically, until recently, Northern Territory Governments have been tardy in engaging in solving the problems of development on Indigenous land. The legal arrangements vary considerably across jurisdictions, but all are complex and require innovation to remove the hurdles to Indigenous home ownership and leasing.

In some jurisdictions, Aboriginal title is vested in joint ownership and held in trust with complex conditions precluding titling to enable home ownership and titling for enterprises. Special Aboriginal titles held in trust cannot be traded or mortgaged, precluding home ownership and titling for private business investment.* This leads to individuals and families being confined to a life in social housing with its characteristic loss of personal responsibility to care for and maintain the housing asset. It is difficult for first Australians in social housing to feel pride in their homes and taxpayers continue to fund this poor standard of living and foot the bill for high maintenance costs.

The land reform needed to break this impasse is urgent and possible. It will require commitment from the Commonwealth, states and territories, as well as first Australian traditional owners, first Australian residents and first Australian local councils and similar bodies with relevant responsibilities.

I firmly believe that most first Australians will, if given the opportunity, join with other Australians to work hard to earn the financial capacity to own homes, businesses and land assets so they can support themselves and their families independent of government.

* However, the Commonwealth administers the *Aboriginal Land Grant (Jervis Bay Territory) Act 1986* and the *Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987*.



What we heard

- Indigenous-held land has great potential for improving first Australian employment and economic development.
- People want to own their homes, not just rent them, as this gives them full control over their home environment.
- Lack of reform in land titling and tenure is blocking people from owning their own homes.
- A key impediment to economic development is the inability to borrow against the land.
- Land, as agreed by traditional owners, should be able to be traded as an asset by the individual.
- Land access agreements should be used to prioritise employment, not just access to country.
- Stronger links need to be created between industry and traditional owners to improve employment outcomes.
- A lack of adequate engagement with representative bodies in land administration systems limits the effectiveness of agreements concerning employment.
- Using Indigenous Land Use Agreements and Native Title Agreements has been effective in developing Indigenous business and should be encouraged; for example, by enforcing procurement minimums for goods and services provided by Indigenous businesses. Industries in which Indigenous businesses operate include tourism, natural resource management, construction, agriculture and mining.

Many first Australians in remote areas are land rich yet living in poverty. More than 20% of the Australian landmass is now Indigenous owned or controlled under various land rights regimes or exclusively controlled under native title.¹⁹⁹ Statutory Indigenous land tenure limits opportunities to raise finance against land, or transfer land for economic development. Home ownership investment is impossible and other land uses, such as for community purposes, are also stopped in the vast majority of this Indigenous estate.

Measures that level the economic playing field between Indigenous people and other Australians—such as releasing land under fungible titles (or other tradeable titles) according to the wishes of the first Australian owners—are required, and long overdue. This will enable first Australians to use portions of their land to generate value and wealth by the means used by other Australians.



Land tenure constraints

Since 2007, a small number of traditional land owners from six communities in the Northern Territory have agreed to long-term township leases over their communities. These leases have significantly streamlined the complex land administration issues on Indigenous land for communities that have taken them up, and resulted in 16 home owners in Wurrumiyanga on the Tiwi Islands.

In Queensland, individual freehold has enabled home ownership for the residents of the first Australian community of Hope Vale, where there are two established houses and eight more houses under construction with home loans financed to Indigenous owners from Indigenous Business Australia. This shows that where land tenure constraints are addressed through leasing or removed through freeholding, government programmes to move people into home ownership are working. This review has encouraged Indigenous Business Australia to increase its capital adequacy substantially as its business model has been very successful in generating Indigenous wealth through home ownership.

Indigenous land tenure and title varies significantly across jurisdictions.

In all jurisdictions except Queensland, administration and land reform to individual leasing or ownership have stalled. State and territory governments have refused to implement or been tardy in implementing land administration and cadastral systems for bounded allotments to enable the granting of titles to allow 99-year leases, freehold and other titling arrangements. These arrangements are necessary preconditions to enable individual allotments for home ownership and business development. Another obstacle has been the intransigence of state governments in delivering land valuation estimates for Indigenous titles.

Indigenous land councils and other Indigenous corporations have either refused or found it difficult to obtain a mandate from traditional owners to convert Aboriginal titles to freehold leases for the purposes of home construction, home ownership and home and allotment leasing.

Long-term, 99-year leases for housing and economic investment are widely used in the Australian Capital Territory to provide sufficient security for homeowners and investors, while the Crown retains the underlying title to the land. Over some years, there has been growing interest among first Australian traditional owners in being able to use a similar mechanism for remote Indigenous land in Indigenous townships and community residential areas, with traditional owners retaining the underlying land title. There is also interest in converting to freehold title, primarily in first Australian townships. Previous governments have made clumsy efforts in this area that have frustrated land owners and deterred them from taking action. We need to take a reasonable path for the approach to work.

Northern Territory land councils

The Aboriginal Land Rights (Northern Territory) Act, which is administered by the Commonwealth, allows for the negotiation of long-term leases to secure tenure for business and home ownership opportunities. The four land councils in the Northern Territory can grant, if they wish to, long-term leases under two sections of the Act, sections 19 and 19A, which protect underlying title of traditional land owners under the terms of the Act. The Northern and Central Land Councils have issued hundreds of leases under section 19.



Section 19A enables whole-of-township leases, which provide cadastral maps* of the whole location and signal that a community is open for business. Underlying title is protected and opportunity is provided for business development and private home ownership. The Executive Director of Township Leasing, an independent statutory officer established under the Act, holds and administers the section 19A leases on behalf of the Commonwealth Government. This office holds the underlying title on behalf of the traditional owners and issues the 99-year leases for individual lots.

The two smaller land councils, the Tiwi Land Council and the Anindilyakwa Land Council (Groote Eylandt and Bickerton Island), have taken advantage of the opportunity to put in place long-term whole-of-township leases under section 19A of the Act. The Tiwi Land Council has been much more proactive and entrepreneurial in how it has taken advantage of the opportunities the lease provides.

