The Australian Census is a demographer’s dream, releasing detailed information on Australian residents since 1911. Conducted every 5 years, the data sets trickle out over many months.

This publication is the second in our series of Census Insights. Written in collaboration with demographer, Bernard Salt, Special Adviser to KPMG, each addresses a current business or social issue.

In 2013, KPMG commissioned Supply Nation certified Indigenous design agency, Gilimbaa, to produce an artwork that reflects the diversity of Indigenous Australia and KPMG’s Commitment to reconciliation. This artwork tells the story of community, and the importance of community in society.
Introduction

In the decade that followed the 2008 apology it is fitting that there should be evidence of an expanding, of a strengthening, Indigenous business community within Australia. The 2016 Census results confirm the rise in the number of Indigenous business owners, both male and female. This trend from 2011 pre-dates a federal government initiative from 2015 to support a policy of procurement from Indigenous businesses.

This market has grown from $6 million in its first year to more than $1 billion by the third year of operation. And the policy has won the broader support of corporate Australia as part of their commitment to the process of reconciliation. And into this mix is thrown the recent commitment by the federal and state governments to invest $60 billion in infrastructure in Greater Western Sydney, with part of this funding being earmarked for Indigenous employment and business.

Here is a confluence of events, projects and programs, formulated and ascendant in an important decade in Australia’s history that promises to cultivate and strengthen Indigenous businesses and ultimately, to deliver a stronger Australia.

Indigenous business on the rise – 2016 Census findings

Just over 6 percent of the Indigenous workforce is comprised of business owners. This is less than half the non-Indigenous proportion, but the gap is narrowing. The most recent Census identifies almost 12,000 Indigenous business owners.

In one sense Indigenous business is booming – growing at an average rate of around 600 net new businesses every year.

And in many respects this expansion of the Indigenous from the world of work as employees, to the world of business development and operation is a symbol of growth and independence. I might also add that it’s good for the nation: more businesses, more employment, more skills and more taxation all contribute to the creation of a stronger Australia.

Part of this growth in Indigenous business might be due to more Australians identifying as Indigenous. But it is also possible that there has indeed been a significant cultural shift towards the establishment of businesses by the Indigenous community over recent years.

But what are these businesses, where are they and who is behind this surge in business growth that in percentage terms (23 percent) is four times the rate of non-Indigenous business growth between 2011 and 2016?
Interestingly Indigenous women are at different times of the lifecycle more likely than Indigenous men to own and manage a business. This trend peaks at age 47 when 4 percent of the Indigenous female workforce owns and manages a business, as compared a 3 percent male peak at 46 and 48 (see chart below). This is probably a reflection of the type of businesses being developed by the Indigenous community. Almost 5 percent of Indigenous businesses are comprised of cleaning services for buildings and industrial plant (eg a mine site), while a further 4 percent is comprised of hairdressing services and 3 percent by gardening services – all industries dominated by female workers.

Also popular but less common are Indigenous businesses in carpentry, road freight transport and house construction, which are more likely to be dominated by male workers. Around 15 percent of Indigenous businesses operate in Sydney and a further 10 percent are located in Brisbane. Another 25 percent of Indigenous businesses are scattered throughout regional NSW and Queensland.

Generally the Indigenous businesses that are most likely to flourish in regional Australia deliver functional services. For example there are 93 Indigenous businesses delivering electrical services in capital cities, as compared with 108 such businesses in regional Australia. And there are 168 Indigenous cleaning businesses based in capital cities, as compared with 268 such businesses in regional Australia (see table opposite).

There are Indigenous businesses spread throughout the nation and the number is growing fast off a low base. And it is women who are often active in this regard taking skills in cleaning, hairdressing and gardening and securing a local source of work. Indigenous men too are creating business opportunities and especially in traditional blue-collar industries like the building trades and road transport.

The great challenge for the Indigenous community, and for the nation as a whole, to create the businesses of tomorrow is to cultivate the conditions necessary to have Indigenous entrepreneurship flourish.

Great progress has been made in Indigenous entrepreneurship thus far this decade, but there is further to go. More skills, more support, more mentoring and greater market acceptance and support would all yield even more net new Indigenous businesses in the future.

The key question now is how to augment these activities that are having a very real impact on Indigenous economic empowerment to create opportunity to participate in the new digital economy?

Gender Entrepreneurs: percentage distribution of Indigenous male and female business owners through the lifecycle, 2016 Census.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Row Labels</th>
<th>Capital Cities</th>
<th>Regional &amp; Remote</th>
<th>Total</th>
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<tr>
<td>1</td>
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<td>168</td>
<td>268</td>
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<td>6</td>
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<td>Roofing Services</td>
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</table>

Australian total 4,286 5,386 9,672
Growing Indigenous business

The economic benefits created by Indigenous businesses are clear, however other substantial benefits are also found. The success of Indigenous business is a core driver of Indigenous employment. According to Supply Nation, Indigenous businesses employ thirty times the number of Indigenous people than other businesses, reinvest revenues in their communities and strengthen their Indigenous employees’ connection to culture.¹

The growth in Indigenous business captured in the Census is both encouraging and worrying.

Encouraging because higher participation in creating and operating businesses, in particular participation by Indigenous women, shows a growing Indigenous business sector.

Worrying because the types of businesses that are owned and operated by Indigenous business owners are largely old economy. They are manual labour businesses in an Australian economy that is being pushed and pulled into the fourth industrial revolution where businesses built on digital, robotics, artificial intelligence and machine learning will be the winners.

