The economic status of Indigenous Australians

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Summary
This paper examines the economic status of Indigenous Australians as a self-identifying group. It is an early version of an entry to the 2nd edition of the Encyclopedia of the Australian People, to be published in 2001. Indigenous Australians today face a diversity of economic circumstances. At one end of a spectrum are those residing in urban settings and engaging with the market economy, with varying degrees of success, like other Australians. At the other end are those who reside in remote parts of Australia and maintain important aspects of the Indigenous economy. Despite this heterogeneity, the vast majority of Indigenous people (73 per cent) reside either in towns or in cities, with the remaining 27 per cent residing in small Indigenous towns (so defined because the majority of the population is Indigenous), on pastoral stations or at outstations. It can be argued that nowhere are the differences between Indigenous institutions and those of the colonisers of Australia more marked than in the economic system.

Measures of economic status are primarily statistical and based on the social indicator approach. The social indicators utilised in this paper provide data that differentiates Indigenous from non-Indigenous Australians in relation to employment, income, housing, education and health status. These measures of wellbeing show that, as a group, Indigenous people have the lowest economic status of all Australians, without any qualification.

A broadly related set of factors can explain Indigenous economic marginality: historical exclusion from the mainstream provisions of the Australian welfare state and associated legacies; structural factors such as population structure and location of residence; cultural factors such as differing priorities and absence of labour migration; and demand side issues such as discrimination. The variable interplay of all these factors explains in large part the diversity of circumstances of Indigenous Australians today.

Policy and program responses
It is well established that Indigenous people are the most marginal group in Australian society. Addressing this issue and making progress in both a real and in a statistical, measurable sense has proven very difficult, despite concerted government attention and allocation of considerable resources. Government policies in the last 30 years have remained fundamentally ‘assimilationist’. It has been assumed that if sufficient public funds were devoted to Indigenous education, health, housing and employment programs, then material betterment would automatically follow and Indigenous people would be able to compete directly with other Australians, both in the formal labour market and in the business sector. Research has raised the possibility that there is no automatic positive correlation between funding and improved economic status. More recently there has been a call by Indigenous spokespeople, like Noel Pearson, for a paradigm shift in both governance structures and attitudes to work, education and welfare among Indigenous people.
The future

The issue of Indigenous poverty is greatly complicated by the diversity of types of Indigenous community and the variable impact of colonisation. This heterogeneity calls for a great deal of policy flexibility. There seems no doubt that most Indigenous people, whether urbanised or in remote locations, wish to maintain their distinct identity and cultural autonomy. How can this be reconciled in modern Australia with economic equality?

A crucial issue is the phenomenal growth in the Indigenous population. In 1971, the self-identifying Indigenous population was estimated at 116,000 persons. By 1996, the Indigenous population was estimated at 386,000 and in 2001 it is likely to exceed 427,000. Such rapid growth potentially places government Indigenous-specific programs under financial strain. It raises questions about appropriate targeting of those most in need and the relative merits of Indigenous-specific versus mainstream funding on the basis of location of residence and the particularities of circumstances. It also has negative implications for potential labour force status with recent estimates indicating that at best the unemployment rate for Indigenous people will remain unchanged, at worst it will increase.

One hard lesson from the last three decades is that low Indigenous economic status appears intractable. Any realistic prediction for overall economic equality measured by statistical social indicators will require a very long time frame, although equality may in fact be unachievable in certain circumstances. It will be incumbent on both governments and Indigenous leaders to defend both the heterogeneity and the exercise of choice that will mitigate against a rapid integration of Indigenous people into mainstream economic institutions. Government will need to retain policy flexibility and adhere to financial commitments in order to gradually improve the marginal economic position of Indigenous Australians. At the same time, the provision of core and equitable citizenship entitlements to Indigenous people as members of an increasingly diverse Australia will need to be maintained.

Acknowledgments

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Introduction

Social indicators measuring wellbeing show that, as a group, Indigenous people have the lowest economic status of all Australians, without any qualification. The term economic status refers to the relative material wellbeing of individuals, households, communities or ethnic groups. In this paper, the economic status of Indigenous Australians as a culturally distinctive self-identifying group is examined. However, a term such as ‘status’, which examines people's position, rank or relation to each other, is intrinsically problematic when applied in a cross-cultural setting because it incorporates the values of a particular group or society. In Australia assessments of Indigenous economic status tend to utilise the quantitative techniques of the dominant Australian society. Furthermore, today there is a high degree of inter-marriage between Indigenous and other Australians to the extent that at the outset of the 21st Century, 40 per cent of Indigenous households are mixed. This makes a focus on Indigenous economic status problematic. Much of the statistical discussion here concentrates, by necessity, on individuals. This, however, tends to somewhat artificially remove people, for statistical purposes, from the family and household situations in which they reside.

It can be argued that nowhere are the differences between Indigenous institutions and those of the colonisers of Australia more marked than in the economic system. In 1788 the Indigenous production system was uncomplicated—it was based almost exclusively on hunting, gathering and fishing activities and, in Torres Strait, also on basic horticulture. The available ethno-historic and archaeological evidence suggests that Indigenous people were able to maintain an adequate, and at times rich, standard of living in these pre-contact times. This is attested to by their extremely long-term and successful adaptation to the highly variable and often harsh environments of the Australian continent. Partly as a consequence of the semi-nomadic requirements of a hunter-gatherer life-style, Indigenous people placed little emphasis on the production of cumbersome material wealth. Some anthropologists argue that under traditional conditions surplus time was invested in an elaborate religious life rather than in material accumulation.