The difference this creates to the culture of the community and the hope of its people is palpable. It has resulted in 16 families from the Tiwi Islands taking up loans through Indigenous Business Australia to own their own homes. One additional loan has been approved for renovations to one of the homes. There are also a number of private businesses, usually but not always associated with traditional owner corporations, that have started or bought ventures in such areas as retail, tourism, accommodation and hospitality. The Tiwi Land Council is to be applauded for its leadership and foresight.

However, the larger land councils, the Northern Land Council and the Central Land Council—both of which agreed to cooperate with the requirement to secure tenure for social housing and community infrastructure through 40-year leases under the NPARIH—have been resistant to the Commonwealth's offer of terms in relation to leases for business and private home ownership purposes. The 40-year leases are not over individual lots but over areas, or suburbs, and cannot be sublet, so they are not conducive to home ownership. This ingrained inefficiency simply requires council members to heed the will of their people for home ownership.

Statutory bodies that represent traditional owners should heed their instructions to enable home ownership on their land. If the current system is not doing it, governments should use every lever to drive the necessary change.

Northern Territory land councils and native title representative bodies are funded by the Commonwealth to support Indigenous rights to land recognised or provided through Commonwealth land rights legislation and facilitate the representation and assistance of native title claimants and holders in the pursuit and exercise of native title rights. This is because the formal recognition and exercise of native title rights can contribute to greater economic and social participation for first Australians. The Commonwealth provides annual funding of around \$128 million for these purposes. Land councils and representative bodies have a significant role in working with land owners and native title claimants and holders, and the work is often complex and sensitive. Nevertheless, the same disciplines we apply in the private sector that I have proposed in this report for government and publicly funded providers should apply to land councils and representative bodies. The Commonwealth Government must design suitable performance-based funding arrangements that reward results and not process.

* Cadastral maps define property boundaries for land planning purposes.



Using the same discipline, this report recommends for Commonwealth, state and the Northern Territory governments and publicly funded service providers, that the Commonwealth Government introduce performance-based payments into funding arrangements for land councils and native title representative bodies. We must reward results.

The Commonwealth Government holds significant leverage in the Northern Territory, not only through its responsibility for the land legislation, and land councils, but also through how it invests the remainder of the NPARIH funding, which is around \$1.3 billion over the next four years. It will be important to drive the changes we are seeking in this report by prioritising future remote first Australian housing and infrastructure funding to those communities in which land tenure and town planning processes enable home ownership and economic investment. Improvements in the terms on offer and a negotiation protocol that involves traditional owners in direct negotiations may be required to deliver the reforms necessary for increased home ownership.

A long-term lease on Indigenous land should be no less valuable than a long-term lease on Commonwealth land.

Based on the limited, or no, action to date by the larger land councils, particularly the Northern Land Council, to enable long-term leasing for private investment, the Commonwealth needs to consider how it will ensure land councils participate in and support the new arrangements. Existing legislation, to date unused, already gives the Commonwealth powers to devolve some land council decision making to a more regional level, closer to where the interests of traditional owners lie, which this may deliver more responsiveness. I believe this must happen to give first Australians economic independence.

The Commonwealth must also apply the funding leverage to the state governments.

Traditional owners have been reluctant to accept Commonwealth leasing arrangements because they fear that, with conversion to tradeable or fungible titles, their hard-won land rights would be lost to future generations with on-sale of the new titles. These land reforms are required mainly in the Indigenous township and community residential areas on Indigenous lands. Other states could progress to a model like the Executive Director of Township Leasing or make provision to enable freehold where traditional owners agree.



Land-use regimes in remote areas—prerequisites to home ownership

Remote first Australian communities typically have not had to comply with mainstream land-use planning regimes, resulting in poorly planned and constructed communities. This has created a major impediment to planning for housing and infrastructure, and substantially limited opportunities for economic development, commercial investment and private home ownership.

Part of the Commonwealth funding under the NPARIH was provided for the states and the Northern Territory to progressively enact and implement changes to their land legislation that would resolve tenure issues on community-titled land. They also agreed to implement mainstream land planning and administration systems and comparable local government services in remote areas.

In addition to resolving land ownership and agreement to move towards allowing leasing or ordinary freehold of Indigenous land, there are other prerequisites to issuing individual title:

- The land must be surveyed, with block boundaries identified and unobstructed. In most cases this means a full cadastral survey of the town identifying individual lot boundaries.
- Because of the lack of town planning in remote communities, encroachment surveys are sometimes needed to identify if there are government assets or infrastructure on the land. Owners of this infrastructure (for example, roads or water and sewerage access points) must be identified and assume responsibility for maintenance of these assets.
- A town plan must be prepared to identify the use clauses for individual blocks, such as those for commercial (business district), public (parks and public housing) and private use and ownership (home ownership), and also to manage community infrastructure capacity (power, water and sewerage).
- This must be accompanied by robust and arm's-length land administration systems that enable the title to be issued, held and transferred. This also includes mainstream land-use planning regimes (to manage applications to develop the land), the application of building codes and consumer warranty protections. These all protect the value of the land and give assurance to investors and financiers.
- If the land is held in trust on behalf of traditional owners, there must be a mechanism in place for the benefits of any sale of properties to be reinvested in the land or returned for the benefit of the traditional owners.

Further, to enable sales to tenants of existing remote housing:

- the full cadastral survey needs to be in place to identify the block boundaries of the individual house lot as opposed to the boundary of the social housing subdivision
- state governments need to have a sale to tenant policy with a land and house valuation policy and set an agreed price and a process to sell the property.

At this stage only Queensland has these processes in place after a concerted collaborative effort with first Australian organisations and the Commonwealth. Even so, progress is slow; only two homeowners are in place in Queensland remote communities on Indigenous land.



While the total NPARIH funding itself provided the largest incentive there had ever been for states to progress the necessary change, the Commonwealth did not apply the same specific incentives under the agreement to resolving tenure and land planning issues as it did to capital works. So early good intentions have largely come to nothing in most jurisdictions. Little action has been taken over the last six years, except in Queensland.

