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Supply Nation

Supply Nation Research Report No. 7

State of Indigenous Business

An analysis of procurement spending patterns with Indigenous businesses 2021–2022

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Supply Nation

Supply Nation is the Australian leader in supplier diversity and since 2009, has worked with Aboriginal and Torres Strait Islander businesses along with procurement teams from government and corporate Australia to help shape today's rapidly evolving Indigenous business sector. Supply Nation's world-leading 5-step verification process provides peace of mind by ensuring that all businesses listed on Australia's largest national directory of Aboriginal and Torres Strait Islander businesses, Indigenous Business Direct, are not only Indigenous owned but are also regularly audited for changes in company structure and ownership. Supply Nation partners with its members from the government, corporate and not-for-profit sectors to develop and support supplier diversity processes within procurement policies, based on world's best practice that can help to enable the greater participation of Australia's Indigenous business sector.

Supply Nation established an internal research capacity to deliver evidence-based programs – providing a stronger platform to advocate for the needs and benefits of Indigenous business and Indigenous procurement. As custodian of Australia's largest and most respected database of Aboriginal and Torres Strait Islander businesses, a focus of our research is understanding the contours, trends, and contributions the Indigenous business sector makes to the broader national economy, as well as the contribution it makes to Aboriginal and Torres Strait Islander wellbeing and self-determination.

Our research is the product of collaboration with a range of university centres, government and independent research agencies on projects of relevance to Indigenous Australians and Indigenous business, and primarily disseminated through:

- Supply Nation Research Reports: Substantial and original pieces of research on topics of relevance to Supply Nation's mission and Indigenous business.
- Supply Nation Research & Policy Briefs: Concise papers that summarise key areas of research or policy of relevance to the Indigenous Business sector and key stakeholders.

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About the Authors

EY was engaged to undertake the analysis of Supply Nation Member's spend on Indigenous business, which was based on information obtained from public sources as well as internal Supply Nation data. EY led the analysis and drafting of the report with collaboration and final editing from Supply Nation.

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Definitions and acronyms

Definitions	Description
Certified Supplier	51% or more Aboriginal and/or Torres Strait Islander owned, managed, and controlled
Registered Supplier	50% or more Aboriginal and/or Torres Strait Islander ownership (caters for equal partnerships with non-Indigenous owners)
Indigenous business	Aboriginal and/or Torres Strait Islander owned business, including both certified and registered suppliers as above
Indigenous Business Direct	Supply Nation's publicly available national online directory of Indigenous businesses
Supply Nation Member (purchasing organisation)	A corporate, government or not-for-profit organisation that pays a membership fee to Supply Nation and commits to purchasing goods and/or services from Indigenous businesses

Acronym	Description
ABS	Australian Bureau of Statistics
EY	Ernst & Young
ACCO	Aboriginal Community Controlled Organisation
AIMSC	Australian Indigenous Minority Indigenous Business Council
ALGA	Australian Local Government Association
APIC	Aboriginal Participation in Construction
APP	Aboriginal Procurement Policy
FTE	Full-Time Equivalent
FY	Financial Year
IBA	Indigenous Business Australia
IBD	Indigenous Business Direct
IBSS	Indigenous Business Sector Strategy
IPP	Indigenous Procurement Policy
MSA	Mandatory Set Aside
NFP	Not-for-profit
NMSDC	National Minority Supplier Development Council
ORIC	Office of the Registrar of Indigenous Corporations
RAP	Reconciliation Action Plan

Foreword

Supply Nation's core purpose is to nurture a prosperous, vibrant, and sustainable Indigenous business sector. Since the establishment of an internal research team, Supply Nation has collaborated with several university centres, government, and independent research agencies to explore the impact the Indigenous business sector has on broader Aboriginal and Torres Strait Islander wellbeing and self-determination.

In 2022, Supply Nation engaged EY to examine trends in procurement spend across the Indigenous business sector over a two-year period, one that had been adversely affected by the COVID-19 pandemic. This led to the publication of Supply Nation Research Report No.5, **State of Indigenous Business - An analysis of procurement spending patterns with Indigenous businesses 2019 – 2021**. The report showed a 39% increase in total spend by our members with Indigenous businesses from FY 19-20 to FY 20-21 – equating to $2.3 billion, an increase of $1.7 billion from the previous financial year.

This latest report provides an update to the analysis in Research Report No.5, taking a closer look at procurement spending patterns with Aboriginal and Torres Strait Islander businesses in the most recent FY ending June 2022, exploring the factors driving growth in the Indigenous business sector. The primary focus of these reports is to identify what might be driving growth and decline in the Indigenous business sector, and how Supply Nation might better support suppliers as they continue to grow.

Measuring the value of Supply Nation's approach is as important as understanding our members' and suppliers' progress. In this update of procurement spending, for instance, we wanted to understand if the distinction between registered and certified businesses influenced the way members made procurement decisions, as certification signals to our members that the supplier is more than 51% Indigenous owned. As an organisation that champions diversity, we also wanted to take a closer look at our female-owned suppliers.

The research revealed some fascinating findings. The headline figure is that Supply Nation Certified or Registered Suppliers reported a cumulative revenue of $3.8 billion in contracts from Supply Nation members (purchasing organisations). This represented an increase of 65% on the reported member contract revenue of $2.3 billion noted in the previous report. Our members - especially government agencies - that continue to report the highest spend, deserve an acknowledgment for their ongoing and growing support of Indigenous businesses.

An even more welcome finding is that the industries that were heavily affected by COVID-19 in FY20 and FY21 are showing continued signs of recovery, especially suppliers in the tourism sector, arts and entertainment, events management and food and hospitality. Furthermore, Indigenous employment by suppliers has continued to grow, albeit at a slower rate than previous years.

Confirming the importance of our certification process, our research shows that members are more likely to procure from Certified Suppliers over Registered Suppliers. Certified Suppliers accounted for $2.3 billion in contract revenue, 60% of the total revenue reported, and received three times as many contracts as Registered Suppliers. This sends an important message to the more than 2,000 suppliers with Supply Nation that are classified as registered but have the potential to become certified as they have 51% or more Indigenous ownership. These suppliers are potentially missing out on contracts because of a distinct preference by some our members to purchase from Certified Suppliers.

Finally, female-owned businesses account for a very small proportion of total suppliers and contract revenue. Female-owned Indigenous businesses registered with Supply Nation comprise approximately one-quarter of all suppliers, and account for only 14% of the total contract revenue recorded by Supply Nation suppliers. The report suggests that a key reason for this relatively low level is that many female-owned Indigenous businesses are based in industries that typically have comparatively low value contracts. Supply Nation will look at ways of providing support to female-owned businesses to enable them to increase the share of contract revenue from our members.

Overall, however, the findings from this report suggest that Indigenous procurement is continuing to support the growth of the Indigenous business sector in the post-COVID environment, with opportunities for further growth available. Supply Nation looks forward to working with our members and suppliers on this journey.

Michelle Deshong

CEO

Supply Nation

Executive Summary

Supply Nation Certified or Registered Suppliers reported a cumulative revenue of $3.8 billion in contracts from Supply Nation members (purchasing organisations). This represented an increase of 65% from FY21's reported member contract revenue of $2.3 billion.

Contract value has grown exponentially; while strong growth was seen across almost all sectors, government spending experienced the most significant increase.

In FY22, Supply Nation suppliers generated a record $3.8 billion from member contracts, growing 65% from last year's reported $1.6 billion growth. Growth in the number of Registered Suppliers slowed slightly from 30% in FY21 to 19% in FY22, taking the total number of Supply Nation suppliers to 3,594.

Government members continue to report the highest spend, totalling $1.7 billion, 45% of the $3.8 billion revenue generated in FY22, representing more than double government spent in FY21. While significant, this is not surprising considering the Government's higher than average spend to GDP. Government spend came in at an historically high 28.1%[1] of GDP, 3% higher than average, albeit slightly lower than it was in FY21.[2]

Industries heavily affected by COVID-19 in FY20 and FY21 are showing continued signs of recovery. Supply Nation suppliers in the tourism sector received $11 million in contract revenue, ten times FY21 earnings in the tourism sector. Similarly, arts and entertainment, events management and food and hospitality saw strong growth after two consecutive years of retraction. Suppliers in the construction sector accounted for 42% of contract revenue, the highest proportion of the total revenue, totalling $1.6 billion. Suppliers in the domestic goods and services sector had the most significant growth in revenue, growing from $54 million in FY21 to $310 million in FY22, an estimated 475% growth.

Aboriginal and Torres Strait Islander employment by suppliers has continued to grow at a marginally slower rate than previous years. Growth in Indigenous employment slowed to 13% in FY22, compared to the 18% growth seen in FY21. Growth in total employment slowed from 17% in FY21 to 12% in FY22, with Indigenous employment accounting for a quarter of that growth. Just over one-third (36%) of employees employed by Supply Nation suppliers are Indigenous.[3] This is a strong proportion compared to the population, highlighting existing evidence that Indigenous employers are more likely to employ Aboriginal and Torres Strait Islander staff.[4]

Members are more likely to procure from certified than registered suppliers

Certified Suppliers accounted for $2.3 billion in contract revenue, 60% of the total revenue reported, and received three times as many contracts as Registered Suppliers. Given that Certified Suppliers only comprise 36% of all suppliers with contracts, this demonstrates a strong correlation between certification and increased member spend. It can be inferred that Supply Nation's certification makes suppliers more appealing to members and enables suppliers to increase their contract revenue. This demonstrates the importance of Supply Nation's certification process and its role in influencing procurement decision making.

