TRANSFORMING THE ABORIGINAL WELFARE ECONOMY

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The great challenge that we in Cape York Peninsula are confronting: the challenge of transforming the welfare economy which counts for an overwhelming proportion of the economic foundations of our society today. If the late Charles Perkins was right - that welfare dependency is destructive and was no substitute for economic independence and participation - then welfare provisioning by government is truly a dilemma. The welfare that makes us so weak and slack is no good for us - but it is all we have.

If we threw welfare away today - what would our people have? And yet we all know that the late Charles Perkins was right: welfare dependency is no good for us. Appreciating very keenly this dilemma, we in Cape York have set ourselves the task - not of rejecting welfare - but of transforming it. Changing it. Turning something that currently makes us weak and slack into something that we can use to get fit and strong, so that we can fight for a fairer place in the world for our people.

It is in the transformation of welfare - yes, the reform of welfare - that the private and philanthropic sectors can assist our people. We in Cape York are using the assistance and investment of philanthropic and private sector partners, in order to innovate new ways for transferring and utilising government welfare resources.

It is in the areas of research and development and innovation that governments are so reluctant to recognise the need for key investment. This is where new thinking and new ideas need to be generated by Aboriginal people using the investment and support from high quality private and philanthropic people and organisations.

Through Indigenous Enterprise Partnerships, we in Cape York have started to access some of the highest quality thinkers from the private sector to work with us on our traditional public sector predicaments. And I can tell you - we have gained more in three months from a thinker from the Boston Consulting Group, or in one month from a Westpac financial advisor to our Family Income Management program, than we could ever get from the public service in years. We have advanced tremendously by having BCG people working with us.

This is not just a reflection on the relative quality of the personnel from the private and public sectors. It is also a result of having people who are not familiar with the usual modes of thinking and practice of government - and who can bring lateral thinking to our policy problems and challenges. Of course, especially where it concerns economic development.

As much as investing in innovation and risk-taking, my message from Cape York to the philanthropic and private sectors at this conference is this: giving us a

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lend of your people with high quality expertise and personal commitment, is probably one of the most valuable contributions you can make. You have no idea how powerful a combination there can be when you combine Aboriginal community leaders and thinkers, with private sector experts and lateral thinkers. Together we can transform welfare into something that can truly be the kind of springboard or trampoline that it should be. Rather than the kind of safety net and dying pillow that it has become for our people.

But before we can talk about transforming welfare, we first need a clearer understanding of the nature of the Aboriginal welfare economy. The true picture of the nature of our welfare economy is not pretty. My following analysis will be brutal, because we need to understand how our tragic and continuing state of dependency is no social accident. It is a structural trap that is very hard for our people to break out of. There are strong forces and interests at play which have contributed to our slide into dependency, and which will resist our every attempt to climb out of this state of affairs.

Let me describe this welfare economy that we live in. It is (but it should not be) surprising that institutions dedicated to "Aboriginal economic policy research", do not explain to us the structure of the welfare economy that dominates Aboriginal Australia. I will here attempt to provide this basic but missing explanation.

Putting aside the traditional economy, almost all of the Aboriginal economy in Cape York is comprised of government investment in the form of welfare services and programs. Only a small part of the economy in which Aboriginal communities are engaged involves Aboriginal people being engaged in wealth creation and income and property accumulation (not the least, owning a home).

The fact that the Aboriginal economy is predominantly welfare-based is not surprising when you look at the nature of the government investment. Almost all of the very substantial investment in Aboriginal affairs, is in the form of passive welfare programs. Only a small percentage of the investment is aimed at economic development. How can we be surprised at the scale of Aboriginal welfare dependency when government investment is almost exclusively in the form of welfare investment, rather than economic development investment?

This welfare investment is of course in the form of income transfers and social programs and services provided by governments and other service delivery agencies. The investment also includes the big ticket, budget items of housing and infrastructure.

Government investment in housing and infrastructure is large, and mostly passive. The government, through ATSIC and other government departments, delivers housing and infrastructure completed to passive Aboriginal recipients, who are merely given the keys at the end of construction, their engagement limited to perhaps providing comments on the design of the house and choosing the colour of the paintwork. No jobs, no training, no small business tradesmen, no Aboriginal
building companies, no Aboriginal hardware suppliers, and no Aboriginal transport companies - it's all outside contractors.

One estimate was made that 60% of the Aboriginal housing stock in the country, funded by government welfare investment, was a write off. In other words their value was destroyed through initial poor construction, householder neglect and destruction, lack of maintenance and so on. And the cycle of government investment in housing continues, and it represents a very large investment each year.