The result of the intransigence of the states in these matters is that first Australians in remote communities have been denied life-changing opportunities to own homes and generate wealth and security for their families through the passive resistance of state governments to the changes required.

Through their inaction, state governments have also missed the best opportunity they have had to leverage off Commonwealth funding and lay the groundwork for the sale of part of their social housing stock to new first Australian homeowners who wish to take on ownership responsibilities. All states have similar arrangements in place in mainstream urban public housing systems, such as rent-to-buy and shared equity schemes.

At the same time, state governments continue to run massive, unsustainable social and public housing systems that are riddled with debt and variable standards of performance and management, that create impediments to getting a job, and that will be a burden on taxpayers for generations to come.

State governments have well-established sale to tenant programmes in urban and regional social housing with mixed take-up rates. The programmes are largely not available to remote tenants because of the inability of governments to issue a title in remote communities that a bank will lend against or agree on a reasonable house sale price. This is because the state and Commonwealth governments have not unlocked land tenure, or put in place land administration systems that build and protect the value of the asset in locations where there is long-term leasing or freehold land.

Even though Queensland has been the only state government to make significant progress to remove the legislative and administrative barriers to investment and home ownership on Indigenous land, there are still many outstanding issues to resolve, particularly in relation to pricing social housing for sale, before first Australians can reap the benefits.



Queensland's Remote Indigenous Land and Infrastructure Program Office

The Queensland Government began several years ago to drive changes to land administration and town planning to enable long-term leases for home ownership and economic investment and to roll out the remote housing construction. Over the last four to five years, the Remote Indigenous Land and Infrastructure Program Office, which sits in the Indigenous Affairs portfolio but works across relevant government agencies, has transformed the planning landscape in major first Australian communities. It has undertaken the hard work needed to support the changes we are seeking in this report, including:

- developing and implementing town plans
- undertaking cadastral surveys of the land
- completing road encroachment surveys
- conducting lot surveys and state government asset surveys to clarify whether government facilities and other structures had been built on appropriate land
- completing development applications and other necessary administrative work to enable long-term leases to be executed on Indigenous land
- implementing a system to register title and resolve any outstanding title issues on blocks of land.

Local Indigenous Council Mayors have been included in the town planning decision-making processes, meeting with a board of Queensland Government department heads on a regular basis.

The Queensland Government's action provides a good example. If the potential economic benefits for first Australians from their land are to be realised, other states should be able to make use of key elements of the Queensland work and apply it to their own patch. They need to urgently progress similar initiatives to catch up, and the Commonwealth needs to use its leverage to encourage them to do so. The unconditional welfare trap of low-rent housing is most stark in remote first Australian communities. When the review team visited remote communities the misery was palpable. Chronic overcrowding often leaves kids too tired to go to school and parents without the energy to push them along.

People do not take up jobs because their income level will require they exit social housing. This becomes a problem where no private housing market exists and where affordable housing is not available.²⁰⁰



Land access payments

Traditional Aboriginal land owners or native title groups with the legal rights to agree to access to land for development, such as mining projects, have negotiated agreements with companies. These agreements often involve land access payments as well as employment and business opportunities, protection of Indigenous heritage, environmental protection, and many other provisions. Agreement-making has come a long way from payments to individuals over the years with improvements in governance through the use of charitable trusts and other measures.

Elders, many of whom are native title holders, claimants or land owners, shared with me their aspirations for intergenerational economic and social development. They want to be sure these opportunities are not wasted on poor choices. Rather than just payments to individuals, a package of community benefits can do much to build the capacity of individuals where it helps the community interests and therefore the broader community—for example, low-cost loans or grants that encourage small businesses within communities such as a bakery, a laundromat or a butcher; or low-cost home construction or home purchase loans, scholarships and support to go to boarding school.

However, despite the good intentions, the expectations of those involved have not always been met, and a widely held view put to me by Elders and traditional land owners is that the economic and social progress the parties hoped for has not been achieved. Several obstacles stand in the way of traditional Indigenous people using these payments to progress their economic and social development. The lack of capacity among many traditional Indigenous land owners to govern the management of these funds for their benefit is one that we should address. Traditional land owner and native title groups need access to timely and sound advice as agreement-making may involve complex legal, tax and investment challenges. Native title holders and land owners may wish to be provided with support to review existing agreements to improve governance and the provision of community benefits in these agreements and understand their fiduciary obligations.

Providing the most suitable vehicle to achieve the aims of the Indigenous and industry parties is a problem that needs to be addressed. Many companies have required that land access payments are placed in charitable trusts with commercial fund managers to ensure long-term accumulation for future generations. Most of the Indigenous land access agreements provide that these payments are made to charitable trusts or corporations with deductible gift recipient status so that the funds are used in a tax-efficient way and that the purposes are in accordance with those permitted under the regulations relating to not-for-profit organisations. These regulations make it difficult, and sometimes impossible, for the goals of the agreement partners to be achieved.

The economic and community development that most Indigenous leaders want for their communities is not enabled under the present not-for-profit regime. For example, it can be difficult for a charitable trust to operate a for-profit business because of the restrictions placed on it by legislation. If these groups are not able to invest in enterprise development, community businesses, and home ownership because of the restrictions of not-for-profit regulations, we need to find a solution to enable them to invest in their future.

Further, in some cases, these regulations can limit the long-term accumulation of funds that the project proponents desire to ensure that their projects do not contribute to the disadvantage of Indigenous communities.

The key issue is how to enable traditional land owners and native title interest holders to determine the optimal use of these funds so that they contribute to the wellbeing and sustainability of the beneficiaries in the present *and* in the future.



There are other legal problems as well. The law does not currently recognise, in many cases, native title or traditional owner groups as the beneficial owner of funds generated by these agreements. Regardless of which individual is the named applicant in proceedings and agreements, it is important that there is legal recognition that the named applicant is in a fiduciary relationship with the group. With changes in the law to this effect, the named applicants would be required to give regard to the broader benefit of the traditional owner or native title group.