There are 2,178 Registered Suppliers (that are not certified) in the database who have reported 51% or more Indigenous ownership. These suppliers may be eligible for certification and are potentially missing out on contracts given the preference by some members to purchase from Certified Suppliers. Certified Suppliers only make up 10% of all newly Registered Suppliers (suppliers registered between July 1st 2021 to June 30th

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[1] Australian Bureau of Statistics (2022) Australian National Accounts: National Income, Expenditure and Product
[2] Parliament of Australia (2021) Australian Government Expenditure
[3] Indigenous businesses report their employment data upon registering or certifying their business with Supply Nation. The 36% Indigenous employment rate has been calculated from the available data at a point in time and may not necessarily be accurate at the time of analysis.
[4] NSW Department of Treasury, (2022) The NSW First Nations Business Sector

2022), meaning that 90% of newly registered suppliers are not certified. Considering the correlation between certification and contract revenue, this may account for the fact that 72% of newly registered suppliers did not secure contracts.

A deeper understanding of why some suppliers have received no contract revenue from members is needed.

Almost half (48%) of all suppliers reported no contract revenue in FY22. To explore this, the supplier dataset was used to model trends related to the sector, the location breakdown of suppliers with no contracts, their certification status, and time of registration.

In FY22, 779 new suppliers were registered with Supply Nation. Of these suppliers, only 215 reported securing contracts with Supply Nation members, meaning that 72% of new suppliers did not receive revenue in their first year of registration with Supply Nation. The total value of contracts for new suppliers was $88.9 million, accounting for 2% of contract revenue in FY22.

This demonstrates a strong relationship between newly registered suppliers and low-to-no contract revenue in FY22. As the registration date has not been analysed in previous reports, and the sample size of new suppliers in FY22 is relatively small (779), it is not possible to validate this trend with the current dataset.

The breakdown of suppliers with no contract revenue by location and sector mirrored that of suppliers with contracts in FY22, suggesting that the location and sector of a supplier is not necessarily a good indicator of a supplier's likelihood of securing a contract. This does not take into consideration the impacts of local demand, competition, and market saturation that might be relevant to a smaller sub-set of suppliers.

Female-owned businesses account for a very small proportion of total suppliers and contract revenue.

There are a total of 1,016 female-owned Indigenous businesses registered with Supply Nation, roughly 28% of all suppliers. 471 of these suppliers received a total of $513 million in contract revenue, which equates to 14% of the total contract revenue reported by Supply Nation members.

Many female-owned Indigenous businesses operate in the education and training, arts and entertainment, and domestic goods and services sectors. These Industries typically have a larger number of comparatively low-value contracts. The construction and facilities management sectors also included a significant number of female-owned suppliers, 114 and 74 respectively. The sectors that reported the highest cumulative value of contract revenue for female-owned businesses are the same five sectors that reported the highest total revenue overall. In all these sectors, female-owned businesses make up a very small proportion of total contract revenue, compared to male-owned businesses.

It may be necessary to provide greater support to female-owned businesses to ensure they can secure significant contract revenue from members.

1. Introduction

Indigenous owned and run businesses generate a wide range of benefits to Aboriginal and Torres Strait Islander people, as well as the broader economy. A report commissioned by the New South Wales Department of Treasury identified that First Nations owned businesses build stronger economic participation within Aboriginal and Torres Strait Islander communities through employment and self-determination, make significant contributions to the wellbeing of local communities, and inspire future generations.[5]

A strong Indigenous business sector is a key focus of the Closing the Gap agreement, with the Self-Employment Assistance program set-up to support Indigenous peoples in their business ownership aspirations.[6] A strong Indigenous business sector is good for all of us, and this report examines the current strengths and weaknesses of the sector through the lens of Supply Nation's Registered and Certified Suppliers.

This report provides an update to our previous analysis detailed in Research Report No.5 and examines procurement spending patterns with Indigenous businesses in the most recent FY ending June 2022. The primary focus of these reports is to identify what might be driving growth and decline in the Indigenous business sector, and how Supply Nation might better support suppliers to continue to grow.

COVID-19 continued to influence the spending behaviour of the government, businesses, and consumers in FY22. Lockdowns and government support were still ongoing during the first half of the year. The impact of lockdowns began to ease from February, as state and territory governments slowly began loosening restrictions. This saw business and consumer spending bounce back in the second half of the year, and government COVID-19 response stimulus spending began to taper off.[7]

Throughout FY22, the impact of skills shortages and rising inflation on the Australian economy as a whole has further complicated business operations. As such, the current research explores a range of indicators of business growth and considers those which may be attributed to the natural growth of the economy post COVID-19, and those which demonstrate the increasing strength of the sector itself. This analysis provides a nuanced understanding of the current state of Indigenous business across Australia, informing what ongoing support and investments are needed to strengthen Aboriginal and Torres Strait Islander businesses as they navigate the current business environment.

2. Methodology

The current research drew on a variety of Supply Nation collated data to explore a series of research questions, including:

- What are the drivers of change across the Indigenous business sector?
- What impact does certification have on suppliers' contract revenue?
- Are newly Registered Suppliers realising benefits in their first year?
- How are Indigenous businesses bouncing back in a post-covid economy?
- How are female-owned indigenous businesses performing compared to all suppliers?

These research questions were selected to better understand where growth is concentrated and to consider whether there is a need to support businesses whose growth does not reflect that of the sector. General economic activity was also assessed to contextualise the findings.

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[5] NSW Department of Treasury, (2022) The NSW First Nations Business Sector
[6] Commonwealth Government, (2022) Closing the Gap Annual Report
[7] EY Economics, (2022), Australian National Accounts March 2022

The research approach included:

- An analysis of Supply Nation member spend data for the financial years FY20 to FY22. Supply Nation members include government (federal, state, and local) agencies, corporate entities and not-for-profit (NFP) organisations that report their Indigenous procurement spend annually through a Supply Nation designed tool called 'SpendTracker'

- Analysis of select economic research including that conducted by the Australian Bureau of Statistics, parliamentary expenditure reports, and state-based Treasury publications.

2.1 Quantitative analysis

It is a condition of Supply Nation membership that members (purchasing organisations) report their procurement spend with Indigenous businesses using a tool called 'SpendTracker'. Members are encouraged to report on a quarterly basis to allow for effective and current benchmarking with member peers. Member organisations are responsible for entering the data into the 'SpendTracker' tool, including providing information on the number of contracts, contractual value, suppliers, and dates payable. This data also allows Supply Nation to track any movements in spend by Supply Nation members over time and to tailor support to assist members achieve their supplier diversity goals.

The findings in this report derive primarily from an analysis of Supply Nation's 'Spendtracker' dataset allowing a nuanced understanding of Supply Nation member's spend together with an examination of how this spend varies by an Indigenous businesses':

- Geographical location
- Industry sector
- Ownership structure
- Impact of COVID-19
- Registration status (certified versus registered)
- Female-ownership

The supplier dataset is a separate dataset that relies on Aboriginal and Torres Strait businesses entering information on the types of services they provide. Suppliers may select up to five different types of services which are then merged into categories relating to sector and industry. The main industry category is determined by Supply Nation based on the industry in which the Indigenous business provides most of its services. The two datasets were merged for this analysis to match contracts awarded by purchasing organisations (members) with the industry of the Indigenous business (supplier) providing the goods and services.

2.2 Insight identification

The results from the data analysis were used to answer the questions identified earlier in the report. Data analysis from FY22 was compared to FY21, and FY20 to identify trends, and compared to broader economic indicators to test whether those trends were aligned or in conflict with one another.

2.3 Ethical considerations

The approach to collection, utilisation and analysis of member and supplier data is consistent with AES's Ethical Guidelines, with quantitative data provided to the research team, stored, and analysed in a de-identified fashion. Data was reported in aggregate form only, with analysis conducted to ensure protection of participant privacy and anonymity.

2.4 Limitations

The impact of COVID-19 on businesses is still an important factor to consider for FY22, particularly in the first half of the year. While the economy started to stabilise in the second half of the year, the lingering effects on global supply chains and government monetary policy continue to influence the performance of many sectors. References to Supply Nation's pre-COVID-19 data provide a guide rather than directly comparable trends as the data sources and methodology used in previous reports may differ to the analysis presented here. Other data limitations included:

- Inconsistencies in data entry and frequency of reporting, as not all Supply Nation members report their spend on a quarterly basis. The spend dates reported by members in SpendTracker may, therefore, not always align with the date the spend occurred.
- Descriptive data (e.g., ownership structure, supplier services, number of employees) was not always available for some suppliers, even though these suppliers received revenue from contracts in at least one of the financial years examined. In these cases, the descriptive data of the available financial year was used.
- There were several zero-dollar, small value and negative value contracts recorded in the dataset (2.3% of all contracts recorded in the dataset across both financial years), which were not excluded from the analysis, unless otherwise stipulated. Any analysis regarding number of contracts or average value of contracts may, therefore, result in higher amounts or values of contracts reported than is the case.
- Indigenous businesses report their employment data upon registering or certifying their business with Supply Nation. Indigenous employment has been calculated from the available data at a point in time, which may, therefore, be outdated if not revised over time.