This was in marked contrast to the laissez-faire and materialist economic attitudes of British colonisers. The white occupation of Australia began just as the Industrial Revolution was gathering momentum in Britain. Since that time, a feature of western capitalist societies has been an emphasis on material production, industrialisation and continual economic growth. The critical factor of production in Australia was land—Indigenous people needed it for their productive activities and the new settlers required it for farming and pastoralism initially, and then for its mineral wealth. In the economic clash of cultures over land, Indigenous people in the settled regions of Australia were overrun, marginalised and driven away from their areas of traditional allegiance.

During the 19th and 20th centuries the Indigenous economy has been radically transformed. The extent of change has been largely influenced by
location. Indigenous people who now live in major urban centres, such as Melbourne and Sydney, in small cities and country towns and in town camps, have to support themselves via mainstream economic activity. Other groups, particularly those who reside in Indigenous townships, on pastoral stations and at outstations or homeland centres in remote and rural Australia, have maintained important vestiges of the traditional economy. With the granting of effective land rights since the 1970s, particularly in the remote Northern Territory and the north of South Australia, Indigenous people have been able to maintain key elements of the subsistence economy based on foraging activities. In fact, it has been demonstrated that in some situations in the far north of Australia, such subsistence activities have re-emerged as the mainstay of the productive economy. This has been dependent on two important factors. First, the availability of land and unimpeded access to the land’s floral and faunal resources; and second, access to social security payments to which Indigenous people are entitled as Australian citizens. At locations where subsistence activities remain significant, people have not rejected introduced goods, nor have they returned to a pristine pre-contact mode of subsistence. Rather, they have adopted and adapted new foods and technologies, and financed their market dependence with welfare transfers and other cash earnings.

Today, Indigenous Australians face a diversity of circumstances. At one end of a spectrum are those residing in urban settings and engaging with the market economy, with varying degrees of success, like other Australians. At the other end are those who reside in remote parts of Australia and maintain important aspects of the Indigenous economy. Despite this heterogeneity, the vast majority of Indigenous people (73 per cent) reside either in towns or in cities, with the remaining 27 per cent residing in small Indigenous towns (so defined because the majority of the population is Indigenous), on pastoral stations or at outstations.

Defining economic status

Measures of economic status are primarily statistical and based on the social indicator approach. However, it is only since the 1967 Referendum that Indigenous Australians have been included in the five-yearly census of population and housing. Up until that time Section 127 of the Australian Constitution of 1901 stated ‘In reckoning the numbers of the people of the Commonwealth, or of a State or other part of the Commonwealth, Indigenous natives shall not be counted’. Since the 1971 Census, Indigenous Australians have gradually been fully incorporated into censuses. The use of census-derived social indicators to measure economic status has both advantages and disadvantages. The advantages include the fact that the census is the most comprehensive survey of all Australians that is currently conducted regularly at five-yearly intervals. Consequently, it provides a statistical basis for comparative analysis between the analytical constructs Indigenous and non-Indigenous Australians and it allows for tracking of socioeconomic change over time.

However, census-derived social indicators face a range of conceptual and methodological shortcomings. The major problem is that while social indicators
are used to highlight difference between indigenous Australians as a self-identifying group and the rest of the population, this tends to overstate the differences between the two groups, one comprising 2 per cent of the population the other 98 per cent, without recognising that some Indigenous Australians live in situations that do not require any statistical differentiation from mainstream society, while others pursue lifestyles that are so fundamentally different. Therefore using the same social indicators for comparative purposes, without qualification, is at best naive and at worst ethnocentric.

Economic status is defined here with reference to a number of social indicators including employment, education, occupational, income and housing statuses. Other social indicators, like health status, which are frequently included in the wider term ‘socioeconomic status’, are also mentioned. It can be argued that there is a close correlation between economic status and other parameters of wellbeing, such as health. In the 1960s the concepts of ‘cycles of poverty’ and ‘poverty entrapment’ were prominent. There is without doubt a link between all indicators of wellbeing, but the extent and direction of causality can often be difficult to determine (Altman and Hunter 1998; Hunter 1999).

The normative criterion ‘economic status’ has been increasingly used by both policy-makers and Indigenous groups to measure relative material wellbeing. An important assumption underlying the use of this analytical concept is that it can be applied in a cross-cultural context. Apart from the diversity in Indigenous economies, Indigenous societies are also culturally heterogeneous. There is a correlation between what is frequently termed ‘tradition-orientation’ and geographic remoteness. In Indigenous townships, outstations and other remote communities, people maintain lifestyles that are significantly tradition-oriented; whereas at locations where Indigenous people are a distinct racial minority, although strong Indigenous identity is maintained, lifestyles are no longer directly influenced by recognisably traditional religious, kinship and value systems.

Social scientists, particularly anthropologists, have demonstrated that economic status, which is generally measured by indicators such as cash income levels and ownership of assets in Australian society, is measured in quite different ways among many Indigenous groups. For example, in some tradition-oriented communities a person’s status is largely determined by access to ritual or religious knowledge rather than to material resources. Similarly, social status can be accrued by controlling the distribution of material resources (that is, by being an effective resource manager) rather than by being an accumulator (or owner) of resources. In many communities the individualistic or household oriented economic aims that are prevalent in modern Australian society are regarded as running counter to ‘correct’ behaviour. In short, materialistic considerations are of lesser importance among sections of the Indigenous population (Schwab 1995).