We should consider what difference there would be today if the (say) $500 million worth of housing and infrastructure investment in the Aboriginal communities of Cape York Peninsula over the past thirty years, had been in the form of economic development investment, or even if a proportion of the investment had been in the form of economic development investment. During these thirty years the millions invested in real economic development in the Peninsula could be counted on one hand, if that.

So the majority of Aboriginal people reside in the welfare economy, recipients of income transfers and services provided by government. But does this mean there is no industry or business in Aboriginal affairs? No, far from it. There is industry in Aboriginal affairs and it consists of massive service industries that profit from the considerable government welfare investment in the Aboriginal community. These industries make their living off, and accumulate profits from, the existence of the Aboriginal welfare economy. These industries fall into the following categories:

**Government and Service Delivery Industries**

A large proportion of the government investment is consumed by the passive welfare services delivery industry in government, non-government and indigenous organisations. There are good paying jobs in these industries and many people are employed in it (one third of ATSIC's budget is dedicated to administration at all levels of Aboriginal affairs). This is not to say that many of these services are not essential and important. Many of these service deliverers are indigenous, but they are the minority.

**Goods and Services Industries**

Most of the goods and services purchased by the Aboriginal community are provided from outside. There are few indigenous-owned businesses providing goods and services. Aboriginal welfare income is quickly paid out to the vast armada of goods and services providers (taxis, stores, pubs and so on). In rural and remote Australia the government investment in Aboriginal welfare actually sustains the economy of regional centres and small towns. There is no doubt a
great proportion of these non-Aboriginal owned businesses would not exist if there were no Aboriginal welfare economy.

Consulting, Professional and Academic Industries

There is a massive industry surrounding Aboriginal affairs providing professional services to, for or about Aboriginal people. Lawyers, anthropologists, planners, policymakers etc are counted here. There are even academic research institutions whose existence is entirely accounted for by the existence of the Aboriginal welfare economy and the problems of Aboriginal people (such as CAEPR, the former North Australia Research Unit, a large part of the Menzies School of Health Research etc).

Of course Aboriginal people are sporadically involved in these various industries or businesses. The greatest involvement of Aboriginal people is in the government services delivery sector, and this involvement is largely as lower level employees. There are of course Aboriginal businesses providing goods and services, but this is the exception rather than the rule. There are also Aboriginal consultants, lawyers and other professionals who conduct businesses in Aboriginal affairs, but again this is the exception rather than the rule. By a long margin, non-Aborigines dominate this industry. What does this situation amount to?

It means that there is hardly any business activity (income accumulation, profit-making) within the Aboriginal community that is the nominal recipient of government welfare investment. Government services delivery does not provide opportunities for business activity within the Aboriginal community, and neither does it stimulate any business activity.

The goods and services industry servicing Aboriginal Australia is an incredibly efficient evaporator of Aboriginal personal and family welfare income transfers. The income hits Aboriginal people and within 24 and 48 hours it is mostly gone. The goods and services economy that relies on the Social Security cheque on Wednesdays or the CDEP payday on Thursdays. Hardly any of the money circulates within the community in the form of business activity - rather it is suctioned out of the community almost as soon as it arrives. The grog, drugs and gambling industries are the most ruthless evaporators, and the biggest winners.

Given this explanation of the structure of the Aboriginal welfare economy and its relationship with the non-Aboriginal services industry that feeds off the body of that welfare economy - there are a number of conclusions and additional points that should be made:

1. There is hardly any business activity in the Aboriginal welfare economy. All of the business activity occurs on the outside, involving non-Aboriginal owned service industries that profit greatly from Aboriginal passivity.
2. It is no wonder academic research avoids this explanation of the nature of the economy that it exists to provide policy research on. The explanation shows academic institutions and the consultants that make a living out of it, to be leeches on the bleeding sore of the indigenous welfare economy. Institutions and consultants reposition themselves according to the winds of policy changes in government, in order to obtain funding aimed at a new phase or a new aspect of "the Aboriginal problem". (Now that welfare reform is the new wind, they are there in hot pursuit talking about more "streamlined payment structures", and "coordinated service delivery", and so on). These institutions are in truth interested in the maintenance of the problem that generates the funds that maintain their existence, and which keep our people down.