3. Key Findings

3.1 Indigenous business growth and employment

Highlights

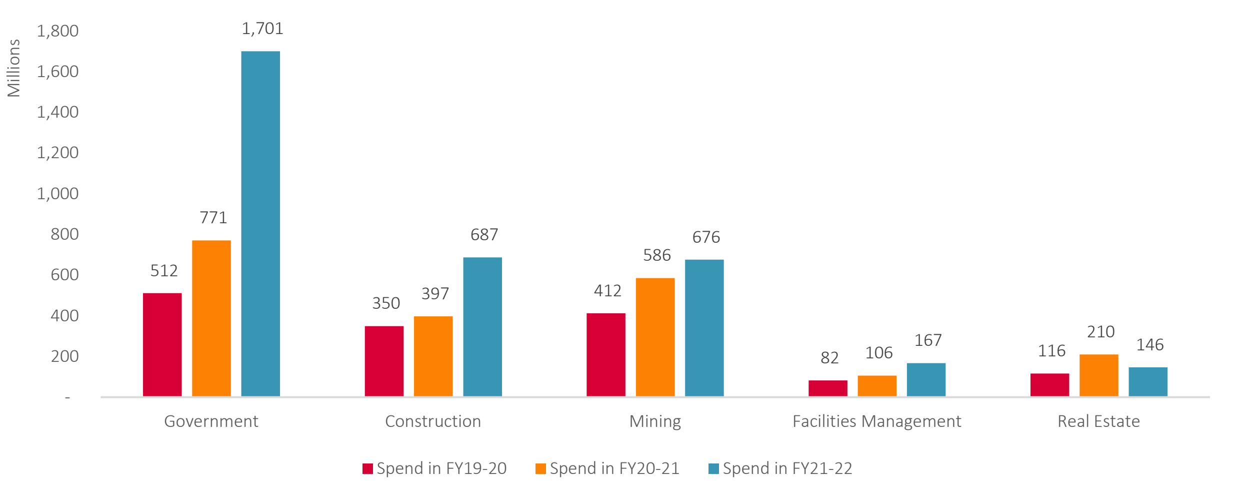
- Revenue has increased 65% on FY21, totalling $3.8 billion.
- 52% of suppliers hold 100% of $3.8 billion in contracts.
- In line with previous years, government was the biggest spender.
- Indigenous employment by suppliers has continued to grow at a slightly slower rate to previous years.

The Indigenous business sector has continued to grow during the last three years, despite the impacts of COVID-19. Supply Nation has seen continued growth both in the number of suppliers registered with Supply Nation, and the revenue generated through member contracts. In FY22, Supply Nation suppliers generated a record $3.8 billion from member contracts, growing 65% from last year's growth of $1.6 billion. Growth in the number of registered suppliers slowed slightly from 30% in FY21 to 19% in FY22, taking the total number of Supply Nation suppliers to 3,594. Only 1,717 (48%) of these suppliers secured contracts from Supply Nation members in FY22. An additional 85 suppliers were identified to have member-reported contract revenue but could not be identified in the Supplier dataset, which may be due to their registration with Supply Nation lapsing during the year. This indicates that a bigger focus is needed to ensure suppliers are receiving the support required to engage with and secure contracts from members. Growth in the number of suppliers is only as important as the revenue they can generate through the Supply Nation network.

Government was, again, the biggest spender, more than doubling its spend from the previous year, while several sectors continue to report negligible contract revenue.

Government members continue to have the highest spend, totalling $1.7 billion, 45% of the $3.8 billion revenue generated in FY22. As can be seen in Figure 1, this is more than double what governments spent in FY21. While significant, this is not surprising considering government's overall spending patterns from FY22. On average, government spends around 25% of the proportion of GDP[8], in FY22 it is estimated that this averaged out at 28.1% of GDP.[9] This increase in spending can be attributed to rising inflation, and the ongoing need for stimulus spending to address COVID-19 in the first half of the year and to a lesser extent, extreme weather responses on the east coast in the second half of the year.

Figure 1 Top five member industries by total spend amount from FY20 to FY22 (in AUD)



Spend reported by members within the construction sector saw 73% growth, and members within mining experienced a decline in growth from 42% in FY21 to 15% in FY22.

Members within the real estate sector spent 30% less on Indigenous suppliers than they did in FY21, one of the biggest decreases by member industry, as is demonstrated in Figures 1 and 2. Despite this, real estate was still in the top five industries by spend.

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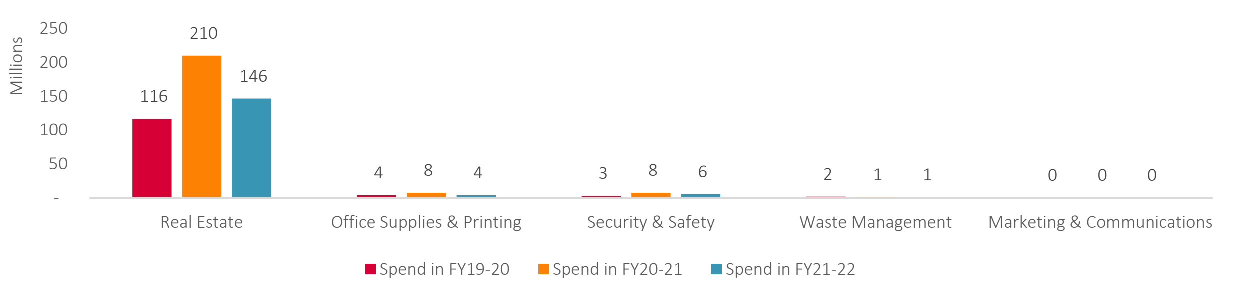
[8] Parliament of Australia (2021) Australian Government Expenditure
[9] Australian Bureau of Statistics (2022) Australian National Accounts: National Income, Expenditure and Product

Figure 2 Bottom five member industries by decreased amount of spend from FY20 to FY22 (in AUD)



As seen in figure 3, suppliers within the construction sector experienced the most significant increase in contract revenue in FY23. Figure 4 illustrates that construction also saw the highest cumulative value of contracts. domestic goods and services had the strongest growth at 475%.

Figure 3 Top five supplier industries by increase in contractual value (in AUD)

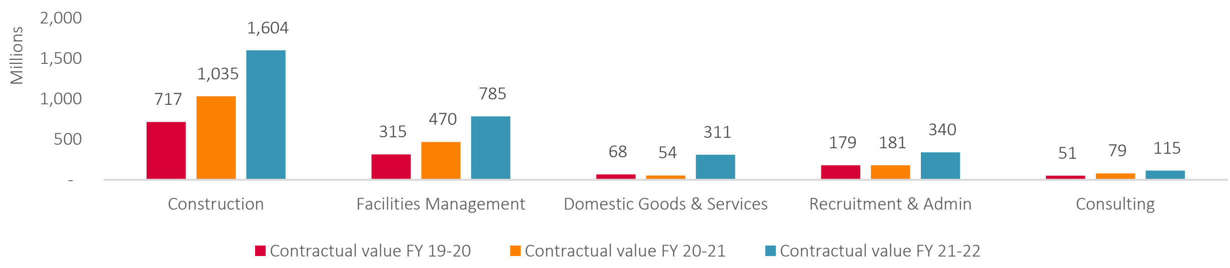


Figure 4 Top five supplier industries by cumulative contractual value (in AUD)

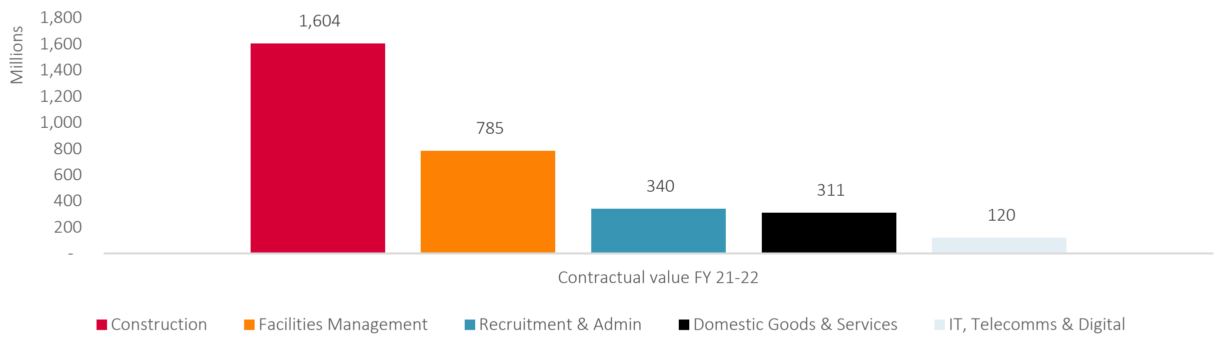


Figure 5 **Bottom five supplier industries by cumulative contractual value (in AUD)**

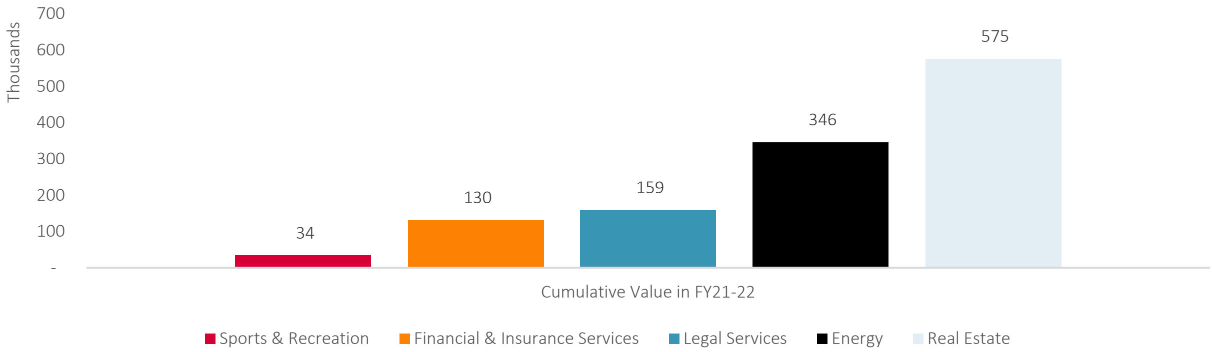


Figure 5 shows those industries that received the lowest cumulative value in contracts in FY22. These sectors also have comparatively low numbers of suppliers. sports and recreation, financial and insurance, legal services, real estate, and the energy sector all have less than 10 suppliers. These are very small numbers when compared to those in the top performing sectors, who have between 55 and 300 in each sector.