There is no legal or other obligation for traditional Indigenous land owners to use these payments to support the wider community, although they often do so. They can, if they wish, nominate some or all of the funds for broader community good rather than for their own traditional owner or native title group.

This review supports an incentive approach to enable and encourage traditional Indigenous land owners and native title groups to use these payments to build individual and community capability of their members.

Professional trust fund managers contracted by the agreement parties to manage these funds often carry out their task with a conventional, conservative investment approach. I recommend that there be incentives for the native title groups and traditional land owners governing these trusts, and their fund managers, to make decisions about the use of these funds that lead to more immediate benefits to their beneficiaries and the communities in which they live. Some examples of benefits that build individual and community capacity include low-cost loans or grants that encourage small businesses within communities and low-cost home construction or home purchase loans. Projects that build the capacity of the group and their communities of residence through education projects, such as school attendance projects, and facilities, such as basketball courts and swimming pools, should also be encouraged and supported. The community may also wish to fund aged care facilities, training centres or even men's sheds. These projects—when properly assessed for sustainable demand and funds are allocated for long-term administration and maintenance and can attract competent management—will all build the strength of communities and should be encouraged. Financial support for education such as scholarships to go to university or boarding school for children is another very worthwhile investment.

There are some agreements in place that provide not only community benefits such as learning centres and workers' accommodation facilities, but also benefits to individuals such as employment, training and youth support. We need to make sure government provides land owners and native title groups with incentives to make agreements that provide for intergenerational benefit and a future independent of welfare for community members.

The recommendations in the report of the Taxation of Native Title and Traditional Owner Benefits and Governance Working Group are of considerable value in overcoming several of the problems I have raised. The working group report contains a number of proposals that, if acted on by government, would enable current and future generations of native title groups and traditional Indigenous land owners to benefit from development on their land. These proposals also accord with the intent of this review. The recommendations in the working group report needs to be carefully considered and where appropriate updated and strengthened in the context of the recommendations of this review.



Recommendation 26: Enabling leasing or freeholding of Indigenous land

That governments create the ability for traditional owners to convert their land to freehold or hold the underlying title with a 99-year lease owned by the home or business owner, so that it can be mortgaged or traded through the open market and so that traditional owners can build their houses on allotments on their own land.

This will be achieved by taking the following implementation steps:

26.1 Commonwealth Government:

- 26.1.1 using its funding leverage and, specifically, its powers to devolve decision making to more regional structures (to ensure land councils are responsive to the wishes of traditional owners who have requested to freehold or lease their land to enable business investment and/or home ownership)
- 26.1.2 driving accountability for land council performance by stipulating a short timeframe (30 days) to determine requests to pursue development where the Northern Territory Government has provided the necessary prerequisites (such as cadastral mapping, town planning and other essentials) and where there are indisputable instructions from the traditional owners for housing allotments for freeholding or leasing, and land councils have not acted in a timely fashion. If this timeframe is not met, the request should be automatically escalated to the responsible minister to take up with the land council and must be resolved within two months
- 26.1.3 investing in social housing in remote Indigenous communities only where there is appropriate land tenure to enable business investment, economic development and private home ownership
- 26.1.4 publicly reporting the implementation of these new arrangements on the CreatingParity website to ensure Indigenous land is open for business where traditional owners want this and the number of applications that are escalated to the minister beyond the 30-day point and the two-month point
- 26.1.5 introducing suitable performance-based payments into funding arrangements for land councils and native title representative bodies and service providers.

26.2 State and the Northern Territory governments:

- 26.2.1 ensuring arrangements are in place to achieve private investment and home ownership on Indigenous land with the agreement of traditional owners along with the necessary land administration arrangements
- 26.2.2 with the agreement of traditional owners, establishing and implementing on Indigenous land with long-term leasing or freeholding that enables private investment, robust land planning and administration systems, cadastral surveys and town plans, and maintaining and delivering local government services that will assure the value of land and assets constructed in remote areas.



Recommendation 27: Land access payments

So that land access payments can be applied to the economic and social progress of traditional owner and native title groups and ensure intergenerational benefits, that the Commonwealth Government consider the recommendations in the report of the Taxation of Native Title and Traditional Owner Benefits and Governance Working Group.

The working group's recommendations need to be carefully considered and where appropriate updated and strengthened in the context of the recommendations of this review with the aim of removing the disparity of the first Australians. Implementation of the recommendations of the working group should be accorded priority in the Indigenous Affairs portfolio in the Prime Minister and Cabinet portfolio. In particular, the recommendations of the working group should be acted on to:

- 27.1 clarify that the named applicants of native title agreements have fiduciary obligations to their native title or traditional owner group
- 27.2 provide for the regulation of private agents involved in negotiating native title agreements and, further, regulation of those in management roles in relation to land access payments
- 27.3 provide for the establishment, under statute, of a trust that would be the holder of native title agreement funds when there is no prescribed body corporate or other appropriate funds management entity to receive them
- 27.4 enable a process of capital investment and distribution as described in the report for the benefit of the community
- 27.5 if native title holders and land owners agree, review existing agreements to improve governance and the provision of community benefits in the agreements and to clarify the applicants' fiduciary obligations.

These 27 recommendations and the evidence and implementation strategy that supports them, and the detail that backs them in the text of the chapters are critical to ending the disparity. These solutions are not expensive and parity is completely achievable with the strength of will from each of us.



The Forrest Review

For far too long Australia has increased the risk to its most vulnerable by paying all welfare benefits in cash. Those aware of the tragedy that untied welfare cash has on vulnerable individuals, families and communities have fruitlessly searched for a solution acceptable to the community for decades.

Andrew Forrest



Appendix A: Terms of reference



The Review of Indigenous Training and Employment will report to the Prime Minister. The Review will commence by Monday 7 October, with a report to the Prime Minister by 7 April 2014 (6 months).