Other shortcomings are also evident when in using statistical social indicators as a measure of well-being. For example, standards like employment and income status tend to concentrate on the formal labour market and on cash incomes. However, Indigenous people residing at remote communities, like outstations, are frequently fully employed in subsistence pursuits (or informal
productive activities), which provide income in kind (that is, foods) rather than cash. Formal measures of economic status emphasise the market oriented perspective (and ideology) of the major society rather than the Indigenous perspective. In other situations, formal activity like the sale of art may not be declared or may be irregular and hence may not be reflected in official statistics.

Despite these conceptual and methodological shortcomings, social indicators are used here to measure economic status for a number of reasons. First, the vast majority of Indigenous Australians, particularly in urban situations, are almost totally dependent on the market economy for their needs. It is therefore realistic to measure their economic status by the statistical criteria of the major society. Second, to suggest that economic status, development and growth are merely culture-relative terms provides little solace to those Indigenous groups who are actively seeking to improve their materially marginal lifestyles. Similarly, merely to say that Indigenous people are only relatively poor in the context of the high incomes received by affluent Australians ignores the starkness of Indigenous poverty, a poverty more marked precisely because there is limited adjustment made on the basis of relative income in Australia. It is a fact that people in every society world-wide want and need access to sufficient resources to ensure their biological survival. While there is no doubt that the material aspirations of different cultures vary significantly, Indigenous people’s access to resources are determined today by both the price structures and availability of goods in the wider Australian and world economy.

A final reason that the concept ‘economic status’ can be used constructively is that it can be quantified. However, this also raises a problem, for it can be argued that quantification results in important qualitative variables being ignored. There are indications of a current questioning of a central tenet of late 20th Century economic dogma which assumes that individuals and households seek to maximise their material wellbeing. Increasingly, some Australians are beginning to question the wisdom of pursuing such objectives at the expense of more qualitative benefits, such as family cohesion, sense of community and adequate leisure. There are also concerns about the environmental, social and cultural costs associated with the undeniable benefits of economic growth.

It is important to openly recognise that quantitative measures of economic status have shortcomings. For some Indigenous people this measure is far less appropriate than for others. However, to assess the standard of living of any group it is necessary to use a measurable and generally applicable numeraire or common standard, and economic status measured by social indicators such as employment and income status appear the ‘least worst’ measuring yardsticks currently available.

**Economic status today**

Information in Table 1 gives a current snapshot of a range of social indicators that are primarily census-based and provide information that differentiates Indigenous from non-Indigenous Australians. As already noted, due to statistical problems with mixed households it is more meaningful, and probably more stark,
to focus on differences between individuals rather than households or families. A major exception, obviously, is housing status. The order in which the selected indicators are presented and discussed is somewhat arbitrary and does not imply an absence of interconnection between them.

Starting with unemployment, the Indigenous rate at the 1996 Census was nearly 23 per cent in contrast to the non-Indigenous rate of 9 per cent. This indicates that the Indigenous rate was 2.5 times higher. In reality the extent of this difference is even greater. Since the mid-1970s, Indigenous people have been participating in increasing numbers in the Community Development Employment Projects (CDEP) scheme that is a form of work-for-the-dole, but is classified as being employed for census purposes. In 1996, some 28,000 Indigenous people were participating in 274 such schemes. If these people were counted as unemployed, it is estimated that the Indigenous unemployment rate would have been closer to 40 per cent, over four times the Australian rate.

Employment rates and labour force participation rates are also lower for Indigenous people, at 41 per cent and 53 per cent, respectively, in contrast to rates of 56 per cent and 62 per cent for other Australians. There is similarly marked differences in occupational status, the quality of employment. At the bottom end of the occupational hierarchy, 26 per cent of Indigenous employed are classified as unskilled compared to 9 per cent of non-Indigenous employed. This is partly a reflection of their low educational status.

In the upper echelons of the occupational hierarchy, 14 per cent of the Indigenous employed are white-collar managers, administrators or professionals in contrast to 26 per cent of non-Indigenous employed people. However, over the last decade there has been a relatively rapid increase in Indigenous people employed in these occupational categories. This has been primarily linked to the establishment and growth of the Aboriginal and Torres Strait Islander Commission (ATSIC) and other federal bureaucracies with functional responsibilities to deliver services to Indigenous people, combined with affirmative employment policies that have often resulted in Indigenous people being employed in the upper echelons of these bureaucracies.

Indigenous people are far less likely than other Australians to be either employers or self-employed. This implies that they own and operate few businesses in the private sector. Meaningful comparative data from the 1991 Census indicate that of all employed Indigenous Australians (96 per cent) are employees, compared with 85 per cent of all Australians. Another feature of Indigenous occupational status is that a far lower proportion (53 per cent) of employment is in the private sector in comparison with the total Australian labour force (80 per cent) according to the 1996 Census.