The relationship between a larger number of suppliers and a higher cumulative revenue is clear in both Figures 5 and 6, with three out of the five highest grossing sectors also having the highest number of suppliers. There are some exclusions to this pattern in sectors that typically have lower value contracts, such as education and training. Here, we see a large volume of businesses securing smaller value contracts (see Figure 9). Figure 9 shows the top 5 industries by number of suppliers who received contracts – construction and facilities management were also in the top 5 by cumulative contract revenue. However, education and training, consulting, and recruitment and administrative services all received a high volume of contracts despite reporting a lower cumulative revenue.

A deeper understanding of why some suppliers have received no contract revenue from members is needed.

Almost half of all suppliers had no reported contract revenue in FY22. Suppliers without contracts have a similar spread across industries and locations as suppliers with contracts, as is illustrated in Figure 6 and 7. The same was true of the spread across states and territories (Figure 7). These factors may still have an impact on individual suppliers, and more qualitative analysis is required to understand why some suppliers have not secured contract through Supply Nation members.

Figure 6 Number of suppliers with and without contracts by sector

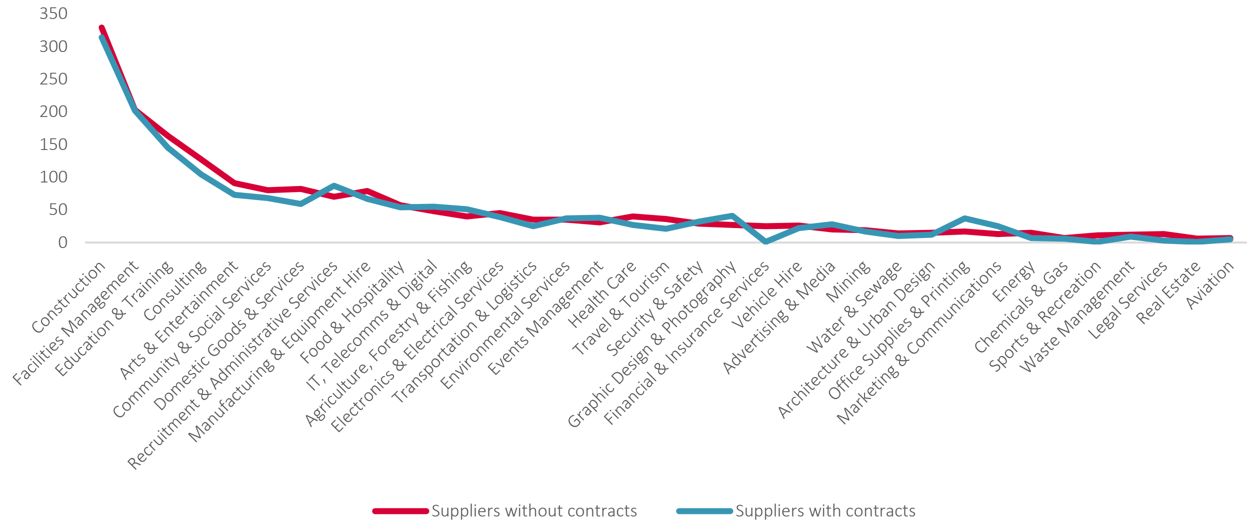


Figure 7 Number of suppliers with and without contracts by state or territory

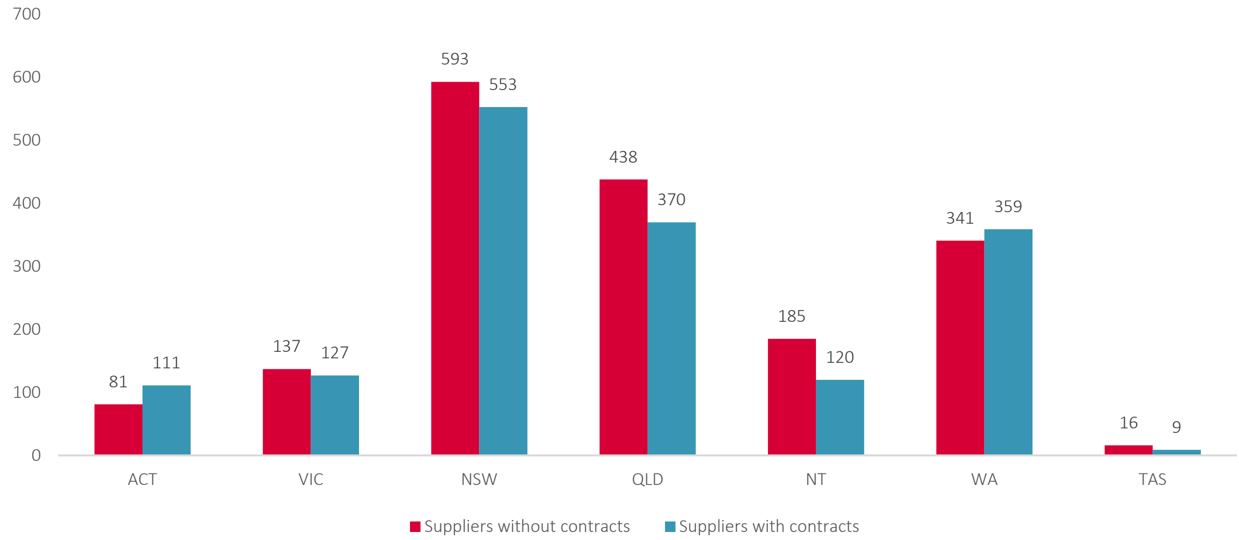
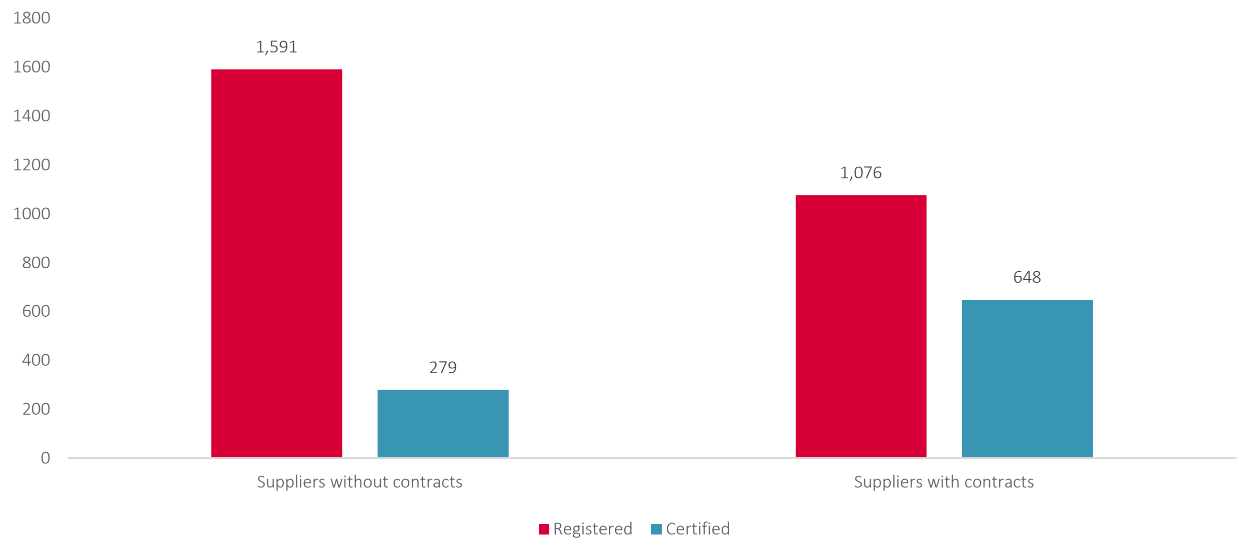


Figure 8 Number of suppliers with and without contracts by certification status

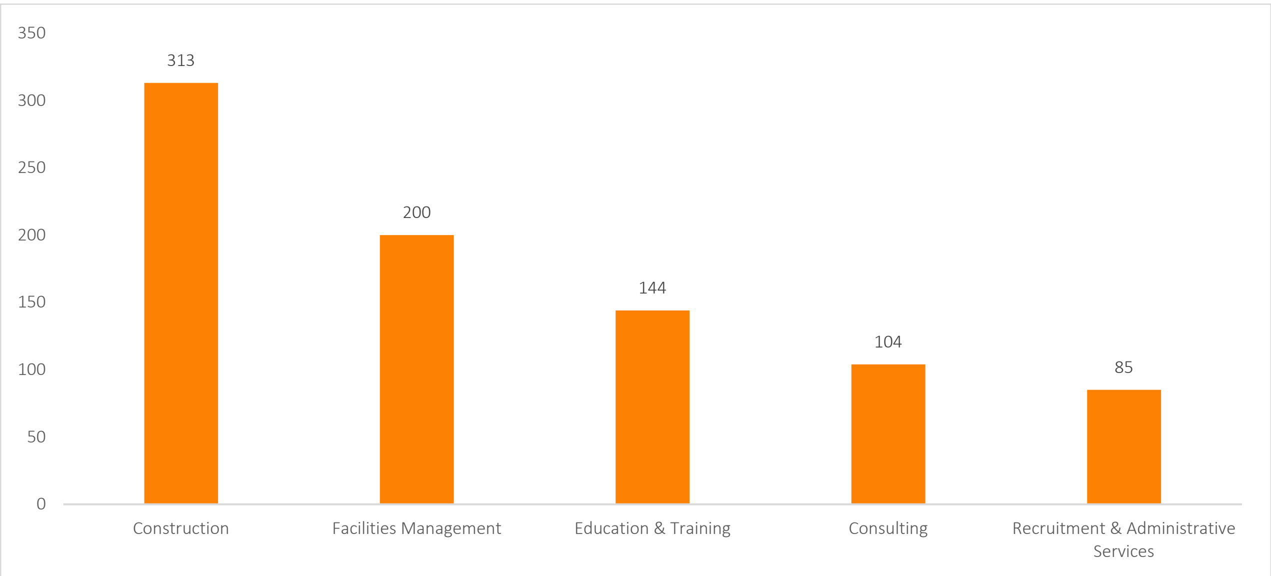


Suppliers who did not report contract revenue have a higher proportion of registered businesses to certified businesses (Figure 8). This issue is explored in more detail in section 3.3.

