# Australia has a Development Problem



What 18 years of Closing the Gap reveal about our failure to build capability

Cape York Institute for Policy and Leadership
October 2026

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CAPE YORK INSTITUTE
FOR POLICY & LEADERSHIP

Baninh Yeeum Building

302-310 Sheridan Street
Cairns QLD Australia 4870
PO Box 677, Cairns North QLD 4870

P 07 4042 7260 | F 07 4042 7291

E info@cyp.org.au

ABN: 19 666 891 541

# Early CYI correspondence to review

24 September 2026

Danielle Wood
Chair
Productivity Commission
4 National Circuit
Barton ACT 2600

By email: chair@pc.gov.au; ctg.review.2026@pc.gov.au
cc. Commissioners Angela Jackson and Selwyn Button

Dear Chair,

It is with reluctance that we make this submission to your Closing the Gap review.

For eighteen years under Closing the Gap, governments have set targets, measured gaps, reported disappointing results, commissioned even more programs and services, and repeated the exercise in the hope that outcomes will eventually change. They have not. Repeating this cycle ad nauseam will not produce a different result.

Closing the Gap has been progressively reduced to the annual administration of a placebo.

Fewer than 400 Indigenous children are born in Cape York each year. Yet after nearly two decades of effort under Closing the Gap by the Australian and Queensland governments, there is still no sign of a fundamental shift in outcomes. If governments cannot produce results for children at this scale, Australia has a development problem.

Cape York Institute made a substantial submission to the Commission's 2023 review of the National Agreement on Closing the Gap. We argued that Closing the Gap lacked the most basic requirement of any serious reform agenda: a theory of change explaining how the outcomes it measures are actually to be achieved. We proposed a developmental framework centred on building human capability.

It is difficult not to conclude that we wasted our time. On this fundamental question, nothing has changed since the previous review.

The Commission's Call for Submissions gives us little confidence that the hard questions will now be asked. The review remains overwhelmingly concerned with implementation of the existing

architecture: whether governments are sharing decision-making, strengthening the community-controlled sector, transforming their organisations, improving cultural safety and sharing data.

But the failure to Close the Gap is not principally a failure of effort or intent. Governments have devoted decades, billions of dollars and enormous administrative effort to the task. It is a failure of diagnosis and design.

Indigenous agency, local authority, community control and reform of the way governments work with Aboriginal and Torres Strait Islander people are all important. Cape York has argued for these things for decades. But this focus leaves the prior question unanswered: *what is the developmental process through which reforms are expected to produce the radically different life outcomes promised?* How will the Priority Reforms ensure that a child in Cape York learns to read, acquires the capabilities required for work, has access to a job and ultimately becomes a capable and independent adult? Cultural safety may improve the quality of a service, while community control and shared decision-making may determine who delivers services and how policy is made. These things are important, but in themselves they do not produce literacy, employment, assets or independence.

The Commission's productivity work examines human capital, skills, labour force participation and the productive capacity of the economy. Its Closing the Gap work documents, year after year, the outcomes of entrenched disadvantage and unrealised human capability.

The two intellectual programs have barely met.

For the institution charged with advancing Australia's productivity, this is a striking omission. It is especially difficult to understand now, when Australia is engaged in one of its most intense debates about productivity in decades. Governments and the Commission are searching for ways to lift investment, innovation, skills, competition and economic dynamism.

The development of people and the development of the economy are inseparable. A society builds its future productive capability through the capabilities its children progressively acquire.

Although Closing the Gap applies specifically to Indigenous Australians, most of the outcomes it seeks to improve—education, employment, health, housing, safety and justice—matter equally for other Australians in the Bottom Million, regardless of background. Closing the Gap's failure should concern every Australian because it calls into question the very capacity of our governments to solve problems.

This review must confront the fundamental question raised by decades of failure: *is the architecture itself capable of producing development?* The Commission should undertake the developmental inquiry that has been missing from Closing the Gap. It should bring to that task what distinguishes the Productivity Commission from every other body involved: its expertise in productivity, economic participation, labour markets and the conditions that enable productive participation.

Our submission will propose how this might be done.