Given the low employment and occupational status of Indigenous people, it is not surprising that their income status is also low, as these factors are the main determinants of cash income. In 1996, the median weekly income (that is, the income most commonly received) by Indigenous individuals aged 15 years and over was $190, and for families it was $502. For all Australians these figures were $292 and $730, respectively. The income of Indigenous people as a proportion of
the median income for all Australians was 65 per cent for individuals and 69 per cent for families. Census data also showed a heavy skewing of Indigenous incomes at the lower end of the income scale—about 49 per cent of Indigenous people received incomes of less than $200 per week compared to 37 per cent of other Australians. Even more marked is the relative absence of Indigenous adults with high incomes—only 2 per cent of Indigenous adults reported weekly incomes greater than $800, in contrast with 10 per cent of other Australians.

Table 1. A synoptic view of socioeconomic differences between Indigenous and non-Indigenous Australians, 1996

<table>
<thead>
<tr>
<th>Social indicator</th>
<th>Indigenous (1)</th>
<th>Non-Indigenous (2)</th>
<th>Ratio (1)/(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>22.7</td>
<td>9.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Employment rate</td>
<td>40.7</td>
<td>56.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Labour force participation (%)</td>
<td>52.7</td>
<td>62.0</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation unskilled (laborers)</td>
<td>25.9</td>
<td>8.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Managers, administrators, professionals</td>
<td>14.0</td>
<td>26.0</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Median income, adults (per week)</td>
<td>$190</td>
<td>$292</td>
<td>0.7</td>
</tr>
<tr>
<td>Median income, families (per week)</td>
<td>$502</td>
<td>$730</td>
<td>0.7</td>
</tr>
<tr>
<td>Income less than $200 (per week) (%)</td>
<td>49.0</td>
<td>37.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Income more than $800 (per week) (%)</td>
<td>2.0</td>
<td>10.0</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currently renting (%)</td>
<td>67.3</td>
<td>27.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Home owner or purchasing (%)</td>
<td>32.5</td>
<td>72.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Household size</td>
<td>3.6</td>
<td>2.7</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did not go to school (%)</td>
<td>3.1</td>
<td>0.7</td>
<td>4.4</td>
</tr>
<tr>
<td>Left school aged &lt;15 years (%)</td>
<td>44.2</td>
<td>35.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Currently attending tertiary institution aged 15–24 years (%)</td>
<td>13.8</td>
<td>25.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Post-school qualification</td>
<td>23.6</td>
<td>40.2</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male life expectancy at birth (years)</td>
<td>57</td>
<td>75</td>
<td>0.8</td>
</tr>
<tr>
<td>Female life expectancy at birth (years)</td>
<td>64</td>
<td>81</td>
<td>0.8</td>
</tr>
<tr>
<td>Population age over 55 years (%)</td>
<td>6.3</td>
<td>20.4</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Note: a. Indigenous households are defined as households in which the reference person or the reference person’s spouse is Indigenous. It should also be noted that in some circumstances home ownership is not possible for Indigenous people owing to the communal nature of land tenure.
Income status does not tell us everything about material wellbeing. For example, Indigenous people who live at outstations do produce goods and services in the subsistence sector and these alleviate the extent of their poverty. However, while the wellbeing of this section of the Indigenous population may be understated by formal measures of cash-income status, it is important to point out that only about 10 per cent of the Indigenous population lives ‘off the land’ as modern hunter-gatherers, and that there are significant variations in the resources available to outstation communities.

Altman and Hunter (1998) contrast Indigenous family incomes with a hypothetical poverty line; people whose incomes were less than the poverty line were defined as ‘very poor’, while those whose incomes amounted to 100–120 per cent of the line were defined as ‘rather poor’. Overall, 50.1 and 61.5 per cent of Indigenous income units were found to be ‘very poor’ and ‘rather poor’ respectively. This can be contrasted with the 20.9 and 31.3 per cent of non-Indigenous family income units that were estimated to be ‘very poor’ and ‘rather poor’, respectively. Altman and Hunter point out that any relative improvements in Indigenous income can be attributed to an increase in the proportion of low-income non-Indigenous households rather than a direct reduction in low-income Indigenous households.

The National Aboriginal and Torres Strait Islander Survey (NATSIS), 1994, found that government payments were the main source of income for 55 per cent of all Indigenous persons. This extremely high welfare reliance can be contrasted with the finding of the comparable Australian Bureau of Statistics Household Expenditure Survey (1993–94) that only 13 per cent of all Australian household income came from government pensions and allowances, with 72 per cent coming from employment (Altman and Taylor 1996).

Welfare dependence is significantly greater for one-parent families with dependent children, with 41 per cent of household income derived from employment income and 47 per cent derived from government pensions and allowances. Census data for 1996 indicate that Indigenous families are more than twice as likely to be a sole parent family (30 per cent of Indigenous families are sole-parent headed compared to 14 per cent for the total population) (Daly and Smith 1999).