Newly Registered Suppliers (those registered between 1 July 2021 to 30 June 2022) had a higher rate of suppliers with no contracts than the total; 72% of new suppliers did not receive any member-reported contract revenue, compared to 48% of all suppliers. In FY22, 779 new suppliers were registered with Supply Nation. Of these suppliers, only 215 secured contracts with Supply Nation members, meaning that 72% of new suppliers did not receive revenue in their first year of registration with Supply Nation. The total value of contracts for new suppliers was $88.9 million, accounting for 2% of contract revenue in FY22. This is comparatively lower than the proportion of suppliers within this category, who account for 12% of the 1802 suppliers who won contracts.

The relationship between duration of registration with Supply Nation and contract revenue over a longer period is another area that would benefit from further research.

Figure 9 Top five sectors by number of suppliers who received contracts

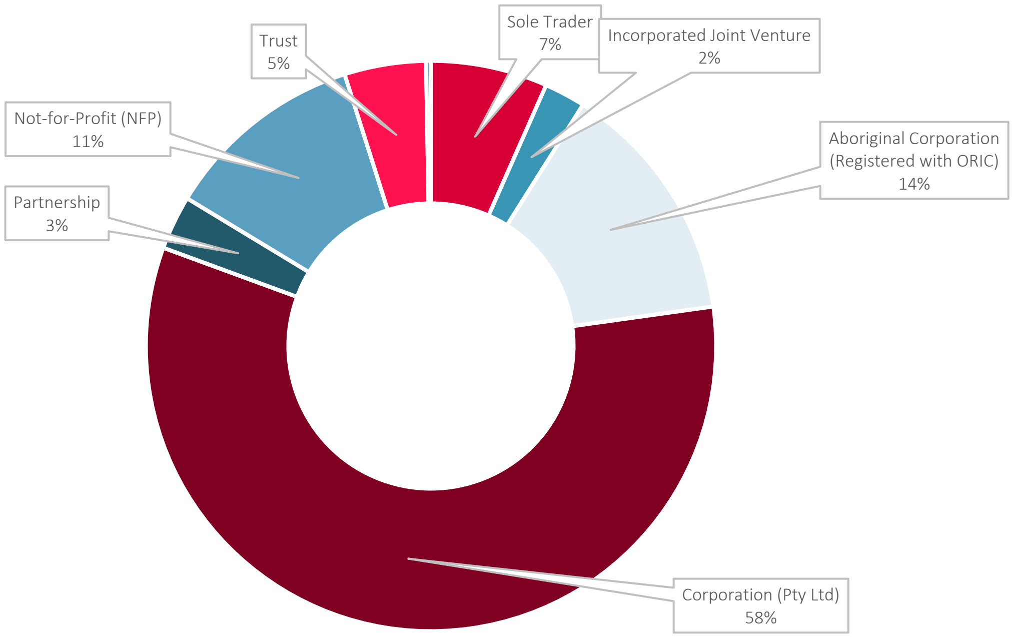


Indigenous employment by suppliers has continued to grow at a slightly slower rate to previous years.

Indigenous employment with Supply Nation suppliers was reported at 14,411 out of a total 40,139 employees in FY22, meaning approximately 36% of employees employed by Supply Nation suppliers are Indigenous.[10] Considering that Aboriginal and Torres Strait Islander people make up only 3.8% of the national population, this is a strong representation, supporting existing evidence that Indigenous employers are more likely to employ Indigenous staff.

Figure 10 shows the breakdown of Indigenous employment by the supplier's ownership structure. Corporations have the highest percentage of total Indigenous employees by a significant amount, followed by Aboriginal Corporations registered with ORIC.

Figure 10 Percentage of Indigenous employees by ownership structure in FY22



Note: Number of Indigenous employees was not available for all suppliers in the dataset

Indigenous employment experienced continued growth, with the growth rate slowing from 18% in FY21, to 13% in FY22. Growth in total employment also continued to grow at 11%, showing a slowdown from FY21 20% growth rate. Indigenous employment accounted for a quarter of suppliers FY21 growth.

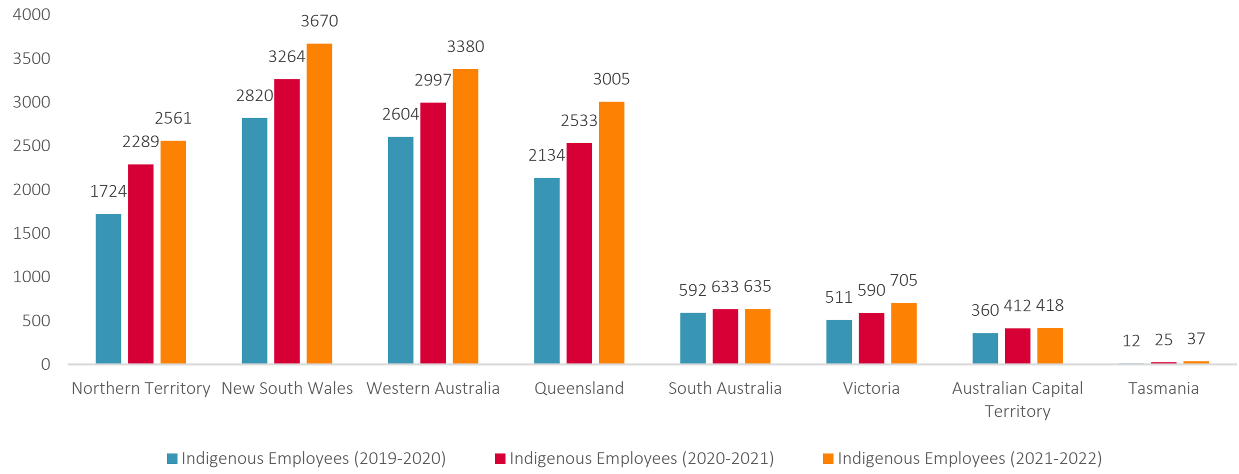
ABS Census data for 2021 was not available to the appropriate level of detail to use as a baseline datapoint to compare Supply Nation data against national estimates of Indigenous employment. The most recent data on national Indigenous employment is from the 2018-19 National Aboriginal and Torres Strait Islander Health Survey 2018-19, suggesting that the Indigenous employment rate was around 49% compared to around 75% for non-Indigenous Australians.

[10] Indigenous businesses report their employment data upon registering or certifying their business with Supply Nation. The 36% Indigenous employment has been calculated from the available data which is taken at a point in time and may not necessarily be accurate at the time of analysis.

The Commonwealth Closing the Gap Annual Report for 2022 reported on several national initiatives underway with the intent of increasing employment outcomes in line with targets 7 and 8 in the strategy. [11] The Local Jobs Program is a federally funded initiative that delivers local taskforces across 51 regions to identify local labour market challenges and design solutions. Currently, 39 out of the 51 regions where the program operates identify Indigenous peoples as a priority in their Local Jobs Plans.

Figure 11 shows the slowing Indigenous employment growth in the states and territories over the past three financial years. New South Wales had the highest number of Aboriginal and Torres Strait Islander employees by state, at 3,670, followed by Western Australia at 3,380. The Australian Capital Territory (ACT), however, had the highest proportion of Indigenous employees to population, at 3.05%; the ACT's Indigenous population rate was 2% as of June 2021.[12] New South Wales and Western Australian suppliers both had a lower proportion when compared to their state's Aboriginal and Torres Strait Islander population.