Purpose

The Review will provide recommendations to the Prime Minister to ensure Indigenous training and employment services are properly targeted and administered to connect unemployed Indigenous people with real and sustainable jobs, especially those that have been pledged to Indigenous people by Australian business.

The Review will consider ways that training and employment services can better link to the commitment of employers to provide further sustainable employment opportunities for Indigenous people and finally end the cycle of entrenched Indigenous disadvantage.

In making its recommendations, the Review should consider the following issues:

Creating sustainable employment outcomes

1. The best models for supporting sustainable employment outcomes, including:
 - a. Effective interventions that break the cycle of unemployment
 - b. The role of pre-employment and skills development
 - c. The role of post-placement support
 - d. Effective connections between mainstream and Indigenous specific programmes
 - e. The way best practice is being shared
 - f. Barriers candidates face to gaining employment
 - g. Approaches to support employment outcomes for Indigenous jobseekers where there is not a functioning labour market, and effective mechanisms to encourage mobility
 - h. The role of employers and best practice employment and training programmes.
2. Key drivers of 'training for training's sake', including:
 - a. The means by which training that is not connected to the employment market is being delivered
 - b. The forces driving Indigenous people into training courses that are not connected to the employment market
 - c. The cost of delivering training programmes that are not connected to the employment market.



Programme effectiveness and costs

3. The value of training and employment policies and programmes for Indigenous people, including:
 - a. The extent to which training and employment programmes are addressing the issue of Indigenous unemployment and lack of workforce participation
 - b. A comparison between supply driven versus demand driven models
 - c. The most effective and efficient means of allocating funding for employment outcomes
 - d. The impact to date of programmes to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade
 - e. Ways in which training and employment programmes could work more flexibly and responsively to support the needs and aspirations of Indigenous jobseekers.
4. The interaction between mainstream and Indigenous training and employment services, including:
 - a. The churn of candidates
 - b. The responsiveness of programmes to employer's needs and the employment market
 - c. How these programmes align and interact
 - d. Other issues.
5. Accountability and information:
 - a. The use of Australian Government data to inform stakeholders on trends and issues
 - b. The effectiveness of the administration of Indigenous training and employment programmes.



The Forrest Review

The most effective way to invest in a person's future capabilities is a whole-of-childhood approach starting before birth, with intensive effort in pregnancy and the first three years when brain development peaks.

Andrew Forrest



Appendix B: Consultations and submissions





The consultation process included a combination of public town hall meetings, roundtables, site visits and a written submission process.

Over 1,600 people attended national public consultations, held from 15 to 22 November 2013 in Perth, Adelaide, Alice Springs, Kununurra, Darwin, Brisbane, Sydney and Melbourne. A total of 107 people including Indigenous leaders, state ministers, industry peak bodies and employers attended roundtable meetings. Follow-up site visits with employers and services providers were also held throughout February 2014.

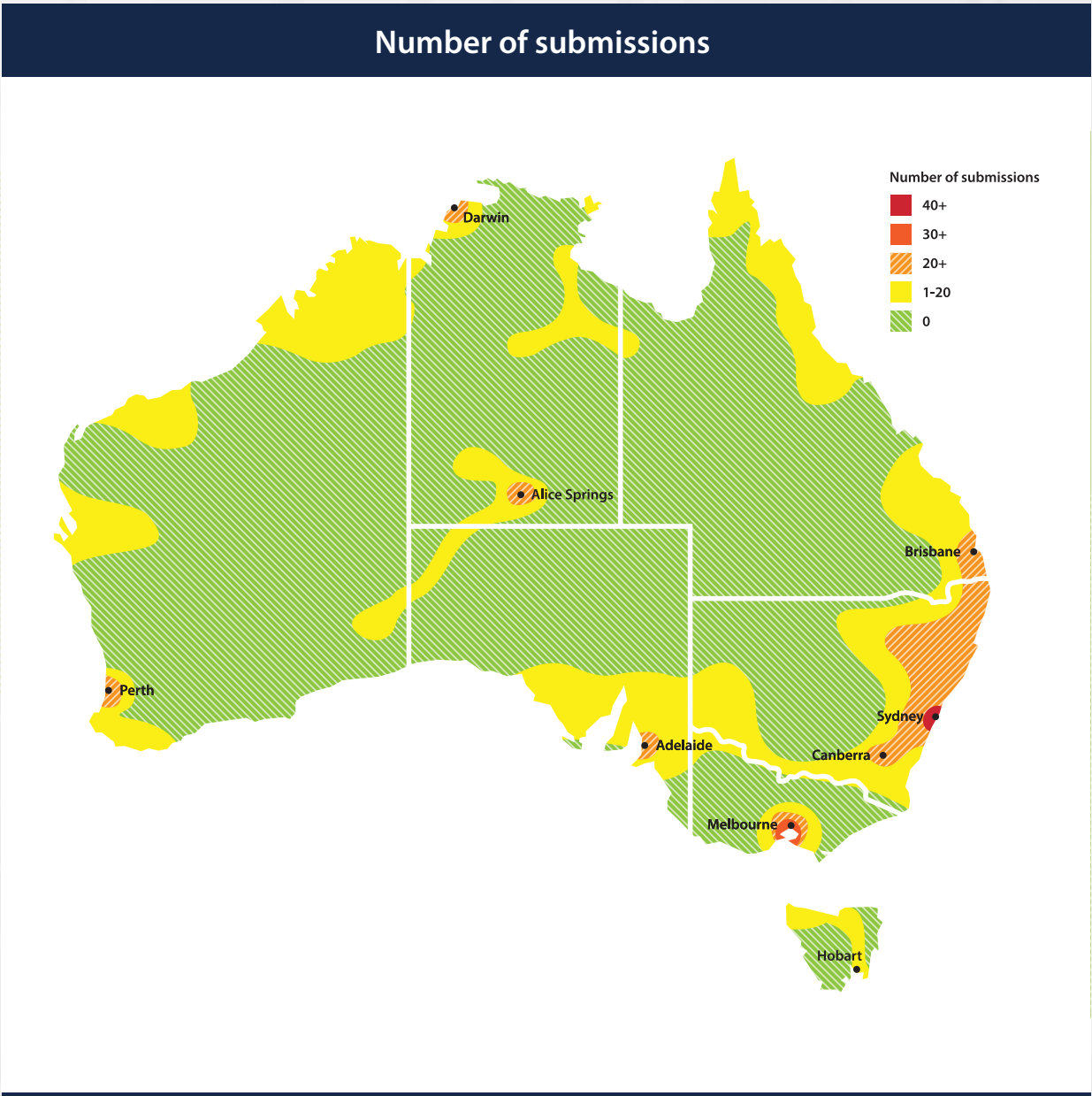
The written submission process was open from 28 October to 31 December 2013. During this time a total of 349 written submissions were received. Of these, 79 submissions were provided in-confidence. The remaining 270 submissions were published on the review website. There was broad representation from community groups, industry, employment and training service providers, education institutes, and members of the public.