This greater welfare dependence has a number of implications. The high dependence of Indigenous people on social security accentuates the likelihood of poverty entrapment. Even though in recent years more and more Indigenous people have been receiving the income maintenance payments to which they are entitled, these payments merely alleviate poverty, rather than removing it. Unemployment benefits, in particular, continue to be regarded by policy-makers as short-term relief until the return to full employment, rather than as minimum-income support. Given that these payments are intended to meet the short-term needs of mainly urbanised non-Indigenous Australians, it seems unlikely that they will be appropriate for the long-term unemployment experienced by many Indigenous people, especially those living away from mainstream employment opportunities (Finlayson and Auld 1999).
The great dependence of Indigenous people on welfare and their lower incomes maintains their housing status at a relatively low level, because people cannot accumulate sufficient capital to procure housing or gain access to housing loans from commercial sources. In 1996 about 73 per cent of houses in Australia were owner occupied or being purchased, whereas only 33 per cent of Indigenous housing fell into this category. Conversely, 67 per cent of Indigenous households were renting compared to 27 per cent of non-Indigenous Australians. On average, Indigenous households were larger (at 3.6 persons) than non-Indigenous (2.7 persons) reflecting greater crowding rather than larger houses. Australian people see home ownership as a major objective. It not only provides a sense of personal security but also represents a major source of capital investment. Housing status seems to provide an extremely clear indication of the poverty of Indigenous people because it is not only a reflection of current income status, but also of past savings and investments.

Low education and health are both causes and effects of low economic status. Information on educational status indicates that a far higher proportion of Indigenous people did not ever attend school (3 per cent) and left school before the age of 16 years (44 per cent) than non-Indigenous Australians (less than 1 per cent and 36 per cent, respectively). Similarly, fewer Indigenous people have post-school qualifications (24 per cent) and were attending tertiary institutions in 1996 (14 per cent) than their non-Indigenous counterparts (25 per cent and 40 per cent, respectively). Information on health shows that Indigenous life expectancy at birth for males is 18 years and for females 17 years lower than for non-Indigenous males and females; only 6 per cent of the Indigenous population in the 1996 Census was aged over 55 years compared to 20 per cent of the non-Indigenous population.

The ratios in the synoptic table above are instructive. It can be seen that on any positive measure of economic status (like high income, high employment or high home ownership) the ratio Indigenous/non-Indigenous is less than one, whereas on any negative measure (like low income, unemployment or house rental) the ratio is greater than one, sometimes by factors exceeding four.

**Explanations of Indigenous economic marginality**

A broadly related set of factors can explain Indigenous economic marginality. These include: historical exclusion from the mainstream provisions of the Australian welfare state and associated legacies; structural factors such as population structure and location of residence; cultural factors such as differing priorities and absence of labour migration; and demand side issues such as discrimination. Each of these factors will be briefly described, but it is the variable interplay of them all that explains in large part the diversity of circumstances of Indigenous Australians today. Interestingly, many of the explanations for Indigenous marginality are also explanations, from an Indigenous perspective, for continuity, identity distinctiveness and cultural survival.
Indigenous poverty has its roots in the historical process of colonisation of the Australian continent. Prior to 1788 the Indigenous hunter-gatherer economy resulted in the exploitation of the continent's renewable natural resources. In western economic terms this production system was undeveloped and simple because it did not produce massive material surpluses—there was no intensive agriculture or industrialisation, and limited exploitation of non-renewable resources. While white settlement resulted in the economic development of Australia, this development was predicated on the dispossession of Indigenous people and the transfer of 'property rights' in natural resources away from them to the colonists. This process of alienation continued well into the 20th Century and its impact is still being felt by Indigenous people. In short, while colonisation brought material wellbeing to many white migrants, it created Indigenous underdevelopment. It is debatable whether the Indigenous standard of living in the 19th and early 20th Centuries improved at all, despite access to modern manufactured goods and new technology.

Recent history also explains a great deal. Up until the 1960s and 1970s, many Indigenous Australians were systematically excluded from their citizenship entitlements as members of a modern welfare state. This exclusion was highly variable and was related in large part to the settlement of Australia, being most severe in remote regions that were either reserved for Indigenous people or unsettled. It included lack of access to many institutions of the Australian state including educational facilities, award wages, home ownership and voting rights. Such exclusion left a very deep historical legacy in terms of options and opportunities to compete on an equal footing in the mainstream economy.

Another important feature of the Indigenous population is its geographic dispersion. According to the 1996 Census, 27 per cent of Indigenous people resided in rural areas with a population of less than 1,000, in marked contrast to 14 per cent of all Australians. Many Indigenous communities are in extremely remote locations, far from urban centres, formal labour markets, and commercial opportunities. There are indications that over the past three decades employment opportunities in the rural sector have declined rapidly and Indigenous Australians are likely to have been disproportionately affected given their already marginal status.

Two observations can be made about the correlation between the geographic remoteness of a significant part of the Indigenous population and economic status. First, there is clear evidence that Indigenous people who reside in rural areas are relatively worse off than non-Indigenous people who reside in similar locations; thus it is not location alone that causes Indigenous poverty. Second, in the last 50 years there has been a steady upgrading of publicly provided services at remote rural locations. The greatest attention has been given to educational and health facilities, communications (including Internet access) and electricity. There have been substantial direct and indirect public sector transfers, based on locational disadvantage (for example, subsidies, welfare payments and tax concessions). However, numerous surveys of the facilities at remote Indigenous
communities indicate that they do not have many services that other Australians regard as their right as citizens.