Figure 11 Number of Indigenous employees by state



Note: Number of Indigenous employees was not available for all suppliers in the dataset

3.2 COVID-19 recovery

Highlights

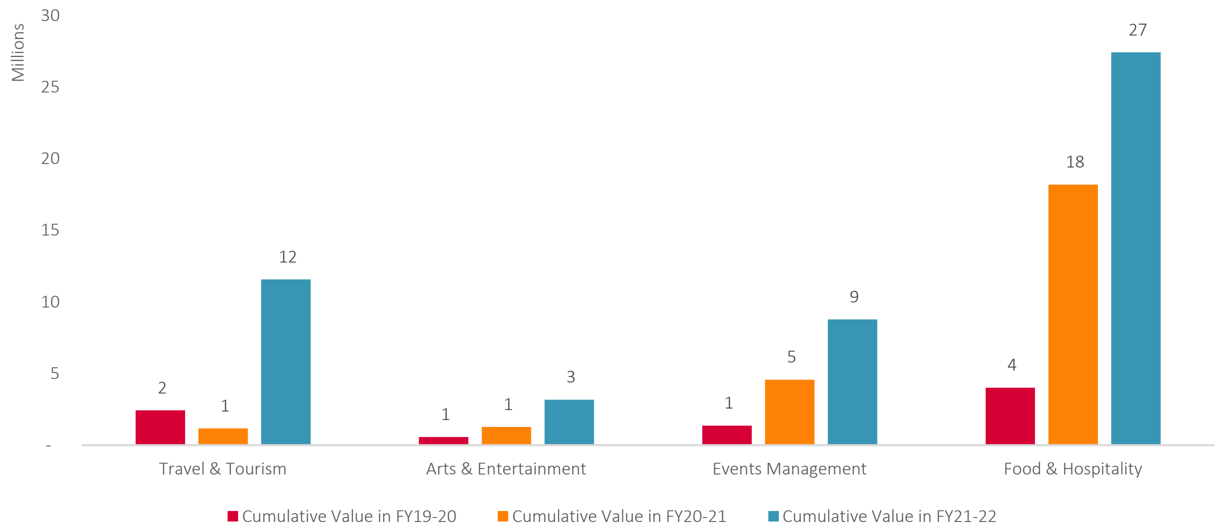
- Industries heavily affected by COVID-19, including tourism, arts, events and hospitality are showing signs of recovery.
- Several supplier sectors experienced significant increases in contract revenue from FY21, including construction, facilities management, and domestic goods & services.
- Ongoing growth occurred across all ownership structures at a slightly slower and more stable rate to FY21.

Industries heavily affected by COVID-19 in FY20 and FY21 have started to recover. Suppliers in the tourism sector, for example, received $11.6 million contract revenue in FY22. While this may appear to be a relatively low value when compared to the top performing supplier industries for the year, it is ten times FY21 earnings in the tourism sector. This is significant in the context of an economy recovering from the impacts of COVID-19. Similarly, arts

[11] Commonwealth Closing the Gap Annual Report 2022 https://www.niaa.gov.au/sites/default/files/publications/niaa-closing-the-gap-annual-report-2022.pdf
[12] Estimates of Aboriginal and Torres Strait Islander Australians, June 2021 | Australian Bureau of Statistics (abs.gov.au)

and entertainment, events management and food and hospitality experienced strong growth, illustrated in Figure 12.

Figure 12 Cumulative contract value by supplier industry in COVID-19 impacted sectors (in AUD)



Suppliers in the construction sector accounted for 42% of contract revenue, the highest proportion of the total revenue, totalling $1.6 billion. Construction saw steady growth in the number of suppliers at 26%, and minimal change in the number of contracts, but a strong increase in the cumulative value of contracts, as illustrated in Figure 14. Figure 13 shows the top five supplier industries in terms of their contract value increase. Suppliers in the facilities management sector, for instance, experienced a 67% growth in revenue from $470 million in FY21 to $785 million in FY22.

Figure 13 Top five supplier industries by increase in contract value from FY21 to FY22 (in AUD)

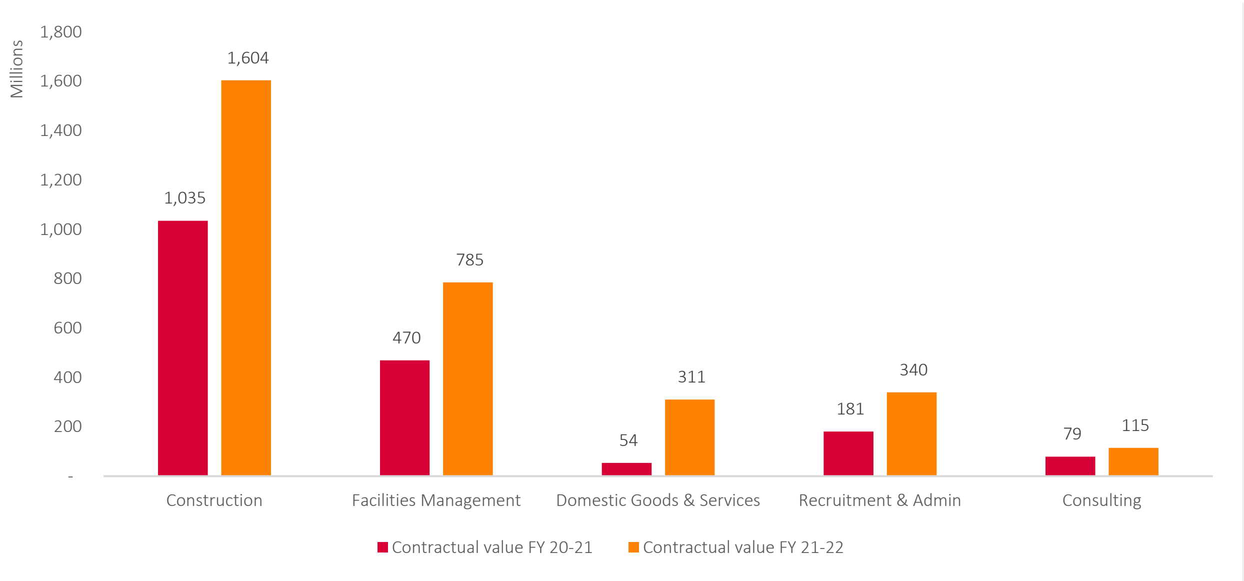
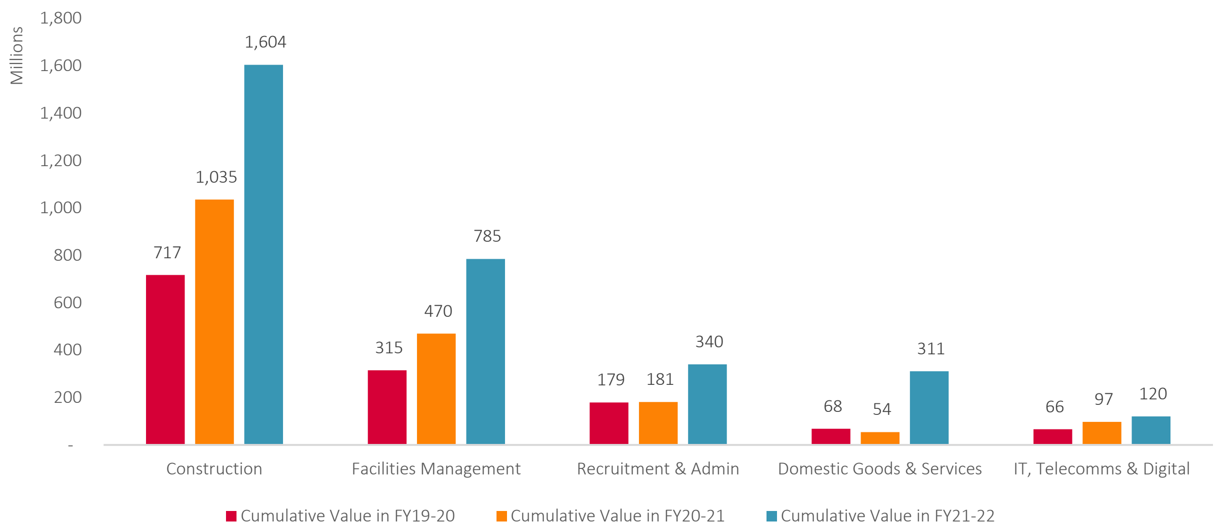
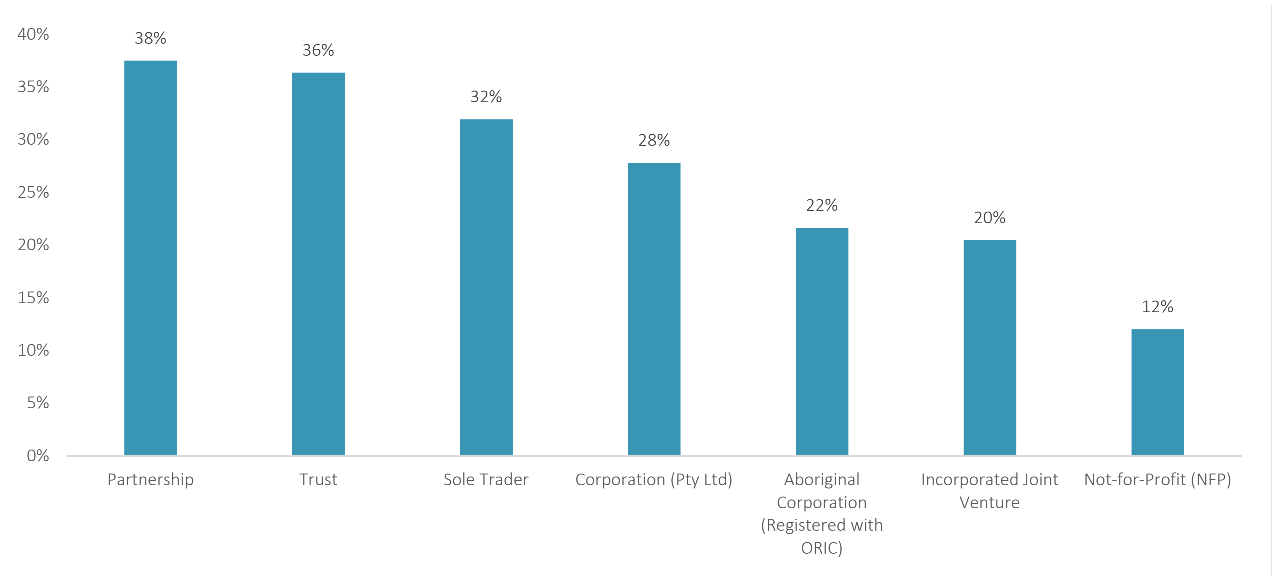


Figure 14 Top five suppliers by cumulative contract revenue (in AUD)



There was ongoing growth across all ownership structures, with the most significant growth occurring in partnerships, followed closely by trusts, sole traders, and corporations (Figure 15). While FY22's growth by ownership structure slowed relative to FY21, it was more balanced across all ownership structures.