We would welcome the opportunity to meet with the Commissioners conducting this review before we finalise it. These issues should be discussed at the outset, before the Commission's analytical framework has hardened.

Yours sincerely,

**Noel Pearson**
Founder

**Fiona Jose**
Executive Co-Chair

*Further to this original correspondence of 24 September, the Cape York Institute for Policy and Leadership now provides its October 2026 submission "Australia has a development Problem: what 18 years of Closing the Gap reveal about our failure to build capability" to the Productivity Commission's Closing the Gap review.*

# Closing the Gap in Cape York: a basket case

There is no basis for assuring Indigenous families in Cape York that the life chances of the fewer than 400 children born this year will be any better than those of children born when Closing the Gap commenced in 2008.

In crucial respects, the evidence suggests their prospects may be worse. **Appendix A** presents the available Queensland and Cape York data, revealing worsening outcomes in early childhood development, school attendance, child protection, youth justice and adult incarceration.

The most devastating gap of all is in the age at which people die. In Cape York, funerals are frequent. There are many deaths of despair. Too many Indigenous people die before they have had time to establish a secure foundation for their children.

In Cape York, the median age of death for Indigenous Australians is 30 years younger than for residents of Brisbane. In remote North and Far North Queensland, median age of death is 53 years in Kowanyama, and 54 years in Aurukun and Mornington Island.[1]

Thirty years is not a rounding error. It is most of an adult life. Each early death does not just end a life. It cuts short the working years, the parenting years, the years in which people build security and opportunity for their children. For many Pama,[2] adults may have only four decades to support the next generation. Even then, their final decade may be diminished by declining health.

The continuing failure to Close the Gap has psychological consequences as well as social, cultural and economic ones. People lose confidence in their capacity to shape their own futures when the connection between effort and advancement is broken or unreliable. The ability of one generation to build a better life for the next is undermined.

Australia is one of the world's most prosperous countries. Yet after 18 years of Closing the Gap—involving substantial expenditure, an enormous administrative apparatus devoted to programs, services and their coordination across two levels of government, sustained bipartisan commitment, and leadership from the Prime Minister down—there is still no convincing evidence that Cape York's children have a better chance of reaching capable adulthood than they did at the outset.

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[1] See Cape York data from Public Health Information Development Unit at Torrens University, Social Health Atlas of Australia, Indigenous area 2013–2023. Suicides and addiction are common. Diabetes, cardiovascular disease and other preventable conditions associated with poverty are also leading causes of death. Rheumatic heart disease—almost unheard of among most Australian children—remains present in Cape York.

[2] *Pama* is an ancestral language word for Indigenous peoples belonging to the cultural bloc of Cape York Peninsula. Depending on spelling and language, the word occurs as *Pama*, *Bama*, *Pam*, *Ama*, *Am* etc.

# Closing the Gap: a failure of ambition

Under Closing the Gap, Australia is failing to meet its most fundamental obligations to its children. The unacceptable has been accepted.

Closing the Gap could succeed on its own terms—achieving its targets exactly as intended—while profound inequalities in children's life chances persist for many generations. The targets institutionalise low expectations for those who—through no fault of their own—are born into entrenched disadvantage.

By 2031, the targets seek a 15 per cent reduction in the rate of Indigenous adult imprisonment, a 30 per cent reduction in youth detention and a 45 per cent reduction in children in out-of-home care. These would be important improvements, but they would not deliver parity.

Even if the 15 per cent reduction in adult imprisonment contemplated by the target were achieved and repeated every 12 years—a best-case assumption—it would take almost 200 years to reach the current non-Indigenous imprisonment rate. On this national trajectory, eight generations of Indigenous families would raise their children before they would face the same low rate of imprisonment as other Australians.[3]

Development requires hope enough to strive. Families must have the reasonable expectation that effort can produce a better life. A national framework that does not seek to end the transmission of inherited disadvantage to the next generation does not provide that hope.

It is not beyond Australia to end the inheritance of entrenched disadvantage within a generation. Yet this is not the ambition of Closing the Gap.