The current structure of the Indigenous population demonstrates a high youth dependency ratio. Combined with low employment rates, this mixture of demographics and labour force status results in a very high economic burden for Indigenous people. Census data for 1996 indicate that the ratio of children aged 0–14 years as a proportion of the population aged 15–64 is 70:100 for Indigenous people, but less than half of this (32:100) for all Australians. The burden of raising young is far greater for Indigenous people. When information on workforce participation and unemployment rates is taken into account, the effective ratio of young dependants to the employed population aged over 15 years changes dramatically. By multiplying the proportion of the Indigenous population aged over 15 years by the employment rate, it is calculated that only 23 per cent of the Indigenous population are employed. This means that there are three Indigenous people for each one employed and that there is great pressure on the wages and salaries of those in employment. The corresponding figure for all Australians is a far higher 44 per cent. The ratio of young dependants to employed Indigenous people is about three times the corresponding ratio for all Australians. While these ratios are artificial constructs, because ratios are calculated for the Indigenous and non-Indigenous populations without the ability to adjust for household linkages, they provide an important part of the explanation for Indigenous poverty.

According to mainstream measures of wellbeing like income per capita or persons per house, demographics aids greatly in explaining relative disadvantage. To some extent though this demographic ‘disadvantage’ is ameliorated by the working of both the welfare and tax systems: for example, social security payments provide monetary support for dependents in a manner that the wages economy does not. One consequence of this is that many indigenous families, especially those headed by only one adult, face perverse financial incentives that make welfare relatively attractive and the wages economy, even when jobs are available, relatively unattractive. Continued high (but falling) fertility, counter to some demographers’ predictions, perpetuates the attractiveness of welfare, at least according to formal analysis like income replacement ratios (Taylor 2000). Again somewhat paradoxically, demographic success is a cultural continuity and a growing Indigenous population is in itself an indicator of resilience.

Then there are cultural factors. The resilience and more recent efflorescence of Indigenous cultural practices have again paradoxically facilitated economic disadvantage as measured by social indicators. Cultural factors are numerous: they are evident in indigenous family formation (multi-family households and polygynous marriages), low labour migration owing to regional and family allegiances, the continued use of Indigenous languages and the maintenance of traditional ceremonial obligations. A combination of cultural factors create constraints on the incorporability of many Indigenous people into the mainstream. In particular, people living off the land continue to pursue their own distinct prerogatives. Other Indigenous people are just not comfortable working in
a labour market where mainstream values dominate and where they are a distinct minority. Some Indigenous people are not able, and others are not willing, to mould themselves to suit labour market requirements at the expense of their Aboriginality.

Many of these cultural factors can be statistically demonstrated. For example, Indigenous people have a cultural preference for multi-family households. In 1996, 6 per cent of Indigenous households contained two or more families in comparison to 1 per cent for all households. Over 13 per cent of Indigenous people reported speaking an Indigenous language at home. However, these cultural factors should not be overstated—there are sections of the Indigenous population, particularly urban youth, who want formal employment. Without some affirmative action on the part of government, it seems certain that many of these people will experience unemployment and its associated poverty.

To some extent all the broad explanatory factors provided above, besides the historical, are supply-side: they highlight distinguishing features of Indigenous Australians that make them poorly adapted to economic incorporation into mainstream Australian society. One important demand-side factor that is used to explain why Indigenous Australians are not employed is prejudice and negative stereotyping of potential Indigenous employees. Even today it is not unusual to hear white employees denigrate Indigenous workers, stating they are unreliable. Much of this negative stereotyping is due to a lack of understanding of Indigenous cultural and economic circumstances and rigidity in employment requirements.

Econometric analysis by economists working at the Centre for Aboriginal Economic Policy Research at The Australian National University clearly quantifies the reality of discrimination. For example, research by Daly shows that allowing for differences in human capital endowments, like education qualifications, Indigenous male earnings are still below their non-Indigenous counterparts (Daly 1992). Daly’s other research shows that only a small proportion of employment variation can be explained by expected factors like differences in education, marital status, location and language: most seemed to be ‘inexplicable’. Similarly, Hunter and Borland have argued that a significant proportion of differential employment rates have resulted from different arrest experiences (Hunter and Borland 1999).

Policy and program responses

Identifying the extent and causes of Indigenous poverty in the past three decades has been the subject of considerable research effort. It is now well established that Indigenous people are the most marginal group in Australian society. Addressing this issue though, and making progress in both a real and in a statistical, measurable sense has proven very difficult, despite concerted government attention and the allocation of considerable resources. A brief attempt is made here to explain the very complex and broad policy and program responses to Indigenous poverty in the last three decades leading up to the new millennium.
The modern policy era in Indigenous affairs is widely recognised as dating from the 1967 Constitutional Referendum which empowered the Commonwealth to take a lead role in addressing Indigenous issues nation-wide. In the late 1960s, the broad thrust of policy was still assimilation which was defined in 1961 in the following terms '[assimilation] means that all Aborigines and part-Aborigines are expected eventually to attain the same manner of living as other Australians and to live as members of a single Australian community enjoying the same rights and privileges, accepting the same responsibilities, observing the same customs and influenced by the same beliefs as other Australians'.

The assimilation policy was based on the premise that Indigenous people would abandon their own cultural heritage and adopt the values of the dominant society. The policies of assimilation and, after 1965, integration, lasted until 1972. It is widely recognised today that these policies were a failure. This was partly due to the fact that they were predicated on ideologies that Indigenous people frequently did not share; it was assumed that they would adopt the economic goals and cultural values of the wider Australian society. Furthermore, it was assumed that designated reserves, where many Indigenous people were required to reside, could provide an economic base for development. Finally, it was assumed that there would be no barriers placed in the way of Indigenous advancement. With hindsight, all these assumptions are known to have been wrong. First, the very cultural practices that Indigenous people were required to radically alter remained remarkably resilient. Second, those lands that were reserved for Indigenous use appear to have remained unalienated precisely because they were of limited economic value and were extremely remote. And last, distortions like racial prejudice, particularly evident in the labour market, continued.