Figure 15 Percentage change in suppliers by ownership structure



3.3 Certified versus Registered Suppliers

Highlights

- Members are more likely to procure from Certified over Registered Suppliers.
- Certified Suppliers account for only 26% of all suppliers yet accounted for 62% of the total contract revenue reported in FY22.
- This suggests that Supply Nation's certification makes suppliers more appealing to members and, enables suppliers to increase their contract revenue.
- Certified Suppliers only make up 10% of all newly Registered Suppliers (registered in the past year), meaning that 90% of newly Registered Suppliers, are not certified. Considering the correlation between certification and contract revenue, this may be an important factor accounting for the fact that 72% of newly registered suppliers did not secure contracts.

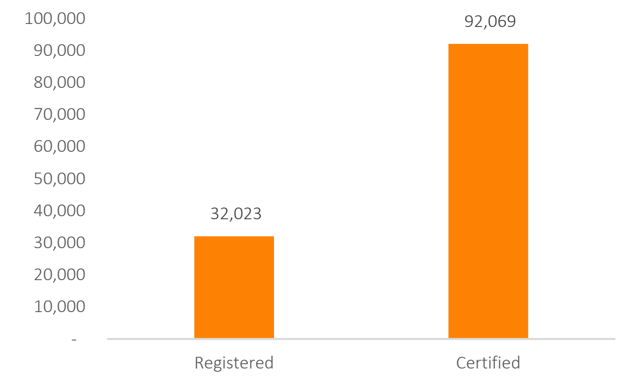
Members are more likely to procure from Certified Suppliers over Registered Suppliers.

Certification is only possible for suppliers with 51% or more Indigenous ownership. There are 927 (26% of all suppliers) certified suppliers in the Supply Nation database, and 646 of these received contracts from Supply Nation members in FY22, accounting for 36% of suppliers who received contracts.

Figure 16 demonstrates that certified suppliers accounted for $2.3 billion in contract revenue, 62% of the total revenue reported. Figure 17 shows that certified suppliers receive three times as many contracts as registered suppliers. Given that certified suppliers only make up 36% of all suppliers with contracts, this demonstrates a strong correlation between certification and increased member spend.

Figure 16: Total contract value (in AUD) by registration type

Figure 17: Number of contracts by reg. type.



There are 2,178 suppliers in the database who are classified as registered but have reported having 51% or more Indigenous ownership. These suppliers are eligible to become Certified Suppliers but have not initiated the process to do so. Given the apparent importance of certification for receiving procurement spend, this represents an important strategic growth area for Supply Nation and the Indigenous business sector more broadly.

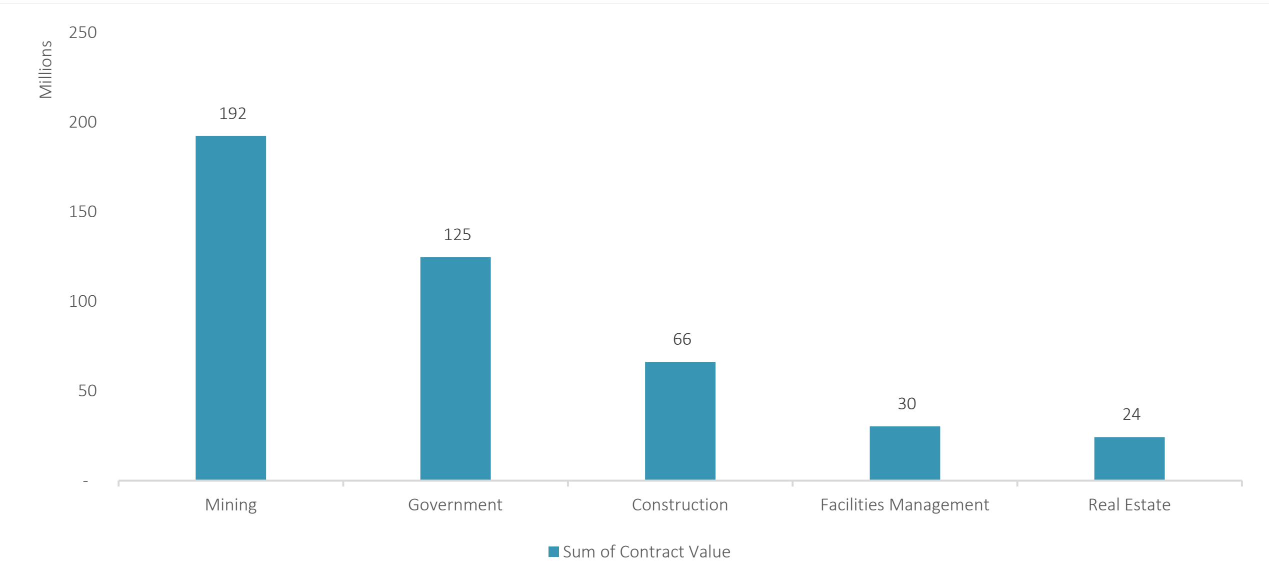
3.4 Female-owned Indigenous suppliers

Highlights

- Female-owned businesses (businesses with 50% or more Indigenous female ownership) make up 28% of total suppliers and received a cumulative $513.9 million in member-reported contract revenue.
- The top five sectors by contract revenue generated by female-owned businesses are the same as the top five sectors for overall contract revenue.
- Education and training has the highest number of female-owned suppliers, but a cumulative contract revenue of only $11.8 million.
- A high proportion of female-owned businesses operate in industries with a low cumulative contract value. Of the 471 female-owned businesses that received contract revenue, 67 accounted for 90% of the reported revenue, meaning that 404 businesses shared $49 million in low value contracts.

There are a total of 1,016 female-owned Indigenous businesses registered with Supply Nation, approximately 28% of all suppliers. 471 of these suppliers received a total of $513.9 million in contract revenue, which equates to 14% of the total contract revenue by Supply Nation suppliers.

Figure 18 Top five member industries by spend with female-owned Indigenous businesses (in AUD)

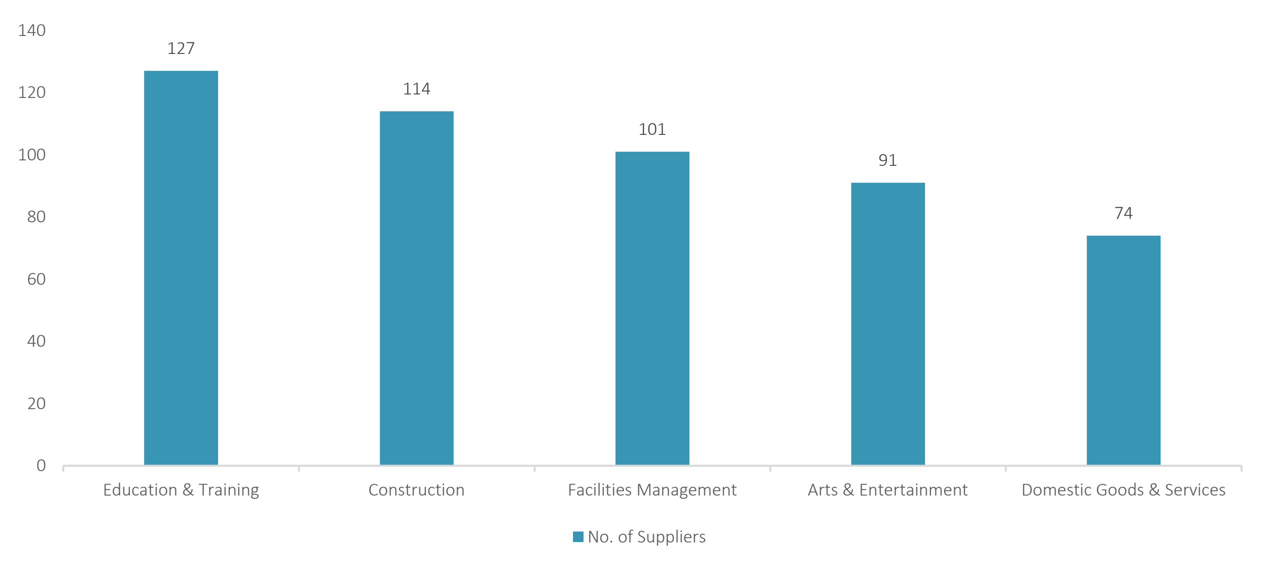


Members in the mining sector procured the highest value of cumulative contracts, at $192 million, closely followed by government at $125 million. Construction, facilities management, and real estate were also in the top five spenders by sector. Together, these five sectors accounted for 85% of the contract revenue generated by female-owned Indigenous business.

Figure 19 Female-owned businesses as a proportion of the top five Member industries by spend (in AUD)

The top five member industries by spend on female-owned business are the same as the top five member industries by total spend overall. As is illustrated in Figure 19, female-owned businesses represent a small proportion of the spend in these top five industries.

Figure 20 Top five supplier industries by number of female-owned Indigenous businesses



The largest number of female-owned Indigenous businesses exist in the education and training sector (see Figure 20). This sector accounts for 12% of all female-owned suppliers and received a cumulative $11.8 million in contract revenue, which is less than 3% of the total revenue received by female-owned Indigenous businesses. Suppliers in the education and training sector captured $28 million in contract revenue, making it a moderate sized sector in terms of revenue.