3. In our aim to develop a real economy for our people and to move beyond passive welfare dependency, we must transform the welfare nature of the government investment in our communities into business activity in which our people are fully engaged as owners and workers. Rather than allowing these outside service industries to conduct business and to continue to profit from the welfare investment that is made in the name of Aboriginal people (but which actually operates to the benefit of these industries) - we have to use this investment to develop our own business activity. As well as developing our own new enterprises therefore, one of our first objectives must be to transform the welfare economy into as much business activity owned by Aboriginal people, as possible.

4. In order to achieve the aim I have just described, government (including ATSIC and the Indigenous Land Corporation) must be confronted to change their welfare investment into maximum business investment. This will not be easy. The existing service industries that profit from the passive Aboriginal welfare economy, represent powerful vested interests that will want to retain the existing "taking candy from a baby" relationship with the Aboriginal community. ATSIC and ILC policies also operate to make it easier for their investment to ultimately profit the external service providers, rather than the Aboriginal community. Many policy prejudices are brought to bear ("accountability" is the easy prejudice - we can't allow the Aboriginal community to get the funds directly, we have to pay a consultant colleague instead) to ensure that the benefit that Aboriginal people get is ultimately passive, and does not provide the opportunities for engagement in business activity. We have to confront this institutional bias towards Aboriginal investment being in the form of passive welfare, rather than in a form that would stimulate and enable economic development.
5. In a real economy, the provision of professional services need not always be unduly burdensome, and in fact it can facilitate or assist real economic activity in some way. But in a real economy, businesses that utilise professional services have the capacity to define what they need and to confine the activity of these services - because if left unchecked, these services readily grow and take over. They are not directly productive, and they can soon overburden producers: the suckerfish start to bleed the shark dry. Real businesses actually struggle to contain the expanding role of useless professional services, and they are alive to their limitations and their proper roles. But in relation to the body of the Aboriginal welfare economy, you have the perfect passive patient hooked up on the recurrent government welfare investment dripfeed. These external professional services need simply find their favourite vein and start draining - and the patient does not bring them to account for whatever good they are doing.

The patient's problem is one of comprehensive passivity, and it is not in the interests of these professional services providers to change this easy condition. There is no-one keeping these professional services providers to performing a role which genuinely develops or adds to the productivity of the Aboriginal patient - they can do whatever they like. This is why the return we get from the vast investment made in professional services for Aboriginal people is so dismal. We mostly do not get business growth and development or any form of economic return or any lift, out of passive welfare dependency from the activity of these professional services providers. They are mostly leeches on the Aboriginal welfare economy. That is why the question that must be raised in relation to all participants in the professional advisory industries that work in the Aboriginal sphere is: are they helping us to develop our own economic independence, or are they just earning money off our passivity? The great majority fall into the latter category and we have to prise their fangs off the Aboriginal throat.

Let me revisit the remarks I made last night about the necessity of developing an 80-90% strategy if we are talking about a Treaty based on amendment of the Australian Constitution. I argued that the Australian Constitution is one of the hardest constitutions in the world to change - and we will need the rural, regional, conservative Right of the Australian electorate to support a Treaty if it involves constitutional change, same as we needed their support in 1967.

Why should we have to deal with the rednecks of Australia in order to get a treaty? Let me make the following points to any people who might support a treaty - who doubt whether we need 80-90% strategies to get the result we seek:
• Only 8 out of 42 referendum proposals to amend the Australian Constitution have succeeded since 1901.

• The percentages making up "a majority of electors in a majority of the states" in those 8 successful votes were as follows:

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<thead>
<tr>
<th>Year</th>
<th>Issue</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1906</td>
<td>Senate Elections</td>
<td>82%</td>
</tr>
<tr>
<td>1910</td>
<td>State Debts</td>
<td>54%</td>
</tr>
<tr>
<td>1928</td>
<td>State Debts</td>
<td>74%</td>
</tr>
<tr>
<td>1946</td>
<td>Social Services</td>
<td>54%</td>
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<tr>
<td>1967</td>
<td>Aborigines</td>
<td>90%</td>
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<tr>
<td>1977</td>
<td>Senate Vacancies</td>
<td>73%</td>
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<td>1977</td>
<td>Territory Votes</td>
<td>77%</td>
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<tr>
<td>1977</td>
<td>Judges Retirement</td>
<td>80%</td>
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• A 1977 referendum on Simultaneous Elections got 62% of the electorate saying yes, but failed to get "a majority of electors in a majority of the states". So it was not carried.

If anyone has an alternative plan for amending the Australian Constitution to give effect to a Treaty, I would love to hear about it.