**Australia's deepening child protection crisis**

The consequences of Australia's social policy failure are nowhere more confronting than in the worsening child protection crisis which has continued to dominate headlines in Queensland, Western Australia and the Northern Territory. In Queensland, despite repeated inquiries and reform efforts, the number of children in state care continues to grow. The period since 1998, in which there has been four successive inquiries and subsequent reform efforts, has seen the number of children in out-of-home care rise more than sixfold, while the Indigenous share has increased from approximately 20 per cent to 50 per cent (see **Appendix A**).

[3] Productivity Commission, *Closing the Gap Dashboard*, Outcome 10 (adult imprisonment); Australian Institute of Health and Welfare, *Health of people in prison*, Figure 1.2 (source: ABS, *Prisoners in Australia 2025*, Table 3). The 2019 baseline age-standardised Indigenous adult imprisonment rate was 1,925.4 per 100,000 adults, compared with an age-standardised non-Indigenous rate of 149.1 in 2025. The illustrative projection assumes successive 15 per cent reductions in the Indigenous imprisonment rate every 12 years, compounded from the 2019 baseline, while the non-Indigenous rate remains constant at its 2025 level. On these assumptions, parity would be reached after approximately 189 years, equivalent to 7.6 generations assuming 25 years per generation (rounded to eight generations). This is an extrapolation of the target's proportional rate of improvement, not an official Closing the Gap projection.

# Closing the Gap: a failure of diagnosis

Closing the Gap proceeds as though entrenched Indigenous disadvantage can be overcome by improving the delivery and coordination of Australia's prevailing model of social assistance: income support, and publicly funded support services and programs. It assumes, in effect, that doing more of the same—*but just doing it a bit more and a bit better*—will eventually overcome intergenerational poverty.

Almost 30 years ago, Noel Pearson identified the fundamental problem, drawing on the experience of Indigenous people in Cape York. He called it passive welfare.[4]

For most Australians our system of welfare and social services works relatively well to cushion the shock of illness, injury or unemployment, by helping people regain stability and resume participation in work and society. Our system provides a living expression of an important Australian value of which we can all be proud: *we can count on each other*.

But the Productivity Commission's own work shows that, at the bottom, where poverty is persistent or recurrent rather than temporary, this model does not produce the same recovery.[5] Income support and services do not provide the means of advancement for those at the bottom. Without opportunities to work, effective education, and pathways to economic independence, social assistance ceases to function as a bridge to a better life.

**Closing the Gap neglects the escalators of social mobility**

Closing the Gap measures education and employment alongside other outcomes, without recognising their foundational role in building capability and economic independence.

Nor does it prioritise establishing pathways through which earnings can become savings, assets and home ownership.

## Welfare without work: an industry grows

During the mid-twentieth century, Aboriginal workers formed an essential part of the northern pastoral economy. Many lived and worked on cattle stations, undertaking stock work and station labour. A confluence of pivotal changes occurred during the 1960s. It was a cruel stroke of historical

[4] Pearson, N. (2000), *Our right to take responsibility*; (2000), *The Light on the Hill*, Chifley Memorial Lecture.
[5] See McLachlan, R., G. Gilfillan and J. Gordon. (2013), *Deep and Persistent Disadvantage in Australia: Productivity Commission Staff Working Paper*. Productivity Commission. https://www.pc.gov.au/research/supporting/deep-persistent-disadvantage/deep-persistent-disadvantage.pdf; Productivity Commission (2018), *Rising inequality? A stocktake of the evidence,* Productivity Commission. https://www.pc.gov.au/research/completed/rising-inequality/rising-inequality.pdf.

bad luck that a profound transition in the labour market occurred just as Australian laws were finally changing to recognise that Aboriginal Australians were not, in fact, sub-human.

The 1965–66 Equal Pay Case extended award wages to Aboriginal stock workers, coinciding with the period in which unemployment benefits were gradually extended to Aboriginal Australians as they had been previously excluded. Around this same time, technological change and mechanisation were also reducing demand for labour. Pastoralists reduced their workforces, station camps closed, and many Aboriginal workers and their families moved to government settlements and mission communities. For many families, these changes marked the beginning of sustained detachment from working life and intergenerational disadvantage that is now deeply entrenched.