Figure 21 demonstrates that even in the sectors that reported the highest revenue for female businesses, the proportion of the total revenue from that sector that went to female-owned business, was marginal.

Figure 21 Top five supplier industries by female-owned business contract revenue (in AUD)

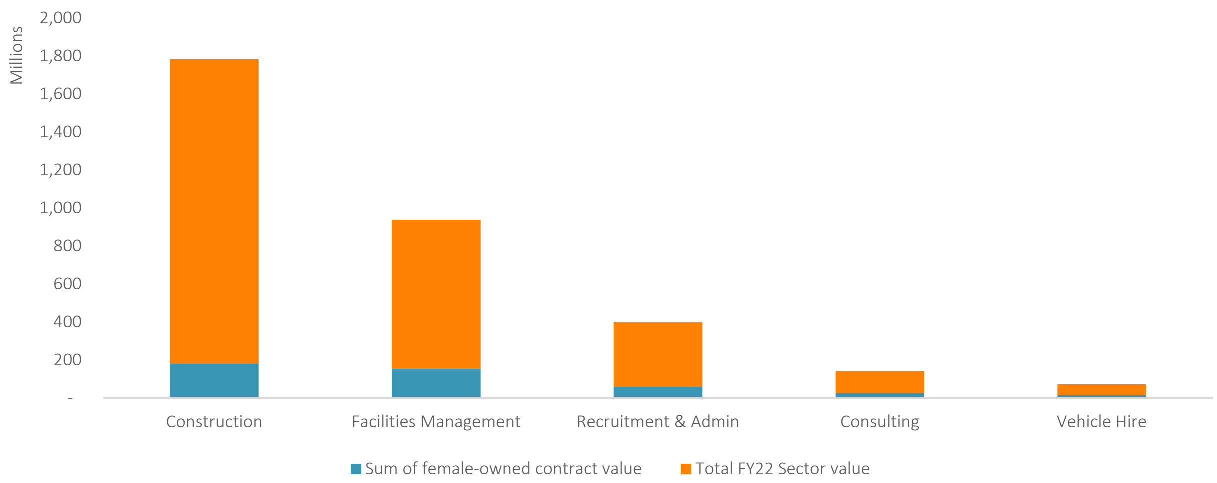
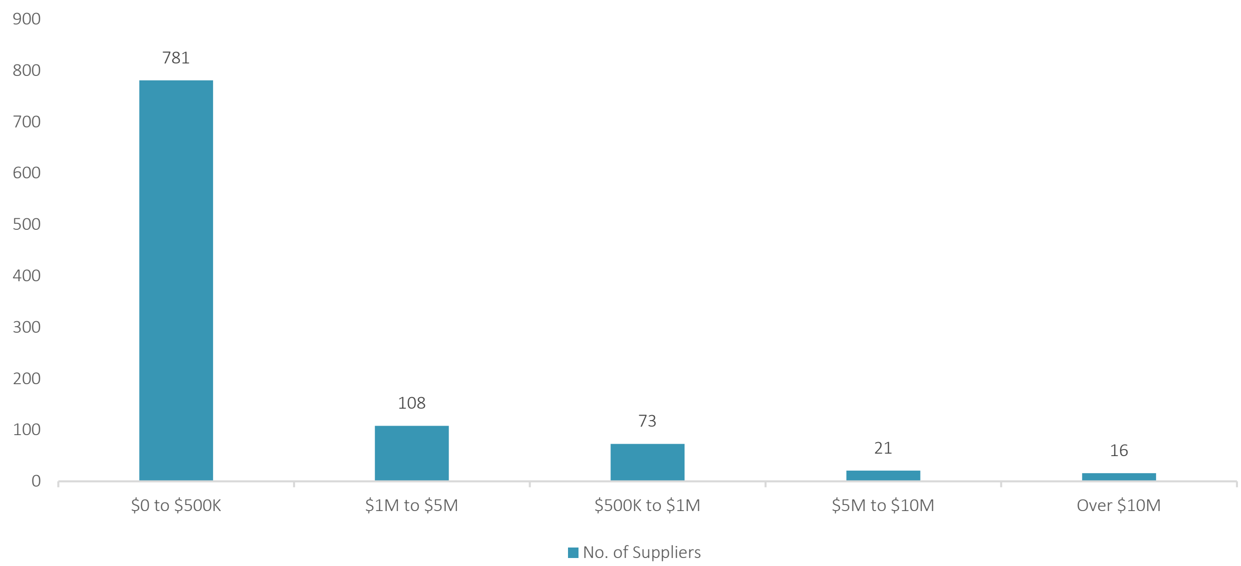


Figure 22 Number of female owned business by revenue range

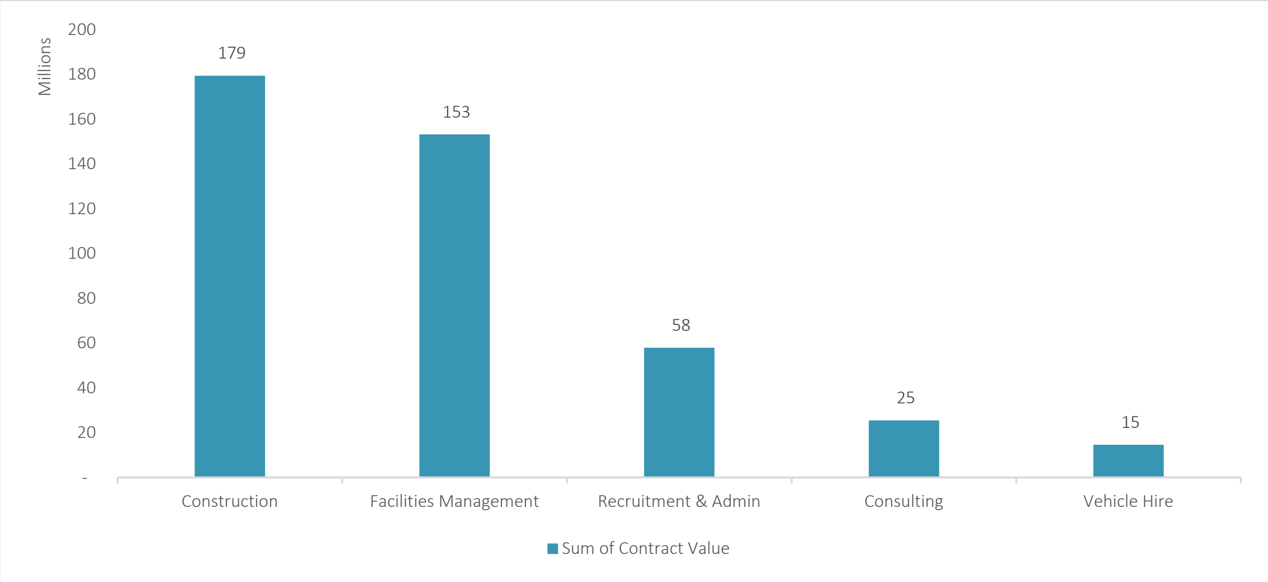


Note: Figure 20 includes all female-owned Indigenous suppliers, including the 545 suppliers who did not secure any contracts from SN members.

The majority of female-owned Indigenous businesses generate annual revenue of $500K or less as shown in Figure 22, illustrating the low cumulative contract value for female-owned Indigenous business. This is reflective of the concentration of female-owned businesses in lower value sectors such as education and training, arts and entertainment and domestic goods and services (Figure 20).

Figure 23 shows which supplier industries experienced the highest contract revenue going to female-owned businesses. Interestingly, three out of the five industries with the highest number of female-owned business (Figure 20) are not represented here.

Figure 23 Top five supplier industries by contract value of female-owned Indigenous suppliers (in AUD)



4. Conclusion

The analysis showed another year of record member-spend growth with Supply Nation Registered and Certified Indigenous businesses. Cumulative revenue in the FY22 equated to $3.2 billion, a 65% increase on the previous year's $2.3 billion.

Government continued to be the biggest spender, totalling $1.7 billion in contract revenue, or 45% of all reported contract revenue, approximately double what was reported by government members in FY21. This is unsurprising given the economic trends that occurred during FY22. The first half of FY22 was significantly impacted by COVID-19, with the concomitant stimulus spending by government. The second half of FY22 began to see a 'return to normal', in terms of business operations and the gradual reduction of stimulus packages. Extreme weather on the east coast, however, led to continued and unexpected government spending. Overall government spend to GDP is estimated to have been at 28.1%, a historically high rate compared to the previous average of 22%.

Despite strong growth and an increasing number of certified and registered businesses, there remain many suppliers that did not receive any member-reported contract revenue. In FY22, almost half of all suppliers received no contract revenue. One possible factor that may explain this finding is the low number of certified versus registered businesses. A large proportion of contract revenue ($2.3 billion or 62%) was captured by certified businesses (who make up only 26% of suppliers), demonstrating the correlation between certification and increased contract revenue. This also points to the benefit of undertaking further research on the factors associated with Indigenous businesses that receive increased contract revenue from members.

The exponential growth seen by the sector is a positive indication that Aboriginal and Torres Strait Islander businesses are bouncing back after COVID-19. Particularly positive is the significant growth seen in industries adversely affected by COVID-19 throughout FY20 and FY19, including tourism, arts and entertainment, events management and food and hospitality. The findings in this report demonstrate the growing strength of the Indigenous business sector, represented by the record growth in contract revenue, and the growing number of registered and certified businesses.