The table below is a breakdown of the number of submissions provided by sector/group.

Sector/group	Number
Employment services and training providers	60
Schools, universities and education institutions	16
Industry	80
Land councils and Indigenous community organisations	46
Expert, peak bodies and Indigenous leaders	25
Non-government organisations and communities	28
Government departments and agencies	25
Individuals	69
Total number of submissions	349

Of the total submissions received, 102 were from individuals or organisations that identified themselves as Indigenous. There was also comprehensive national coverage, with around 20% of the submissions coming from remote areas.

A geographic breakdown of the number of submissions from different regions on the next page.





Roundtable meeting attendees, 15–22 November 2013

Organisation

- Aboriginal Employment Strategy
- Aboriginal Peak Organisations NT
- ACT Government Minister for Aboriginal and Torres Strait Islander Affairs
- AFL Sportsready
- ANZ Bank
- Australian Centre for Indigenous Knowledge and Education
- Australian Indigenous Youth Academy
- Australian Industry Group
- Australian Local Government Association
- Australian Mines and Metals Association
- Australian Retailers Association
- Batchelor Institute of Indigenous Tertiary Education
- BoysTown
- Business Council of Australia
- Cape York Partnerships/Cape York Institute
- Cater Care Group Pty Ltd
- Citi Australia
- Commissioner of Aboriginal Engagement
- Compass Group
- Crown Limited
- Desert Knowledge Australia
- Ernst & Young
- Former Commissioner of Aboriginal Engagement
- Fortescue Metals Group
- Gelganyem Trust
- GenerationOne
- Group Training Australia
- Group Training Northern Territory
- Hunter New England Health
- Indigenous Land Corporation—Ayers Rock
- Inpex
- ISS
- Jawun Indigenous Corporate Partnerships
- Jobs Australia
- John Holland
- Julalikari Council Aboriginal Corporation
- Karen Sheldon Catering
- Kimberley Development Commission
- Kimberley Group Training
- Larrakia Nation Aboriginal Corporation
- MG Corporation
- Minerals Council of Australia
- Morris Corporation
- MP for Namatjira
- National Centre for Indigenous Excellence
- National Centre for Student Equity in Higher Education Board
- National Employment Services Association
- National Rugby League
- New South Wales Government—Minister for Aboriginal Affairs
- Newmont Mining Company
- Northern Project Contracting
- Northern Territory Government—Chief Minister
- Northern Territory Government—Minister for Education
- Northern Territory Government—Minister for Employment and Training
- NT Cattlemen's Association
- Pathways to the Pilbara
- Pearls Miihome
- Queensland Government—Department of Aboriginal and Torres Strait Islander and Multicultural Affairs
- Queensland Government—Minister for Aboriginal, Torres Strait Islander and Multicultural Affairs
- Queensland Government—Minister for Education, Training and Employment
- Reconciliation Australia
- SAGE Automation
- Shire of East Kimberley
- TAFE Directors Australia
- TAFE NSW
- Tourism NT
- Transfield Services
- Victorian Government—Former Minister for Aboriginal Affairs
- Victorian Government—Minister for Higher Education and Skills
- Wesfarmers
- West Australian Government—Former Parliamentary Secretary to the Minister for Training and Workforce Development
- West Australian Government—Minister for Education and Minister for Aboriginal Affairs
- Westpac
- Yarn'n



Additional consultations

Organisation/individual

- Aboriginal Employment Industry Cluster Chairs
- Aboriginal Employment Strategy
- ANZ Bank
- Australian Indigenous Youth Academy
- BoysTown
- Cape York Partnerships/Cape York Institute
- Commonwealth Bank
- Commonwealth Ministers (Andrews, Pyne, MacFarlane, Scullion, Abetz, Hartsuyker, Billson)
- Compass Group
- Crown
- Dhimirru Rangers
- Education Changemakers
- Ganbina
- Gumatj Corporation
- Indigenous Advisory Council members
- Indigenous Land Corporation
- ISS
- Land Lease
- Lirrwi Tourism
- Marist Youth Care Skills Development Centre
- Message Stick
- Minerals Council of Australia
- Miwatj Employment and Participation
- Miwatj Health
- NAB
- National Aboriginal Community Controlled Health Organisation
- National TAFE Directors Australia
- Prof Fiona Stanley
- Prof Ian Anderson
- Programmed
- Qantas
- QGC (Queensland Gas)
- Rio Tinto
- Sinclair Knight Merz
- South Australian Department of Further Education, Employment, Science and Technology
- State and Territory Ministers (Asher, Bull, Wakeling, Dominello, Elmes, Tollner, Chandler, Hames, Collier)
- State Premiers and Northern Territory Chief Minister (Naphthine, Barnett, Giles)
- Supply Nation
- Telstra
- Traditional Owners in East Arnhem Land
- Transfield Services
- West Australian Police Commissioner
- Westfarmers
- Westpac
- Woolworths