The consequences were foreseeable, although not inevitable.[6] As work opportunities collapsed in Cape York, the growth of welfare dependence was accompanied by the expansion of predatory vice economies—alcohol, gambling, tobacco and illicit drugs—which drained family incomes, fuelled addiction and violence, and undermined parental responsibility.[7] High levels of harmful alcohol consumption, including prenatal alcohol exposure, devastated children's healthy development. Foetal Alcohol Spectrum Disorder (FASD) and other forms of cognitive impairment have been one result—imposing lifelong barriers to children's learning, behaviour, health and participation.

The originating policy failure remained unaddressed—the failure to create alternative employment and maintain opportunities for Pama to participate in economic life—while compounding disadvantage became self-reinforcing. As vices became the proximate cause of so much harm, demand for crisis intervention expanded.

For a Pama population of around 10,000 people,[8] substantial public expenditure now sustains an extensive network of bureaucrats, consultants, contractors and service providers across child protection, policing, justice, health, housing and employment. They are busy meeting, consulting, reviewing, reporting, coordinating and managing.

They administer the placebo.

Despite the proliferation of programs and services, the institutions serving disadvantaged communities become less capable of producing better outcomes. Schools struggle with successive cohorts of children who have fallen behind. Expectations decline. Effective teaching becomes harder to sustain. Employment services organise around managing unemployment, while child protection and justice systems are overwhelmed by escalating need. Institutional failure compounds individual disadvantage, leaving the next generation with even weaker opportunities than the last. Ongoing

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[6] During the Equal Pay Case, John Kerr QC—later Governor-General—appearing for the pastoral industry, warned that displacing Aboriginal workers without providing alternative employment would produce severe social problems in settlements sustained by welfare. See Wootten, H. (2016), Where were the Aborigines? *Inside Story*. 19 December.
[7] See e.g. Fitzgerald, T. (2001). *Cape York Justice Study*.
[8] Queensland Government Statistician's Office estimated the Cape York Indigenous population at 10,308 in 2021, compared with the Census count of 8,906. See Estimates of Queensland's Aboriginal and Torres Strait Islander population, 2021

failure triggers further reviews, more planning and more strategies to 'coordinate' more and better services, through what the Commission itself notes can be referred to as a 'spray and pray' approach.[9]

Cape York people describe the experience as 'death by a thousand consultations'. Decisions are largely made elsewhere—in Brisbane, Canberra and distant government offices. Pama have limited influence over the decisions shaping their lives, while individual, family and collective agency become increasingly subordinated to bureaucratic processes.

This is passive welfare. It is an extraordinarily expensive system—one we increasingly cannot afford[10]— for managing disadvantage, which fails to build the conditions through which people can overcome it. After decades of failure, it is neither compassionate nor economically viable to continue doing more of the same when we know it fails.

The prevailing system neither guarantees the opportunities required for advancement nor consistently upholds the responsibilities through which people exercise agency and build capable lives.

**The passive welfare industry feeds on entrenched disadvantage**

The employment-services system exemplifies that Australia has an elaborate industry which administers entrenched disadvantage, but which is incapable resolving it.

The system generates activity and expenditure, if not outcomes. Billions are spent annually, yet nine out of 10 participants fail to achieve six months of employment. In remote areas it's even worse—the federal government has just committed $1.9 billion to remote employment services—yet 96 out of every 100 participants fail to achieve six months of employment.

A 2023 parliamentary inquiry exposed profiteering, excessive costs and administration, and poor outcomes. The review likened the system to "throwing away" cash. A decade earlier, Andrew Forrest's review highlighted the system was a "cash BBQ", burning public money and benefiting providers more than those without work.