From 1972 assimilation was abandoned as official government policy, and 'self-determination' and then 'self-management' were introduced as the new policy frameworks for Indigenous advancement. In marked contrast with assimilation, self-determination allowed Indigenous communities the freedom to decide the pace and nature of their future development as significant components within a diverse Australia.

From the early 1970s there has been a growing awareness of the extent of Indigenous poverty. This can be attributed to three factors. First, it is only since the 1971 Census that reliable comparative social indicators have been available to demonstrate the extent of the economic disparity between Indigenous and other Australians. Second, it is only since 1972 that a separate federal Aboriginal affairs portfolio and bureaucracy were established to directly represent Indigenous people. And finally, in the early 1970s there was a growing awareness of poverty issues generally, especially in the aftermath of the Henderson Commission of Inquiry into Poverty. Indigenous poverty was at last regarded as an issue of some political significance, particularly in the urban electorates, and it was Indigenous and white political activists who brought the magnitude of the issue home to many Australians.
The government response to this situation has been very broadly two-pronged. First, an attempt has been made to directly address Indigenous socioeconomic disadvantage in a range of areas like health, housing, employment and education. This attempt initially required the equitable inclusion of Indigenous people as Australian citizens and beneficiaries of the provisions of the welfare state. This task was not completed in some remote areas until the early 1980s. Simultaneously, a range of special programs designed specifically for Indigenous Australians were established and administered primarily by the Aboriginal affairs portfolio and other federal agencies. By the late 1990s, it is estimated that in the region of $2 billion per annum in welfare and special allocations were made to Indigenous people, although the bulk of this funding was for citizenship entitlements.

Second, government has attempted to broadly facilitate Indigenous economic development with special measures to return land to Indigenous ownership and to make special allocations of capital to assist development. Since the 1970s there has been a significant transfer of land back to Indigenous people. This restitution began with Commonwealth land rights legislation that transferred unalienated and reserved lands back to Indigenous ownership. Subsequently, all States and Territories (except Western Australia) have introduced some form of land rights legislation. Indigenous people now own, or have exclusive leasehold title to, over 15 per cent of Australia. However, land holdings per capita are highly variable and the quality of most land, especially for primary production, is very poor. More recently, in the aftermath of the Mabo High Court judgment recognising native title, new potential to enhance indigenous land ownership and property rights in resources have arisen. Despite variable party political responses to native title legislation, there is no doubt that in the future new institutional mechanisms like the Aboriginal and Torres Strait Islander Land Fund (that will receive $1.26 billion over ten years) and the National Native Title Tribunal (that can hear native title claims and make compensation determinations) will further increase the Indigenous land base (Altman and Pollack 1998).

Similarly, since the 1970s, a range of special programs have been established to provide enterprise grants and loans to Indigenous individuals, incorporated groups and communities. Some key institutions and special programs have been established to facilitate Indigenous access to capital, including the Aboriginal and Torres Strait Islander Commercial Development Corporation, a lending and joint venturing institution (Arthur 1996). A number of other institutions are empowered to provide capital to Indigenous groups including provisions under land rights law to earmark royalties for Indigenous use and the commercial operations of the Indigenous Land Corporation (Altman and Pollack 1998).

Despite these efforts, a comparison of social indicators from the early 1970s and late 1990s suggest little improvement in the relative and absolute economic status of Indigenous people. For example, Altman and Hunter (1998) analyse changes in the overall poverty of Indigenous people since the early 1970s. Despite
potential problems in comparing results from the Henderson Poverty Inquiry, with its focus on urban areas, with more recent Australia-wide work, they found only a small improvement in the overall level of Indigenous poverty. Relative to the total population, indigenous poverty has declined from a factor of 2.7 to 3.7 in the early 1970s to a factor of 2.0 in the 1990s. The differential in the 1990s remains substantial, but the trend is in the right direction. The persistently high levels of Indigenous poverty are corroborated by other findings. For example, tracking unemployment rates between the 1971 and 1996 Censuses indicates that the ratio of Indigenous unemployment to that of the total population has improved from a factor of 4.2 in 1971 to 2.5 in 1996, with a best outcome of 2.3 in 1991. Similarly, analysis of change in median individual incomes between the 1970s and 1990s indicates a slight relative improvement for Indigenous people. This is partly explained by the improved access of Indigenous people to welfare entitlements. But it also reflects the relative growth in poverty of the total population that has resulted in a relative statistical improvement in Indigenous wellbeing.

In 1987, the federal government made a commitment to deliver economic equality to Indigenous Australians by the year 2000. Review of this policy in the mid-1990s indicated that the equality goal was destined to fail. More recent government-stated goals have been more circumspect, focusing on the provision of real improvements in Indigenous health, housing, employment and education. A wide range of views has evolved about the overall failure of government to deliver economic equality to Indigenous people. One view is that, to simplify considerably, given the depth of Indigenous poverty, the historical legacy and the structural changes to the Australian economy, Indigenous economic status has not improved sufficiently because government funding commitments have been inadequate; such a view proposes to rectify this situation with greater levels of funding. This view appears a little unsophisticated given the diversity of Indigenous circumstances. An alternate view is that it is not so much the level of funding that is the issue, but the philosophies guiding government policies and the purposes to which funds are directed that are the keys.