Submissions

Organisation/individual

- Aboriginal Employment Industry Clusters
- Aboriginal Health and Medical Research Council of NSW
- Aboriginal Health Council of South Australia
- Aboriginal Hostels Limited
- Aboriginal Training Programs, TasTAFE
- ACE Community Colleges Ltd
- Acuro Pty Ltd
- Adult Learning Australia Limited
- Agency for Advocacy, Referral & Case Management Ltd (AARCM)
- Amata Anangu School
- Angi Hackett
- Anne Hartican
- Anonymous
- ANZ
- Arnhem Land Progress Aboriginal Corporation
- Artback NT
- ATSIHRTONN
- AusIMM
- Australian Centre of Excellence for Local Government and Local Government Managers Australia
- Australian Chamber of Commerce and Industry
- Australian Education Union
- Australian Indigenous Communications Association
- Australian Indigenous Leadership Centre
- Australian Indigenous Youth Academy
- Australian Industry Group
- Australian Mines and Metals Association
- Australian Workforce and Productivity Agency
- Auswide Projects
- B.S.G. Live Exports
- BackTrack Youth Works, Armidale NSW
- Barkly Shire Council
- Batchelor Institute of Indigenous Tertiary Education
- BCA National Training Group
- Beacon Foundation
- Bill Armstrong
- Birra Manpower Solutions
- BJ Network Consulting Australia
- Blair McFarland
- Bloodwood Tree Association Inc.
- Bonza
- BoysTown
- Brenda Burr
- Brenda Rearden
- Brian Blow
- Brisbane Broncos Rugby League Club Pty Ltd
- Brisbane Indigenous Media Association Inc
- Bushmob Incorporated
- Business Council of Australia
- Cameco Australia Pty Ltd
- Campbell Page
- Canterbury Bankstown Bulldogs
- CareerTrackers Indigenous Internship Program
- CATSINaM
- Central Desert Native Title Services Ltd
- Central Land Council
- Chamber of Commerce and Industry of WA
- Circular Head Aboriginal Corporation
- Claire Smith and Rachael Kendino
- Close the Gap Campaign for Indigenous Health Equality
- Compass Group
- Complete Personnel Group
- Connect 'n' Grow Pty Ltd
- Contact Inc
- Coordinator General for Remote Indigenous Services
- Cowboys Rugby League Football Limited
- Craig Cawood
- Creative Economy
- Cronulla Sutherland Rugby League Football Club
- Darren Clark
- Dave Rawson
- Davis Consultancies
- Department of Further Education, Employment, Science and Technology (SA)
- Doherty Trade Services
- Dr Stephen Kendal
- Dreamtime Learning and Noorla heritage Resort
- East Kimberley Job Pathways
- Energy Skills Queensland
- Ernst & Young



Submissions

Organisation/individual

- Financial and Commercial Literacy Working Group NT
- First Nations Foundation
- Frances Garbutt
- Ganbina
- Gary Price
- GenerationOne
- George Ryan
- Government of Western Australia Department of the Premier and Cabinet
- Graham (Polly) Farmer Foundation Inc
- Group Training Australia Ltd
- Gwen Crombie
- Habitat Personnel
- Habitat Personnel-TRYP Consultancy
- Harry Hodge
- Harry Van Issum
- Healing Foundation
- Health Workforce Australia
- Horizon Power
- Ian Mackie
- Indigenous Accountants Australia
- Indigenous Consulting Group
- Indigenous Employment and Education Taskforce—Central Australia
- Indigenous Land Corporation
- Indigenous Remote Communications Association
- Ingkintja, Central Australian Aboriginal Congress
- IS Australia
- Isolated Insight Ltd
- ISS Facility Services Canberra
- italk library
- James Hampson
- Jeff Callan
- Jeff Coulter—NT Power & Water
- Jeremy Kee
- Jim Ralph Employment Consultancy
- Jobs Australia
- John Brodie
- John R Newie
- KALACC
- Karen Sheldon Catering Pty Ltd
- Kerry Bradley
- Kimberley Group Training Inc
- Kimberley Interpreting Service Aboriginal Corporation
- Kimberley Land Council, Land and Sea Management Unit
- Kwinana Local Advisory Group
- Lara Damiani
- Leave No Trace Australia
- Leighton Contractors Pty Ltd
- Linda Nadge
- Lirrwi Yolngu Tourism Aboriginal Corporation
- Local Government Association of the NT
- Lowitja Institute
- Lutheran Community Care SA/NT
- Margaret Banks
- Marist Youth Care
- Mary MacKillop Foundation
- Masepah Banu—ZKM Indigenous Consultant
- Matrix On Board
- Matthew Paki
- Maxima Group Inc
- Media RING (Reconciliation Industry Network Group)
- Meg McGrath
- MEGT (Australia) Ltd
- Mercedes Sarmini JP
- Mercure Sydney
- MG Services
- Michael Uibo
- MiHaven
- Mike Alexander—Renolith International Pty Ltd
- Minerals Council of Australia
- Minniecon and Burke Pty Ltd
- Miriung Gajerrong Corporation
- Mission Australia
- Monadelphous
- Murdi Paaki Regional Assembly
- Murdi Paaki Regional Enterprise Corporation Ltd
- Muru Mittigar Ltd
- My Pathway
- Myuma Pty Ltd
- NAATI
- NACCHO