Sources: Select Committee on Workforce Australia Employment Services (2023), *Rebuilding Employment Services: Final report on Workforce Australia Employment Services*. Note the Committee's critique reflects concerns regarding New Public Management and the marketisation of human services; Forrest, A. (2014), *The Forrest Review: Creating Parity*. DEWR (2026), Post Program Monitoring Surveys–Labour Force Survey, report only 11.7 per cent of Workforce Australia Services participants achieved a 26-week employment outcome in 2024–25. National Indigenous Australians Agency, 'Key Activity 3', *Transparency Portal* (Web Page) under 'Performance Measure 7' which shows in 2024-25 only around four out of every 100 participants achieved a six-month employment outcome.

[9] Productivity Commission (2024), *Review of the National Agreement on Closing the Gap, Study Report*.
[10] See Productivity Commission (2026), *Report on Government Services 2026*, particularly Part F, Community Services; Queensland Child Protection Commission of Inquiry (2013), *Taking Responsibility: A Roadmap for Queensland Child Protection* (Carmody Inquiry). The Productivity Commission reports that government expenditure on community services reached $103.9 billion in 2024–25, a 75.1 per cent increase in real terms over six years.

## Entrenched disadvantage is an Australian problem

Closing the Gap is Indigenous-specific. There is no comparable national framework dedicated to ending entrenched, intergenerational disadvantage among non-Indigenous Australians, although most Closing the Gap targets concern outcomes that matter regardless of background.[11] Yet decades of evidence show that entrenched, inherited disadvantage extends beyond Indigenous Australia, and that income support and social services alone cannot provide the hand up families at the bottom need.

- The Productivity Commission documented the persistence and concentration of disadvantage in its 2013 research.[12] Then, after its 2018 examination of inequality it again highlighted Australia's "genuine policy failure" when it comes to social mobility for those at the bottom.[13]
- In 2021, the Committee for Economic Development of Australia identified a fundamental weakness in Australia's well-intended and expanding system of support services: those who need them most are the least likely to engage with them.[14]

Cape York Institute advocates for a dedicated policy approach to Australia's Bottom Million—a working estimate of approximately one million Australians, or 3.6 per cent of the population, experiencing entrenched, inherited disadvantage across multiple dimensions. Many are Indigenous Australians, but many are not.

**Australia must learn from failure in the age of AI**

Long-term unemployment persisted and worsened even through Australia's record period of uninterrupted economic growth. As the nation prospered, those unemployed for extended periods faced diminishing prospects of returning to work.

As artificial intelligence promises another transformation of work, Australia faces a choice: repeat this failure, allowing prosperity to advance while leaving some further behind, or ensure any displaced by AI have a genuine opportunity to participate and benefit from future prosperity.

Sources: The Economist. (2017), "How Australia Broke the Record for Economic Growth: The Economist Explains". *The Economist (Online)*. https://www.proquest.com/magazines/how-australia-broke-record-economic-growth/docview/1935966666/se-2?accountid=14723; Reserve Bank of Australia (2020), Long-term unemployment in Australia, *Bulletin*, December.

[11] The exceptions concern Indigenous cultures and languages and relationships with land and waters. While the dynamics of worklessness, inadequate education, diminished agency and intergenerational transmission operate across Australian society, Indigenous disadvantage also has distinct historical, cultural, geographic and institutional dimensions.
[12] McLachlan et al. (2013).
[13] Productivity Commission (2018); Coppel, J., and P. Harris. (2018), "Seven Stories from Rising Inequality", speech delivered at the National Press Club, 28 August. https://www.pc.gov.au/media-speeches/speeches/rising-inequality/rising-inequality-speech.pdf.
[14] Committee for Economic Development of Australia (CEDA) (2021), *Disrupting Disadvantage Part 2*. CEDA. https://www.ceda.com.au/researchandpolicies/research/economy/disrupting-disadvantage-part-2

# Closing the Gap: a failure of design

Development is the process through which individuals acquire and exercise the capabilities to shape their lives, participate productively in society and build a better future for their children. It is an intergenerational undertaking. Each generation inherits what previous generations have built: their capabilities, institutions, assets and opportunities. Each has a duty to leave a greater inheritance to those who follow. This is how nations advance.

Entrenched disadvantage is a failure of that duty. Children inherit the disadvantages of their parents, generation after generation. Human potential goes undeveloped, and the prosperity that families might have accumulated over generations never materialises.