The Federal Government’s Indigenous Procurement Policy

In order to really accelerate and support Indigenous business growth we need to understand the levers available. The federal government’s Indigenous Procurement Policy (IPP) is one such lever and has been key in driving government spend with Indigenous businesses.²

Established in 2015 and with targets now set at 3 percent for all government department contracts, government spend has exploded from $6 million to over $1 billion dollars in the third year that the policy has been in place.³

This policy has seen large mining and construction companies sub-contract or joint venture with Indigenous businesses in order to win government contracts with major infrastructure projects in the north and other regions.

The federal government can build on the success of its IPP by encouraging state and territory governments to reach Indigenous employment and procurement parity targets in all projects funded by federal infrastructure grants. Only an integrated national effort will bring about the urgently required changes that would give the overwhelmingly young Indigenous population a better future.

The role of corporate Australia

At the same time corporate Australia’s engagement with Indigenous issues over the past decade has been growing. The increase in organisations with Reconciliation Action Plans (RAPS) is a key driver in encouraging companies to establish Indigenous employment and procurement targets as part of their public commitments to reconciliation.

And in the same time period that government spend has exploded, Business Council of Australia member companies have spent over $2 billion with Indigenous businesses.⁴

Corporates building cultural competency and capability will also help achieve more successful outcomes in procurement and greater supply chain diversity.

Indigenous Australia’s great opportunity in the digital economy

The fourth industrial revolution could present great opportunity for the economic development of Indigenous Australia.

Indigenous Australians are, on average, much younger than other Australians. Sixty percent are aged under 35 years. Children, teenagers and young adults are ready to seize on new competencies that power the startup economy. They are also likely to be avid users of new digital services. With access to an internet connection and new technology, there is a brand new potential for Indigenous Australians to access global audiences.

Currently there is a push toward STEM (Science, Technology, Engineering and Mathematics) skills and additional new economy skills

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like coding and entrepreneurial business fundamentals to be taught in schools and universities. If extra effort is made to bring Indigenous Australia into the frame, it will ultimately have an equalising effect on opportunity.

Areas of the economy in which Indigenous Australians are already active carry significant potential for existing startup entrepreneurial activity – think agtech, mining-tech and clean-tech.

There is no reason we could not see Indigenous robotics or Indigenous artificial intelligence ventures.

To achieve this requires providing young Indigenous Australians with equal access to tech education, training and learning opportunities. This may lead to completely unique Indigenous ventures, or simply a reasonable proportion of Indigenous entrepreneurs working at the cutting edge of new enterprise.

The Greater Western Sydney opportunity

To grow Indigenous business means bringing a focus on specific opportunities – to focus on large scale transformation projects that can create new business opportunities. And Sydney presents a perfect opportunity. Greater Western Sydney also happens to be home to the largest population of Aboriginal people in Australia.

The recently announced Western Sydney City Deal between federal government, the NSW state government and local government outlines targets that squarely provide opportunities that include Indigenous employment and business outcomes. The City Deal brings together not just three levels of government but also community and private enterprise, creating a catalyst to support a step-change in the opportunities for Indigenous entrepreneurs.

The Aerotropolis and subsequent development will include opportunities not just for bricks and mortar businesses but create new digital business opportunities. And the plan actively calls for the establishment of an “Indigenous Business Hub” and “Indigenous Small Business and Skills Package”.

There is an opportunity now to shape the outcomes from these activities to include an Indigenous business accelerator with a deliberate focus on fostering new digital enterprises.

This accelerator can build on already successful models from the high growth ventures markets and take lessons from already established hubs such as Stone & Chalk in fintech. This would see a model that provides opportunities for new and emerging digital Indigenous businesses to come together and participate in educative programs utilising best practice tools such as business model canvas, lean start-up and human centred design techniques to accelerate growth pathways.

A successful Indigenous business accelerator will also present opportunities to showcase Indigenous business to government and private enterprise, as well as investors.

Critical to the success of these initiatives will be the capacity for government and corporate entities to engage with Indigenous business in such a way that they’re not hamstrung by misleading stereotypes that Aboriginal and Torres Strait Islander owned business aren’t reliable and fail to produce high quality work.

Cultural competency – combined with the attainment of appropriate skills and confidence to work alongside Indigenous Australians – is paramount to the economic growth story.

The accelerator could also link in to the proposed Aerospace Institute and its focus on building STEM skills and future industry capability which presents another opportunity that can shape the opportunity for Indigenous entrepreneurs.

Imagine a Greater Western Sydney built around a thriving Aerotropolis that creates not only employment opportunities for today’s businesses but is also a launch pad for new exciting ventures that could literally take us to the stars.

And in amongst all this activity we have pathways and outcomes that support new Indigenous businesses that are grasping fully the opportunity that a fourth industrial revolution presents.

By taking a place-based approach to Indigenous entrepreneurship, we can build on the increased participation shown in the Census and unlock even greater opportunity to embed outcomes that deliver into the future.

Recommendations

We recommend four actionable ideas for accelerating Indigenous entrepreneurship:

1. The federal government can build on the success of its Indigenous Procurement Policy by encouraging state and territory governments to reach Indigenous employment and procurement parity targets in all projects funded by federal infrastructure grants.

2. Programs should be created that expose Indigenous entrepreneurs and potential Indigenous entrepreneurs to incubators and accelerators focused on succeeding in the digital economy.

3. A place-based approach to Indigenous entrepreneurship should be taken, beginning with Greater Western Sydney.

4. Indigenous entrepreneurs should be exposed to venture capital, angel investors and other forms of startup funding.
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March 2018. QLDN16449FIRM.