Submissions

Organisation/individual

- Narungga Aboriginal Progress Association
- National Aboriginal and Torres Strait Islander Health Worker Association
- National Australia Bank
- National Disability Services
- National Employment Services Association
- National Native Title Council
- National Rugby League Limited
- National VET Equity Advisory Council
- National Welfare Rights Network
- Naturally Exotic Plantations
- Newmont
- Ngaanyatjarra Council
- Ngaanyatjarra Media Aboriginal Corporation
- Nick Muirhead
- Ninti One Ltd
- Nirrumbuk Aboriginal Corporation
- Nortec Employment and Training Ltd
- North Queensland Land Council NTRB Aboriginal Corp
- Northern Project Contracting Group
- Northern Territory Department of Business
- NRW Holdings
- NSW Aboriginal Land Council
- NSW Rugby Union Ltd
- NT Christian School
- NT Department of Correctional Services
- NT Fisheries
- NT Shelter
- NUDJ Plumbing Services Pty Ltd
- OASIS Community Engagement
- Outback Academy and Woolkabunning Kiaka Inc/Roelands Village
- Outstation North
- P.J. Walcott Psychological Services NT
- Pacific Services Group Holdings
- Palya Fund Inc
- Parramatta Eels National Rugby League Club
- Partnership Brokers National Network
- Partnership Brokers Northern Territory Network
- Pat Brahim
- PBC Consultancy Services
- Peedac
- Penrith District Rugby League Football Club Ltd (Panthers)
- Peter Mathie
- Peter McDonald
- Peter Strachan
- Queensland Aboriginal and Islander Health Council
- Queensland Government
- Queensland Indigenous Education Consultative Committee
- Queensland Resources Council
- Queensland Teachers' Union
- Queensland Tourism Industry Council
- R McInnes
- RATEP Team—Tropical North Queensland Institute of TAFE
- Ratep, School of Education, James Cook University
- Reconciliation Australia
- Reconciliation SA
- Regional Anangu Services Aboriginal Corporation
- Regional Development Australia Mid North Coast NSW
- Regional Development Australia Whyalla and Eyre Peninsula Inc
- Replay
- Resources Industry Training Council
- Richard Estens
- Richard Hughes
- Rio Tinto
- RMIT University
- Rob McNally
- Rod Cordell
- Roger Goebel
- Samantha Wilson
- Sarah Burr
- Sean Nicholson
- Service Skills Australia
- Shire Wyndham East Kimberley
- Sinclair Knight Merz
- Social Ventures Australia
- South Australian Aboriginal Women's Gathering—Delegate Elected Working Group
- Southern Aboriginal Corporation
- Souths Cares
- Sunraysia Regional Consulting Inc
- Supply Nation



Submissions

Organisation/individual

- TAFE NSW Riverina Institute
- The Smith Family
- The Whiddon Group
- Thornbury Kids
- Tino Berdasco
- Titans 4 Tomorrow Ltd
- Toll Group
- Tom Byrne
- Tom Lyons Contracting
- Toni Wren
- Torres Strait Regional Authority
- TR7 Pty Ltd
- Traditional Credit Union
- Tropical North Queensland TAFE
- Unity of First People of Australia
- Upper Clarence Combined Landcare Inc
- VEQ Pty Ltd
- Victorian Aboriginal Child Care Agency
- Wanaruah Local Aboriginal Land Council
- Warlpiri Youth Development Aboriginal Corporation
- Wayne Mulvany
- Wendy Ah Chin
- Western Cape Regional Partnership Agreement
- Western Desert Lands Aboriginal Corporation (One Martu)
- Wests Tigers Rugby League Football Club
- Why Warriors PL
- Workboats Northern Australia Pty Ltd
- World Vision Australia
- Wunan Foundation Inc
- Yarkuwa Indigenous Knowledge Centre Aboriginal Corporation
- Yartawarli Aboriginal Corporation Resource Agency
- Yirara College of the Finke River Mission
- Yulella Inc Meekatharra
- Yungngora Association (Noonkanbah)



Abbreviations and acronyms

AATSIHS	Australian Aboriginal and Torres Strait Islander Health Survey
ABS	Australian Bureau of Statistics
AEC	Australian Employment Covenant
AEDI	Australian Early Development Index
AIEF	Australian Indigenous Education Foundation
AIHW	Australian Institute of Health and Welfare
ALLS	Adult Literacy and Life Skills Survey
ANAO	Australian National Audit Office
AQF	Australian Qualifications Framework
CDEP	Community Development and Employment Projects
COAG	Council of Australian Governments
DES	Disability Employment Services
FASD	foetal alcohol spectrum disorder
FTB	Family Tax Benefit
GDP	gross domestic product
IALS	International Adult Literacy Survey
IBA	Indigenous Business Australia
ICRG	Indigenous Construction Resource Group
IEP	Indigenous Employment Programme
ISA	Indigenous Supplementary Assistance
JSA	Job Services Australia
LLN	language, literacy and numeracy
MCEECDYA	Ministerial Council for Education, Early Childhood Development and Youth Affairs
NAPLAN	National Assessment Program – Literacy and Numeracy
NATSIHS	National Aboriginal and Torres Strait Islander Health Survey
NATSISS	National Aboriginal and Torres Strait Islander Social Survey
NCVER	National Centre for Vocational Education Research
NDIS	National Disability Insurance Scheme
NGO	non-government organisation
NPARIH	National Partnership Agreement on Remote Indigenous Housing
PISA	Programme for International Student Assessment
PIPS	performance indicators in primary schools
RJCP	Remote Jobs and Communities Programme
RSAS	Remote Schools Attendance Strategy
SATO	School Attendance and Truancy Officer
SEAM	School Enrolment and Attendance Measure
TAFE	Technical and Further Education
VET	vocational education and training
VTEC	Vocational Training and Employment Centre



Notes

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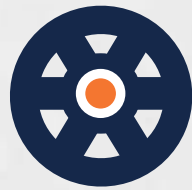
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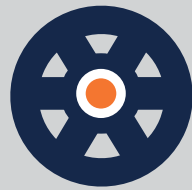
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The Forrest Review

Changed attitudes and behaviours from parents, community Elders, teachers and principals—but particularly from governments—are essential to create the change which will see every Australian child given a fair go in life. Only this will bring the disparity to an end.

Andrew Forrest



The Forrester Review

This is the opportunity to leave partisan politics behind and for all members of the Commonwealth, state and territory parliaments and assemblies to work together to deliver lasting change for first Australians.

Andrew Forrest