We call the difference between the opportunities people need to develop their capabilities and those actually available to them the Opportunity Gap.

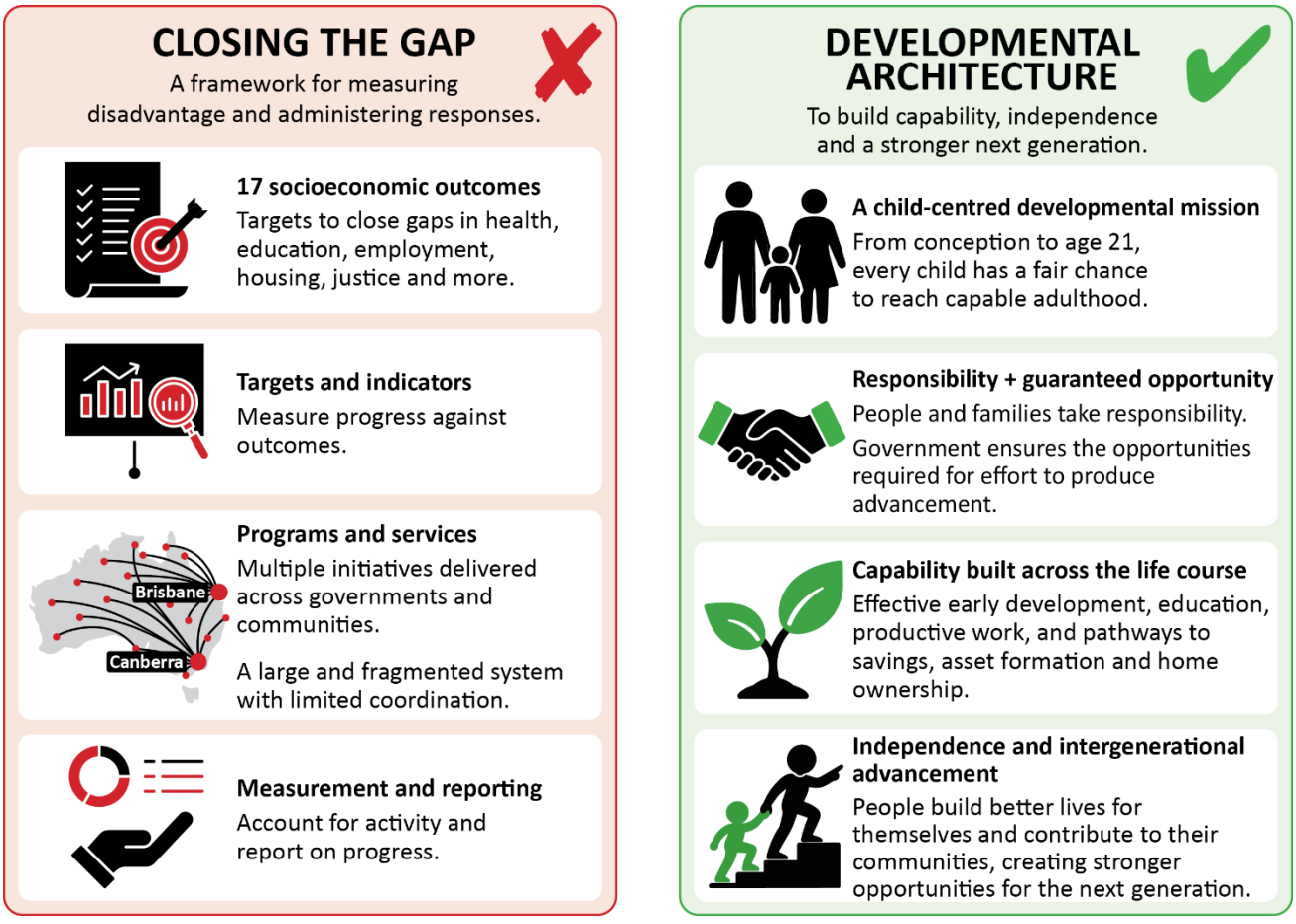



*Figure 1: From measuring disadvantage to building capability for Australian children*

## A clear horizon: capable adulthood for every child

The child must be the organising horizon. We have both an obligation and an interest in ensuring that every child has a pathway to capable adulthood.