It can be argued that, in essence, government policies in the last 30 years have remained fundamentally assimilationist. Thus, it has been assumed that if sufficient public funds were devoted to Indigenous education, health, housing and employment programs, then material betterment would automatically follow and Indigenous people would be able to compete directly with other Australians, both in the formal labour market and in the business sector. Recent research has raised the possibility that there is no automatic positive correlation between funding and improved economic status. For example, Altman and Sanders (1995) suggested that the relatively recent inclusion of many Indigenous people in the welfare state might increase the risk of longer-term entrapment. More recently, there has been a call by Indigenous spokespeople like Noel Pearson for a paradigm shift in both governance structures and attitudes to work, education and welfare among Indigenous people. While welfare institutions may have negative effects on the incentives of Indigenous people to look after themselves, it is essential to recognise the significance of historic, structural and locational
There is also growing evidence that a combination of the ‘needs’ criterion generally adopted by public-sector funding agencies and the existence of special programs results in substitution rather than supplementary funding of Indigenous clients. In other words, many services in areas such as health, education and housing provided to Indigenous people are funded by the Indigenous affairs portfolio rather than by the appropriate State or federal government department. This means that much funding that has the appearance of being specifically devoted to Indigenous people merely provides a range of services that most Australians would expect from the public sector. Also, there is evidence that given the extent of Indigenous need under- rather than over-funding is the norm. This raises an important strategic issue for Indigenous people: would equitable access to mainstream programs not be preferable to continued reliance on special programs? This is especially the case as special Indigenous allocations are very visible, whereas equitable access to mainstream services are not only potentially larger, given the documented extent of disadvantage, but is also relatively invisible.

A final issue that needs to be recognised is the phenomenal growth in the Indigenous population since 1971 (Gray 1997a, 1997b). In 1971, the self-identifying Indigenous population was estimated at 116,000 persons. Subsequently, in each five-yearly census this population has grown rapidly, owing to a combination of high fertility, increased willingness to identify and improved accuracy of enumeration. By 1996, the Indigenous population was estimated at 386,000 and in 2001 it is likely to exceed 427,000. Such rapid growth very obviously puts government special programs under financial strain. But it also raises questions about appropriate targeting of those Indigenous people most in need and the relative merits of special versus mainstream funding on the basis of location of residence and the particularities of circumstances.

The future

At the turn of the new century a new greater embrace of the market and concomitant reduction in the welfare programs and expenditures of governments is evident. As economic conditions for many Australians have declined with a growth in inequality, the question of Indigenous poverty has become of less pressing overall political concern. And yet, simultaneously, there is also a greater public demand for rapid and visible improvement in Indigenous economic status as a result of government funding.

The issue of Indigenous poverty is greatly complicated by the diversity of types of Indigenous community and the variable impact of colonisation. This heterogeneity calls for a great deal of policy flexibility. There seems no doubt that many Indigenous people, whether urbanised or in remote locations, wish to maintain their distinct identity and cultural autonomy. However, the economic options available to those residing in urban and metropolitan situations are greatly constrained relative to those in rural and remote locations—they can...
either increasingly integrate into the mainstream economy or continue to lead a marginal welfare-dependent existence. There is a need for sustained levels of government assistance in education, housing, employment and training programs to ensure equality of opportunity for these people.

The options available to Indigenous people residing in remote and rural regions are at once more circumscribed and more potentially optimistic. With land rights, native title and access to development capital, some groups have demonstrated an ability to partake in highly profitable tourism and mining development on their lands. Other groups have chosen to develop pastoral properties, establish Indigenous service agencies, or to live at outstations and supplement their cash incomes with subsistence activities. It seems imperative, even where Indigenous groups do not desire direct involvement in the market economy and direct contact with white Australians, that they establish commercial entities which will control, own and develop business opportunities when they occur on Indigenous land and safeguard future options.

A more pessimistic scenario emerges from recent population projections that indicate a likely rapid growth in the Indigenous working-age population in the first decade of the 21st Century. By 2006 it is estimated that the Indigenous population will approach 500,000 and the number of Indigenous adults will increase even more rapidly owing to demographic processes. This has negative implications for potential labour force status with recent estimates by Taylor and Hunter (1998) indicating that at best the unemployment rate of Indigenous people will remain unchanged, at worst it will increase. Poor employment outcomes generate poor economic outcomes which are very evident in data on income status. The costs to government of continued income disparity are estimated to grow and maintenance of employment levels at current unacceptably low levels will remain dependent on continued expansion of the CDEP scheme.

One very hard lesson for all from the last three decades is that low Indigenous economic status appears intractable. This suggests that any realistic prediction for overall economic equality measured by statistical social indicators will require a time frame that could approach 100 years, but that might be unachievable in certain circumstances. At a political level, such a possibility will make it incumbent on both governments and Indigenous leaders to defend both the heterogeneity and the exercise of choice that will mitigate against a rapid integration of Indigenous people into mainstream economic institutions. The additional challenge for government will be to maintain policy flexibility and financial commitments to gradually improve the marginal economic position of Indigenous Australians. At the same time, the provision of core and equitable citizenship entitlements to Indigenous people as members of an increasingly diverse Australia will need to be maintained.
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