Development is cumulative and sequential. What a child achieves at one stage of life lays the foundations for what becomes possible at the next. The pathway begins with healthy brain development in infancy, followed by school readiness, mastery of literacy and numeracy, secondary completion, and successful transition to work and further learning. From there, young adults must have opportunities to build assets and create a better inheritance for the generation that follows.

When these foundations are not laid, disadvantage compounds. A child who does not learn to read will struggle with everything that follows. A young person who leaves school without the capabilities needed for work faces diminished prospects for independence and prosperity. Early failures are especially consequential because each successive stage of development depends upon what has been achieved before it.

The Matthew Effect—the tendency for advantage and disadvantage to accumulate—is a tale as old as the Bible. The Productivity Commission understands this well. [15] What is astonishing is that Australia understands how disadvantage compounds yet has not organised its institutions around how capability accumulates to overcome it.

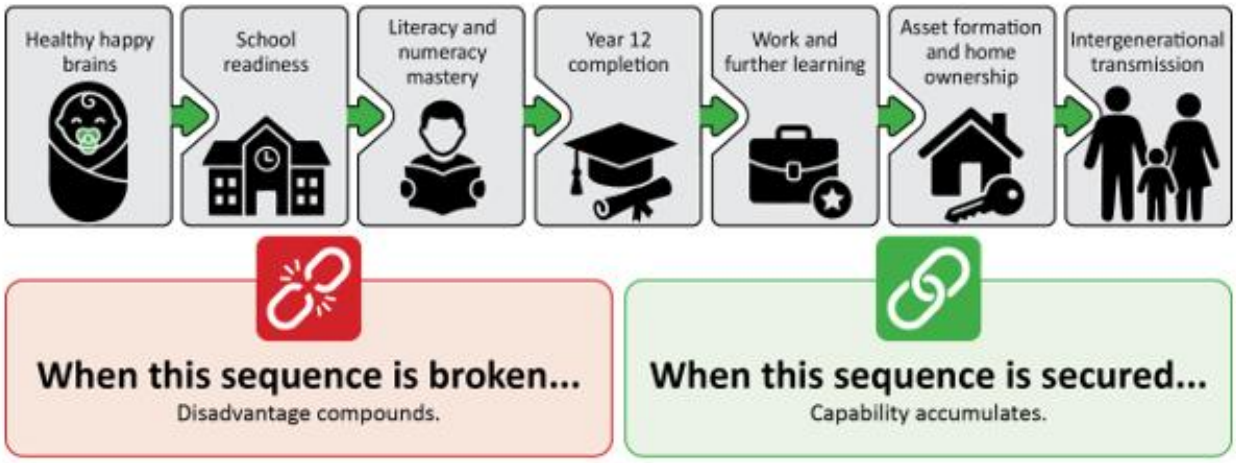



*Figure 2: The developmental sequence: when key capabilities do not develop, disadvantage compounds; when they succeed, capability accumulates*

[15] Coppel and Harris (2018).

## Responsibility and opportunity must be joined

Responsibility is the exercise of agency: the decisions people make, the obligations they fulfil and the effort they sustain. Opportunity is the substantive possibility of advancement: effective education, productive work, and pathways to savings, asset formation and ownership. Development requires both responsibility to be exercised and opportunities through which effort can produce advancement.

The family is the primary developmental institution for children, particularly in the earliest years of life. Government has two corresponding obligations.

The first is to encourage, promote and rebuild parental and family responsibility, and to enforce it when necessary. No child's prospects should depend entirely on whether the adults responsible for them fulfil their obligations. Effective schools and employment opportunities cannot realise their potential if parents and individuals do not exercise the responsibilities necessary to take advantage of them. Government must be capable of intervening early enough to protect a child's developmental future.

The second is to ensure that the substantive opportunities required for responsibility and effort to produce advancement are genuinely available. Parents cannot fulfil their responsibilities for their children's development through effort alone if schools fail to teach them to read, or if work is unavailable to sustain families.

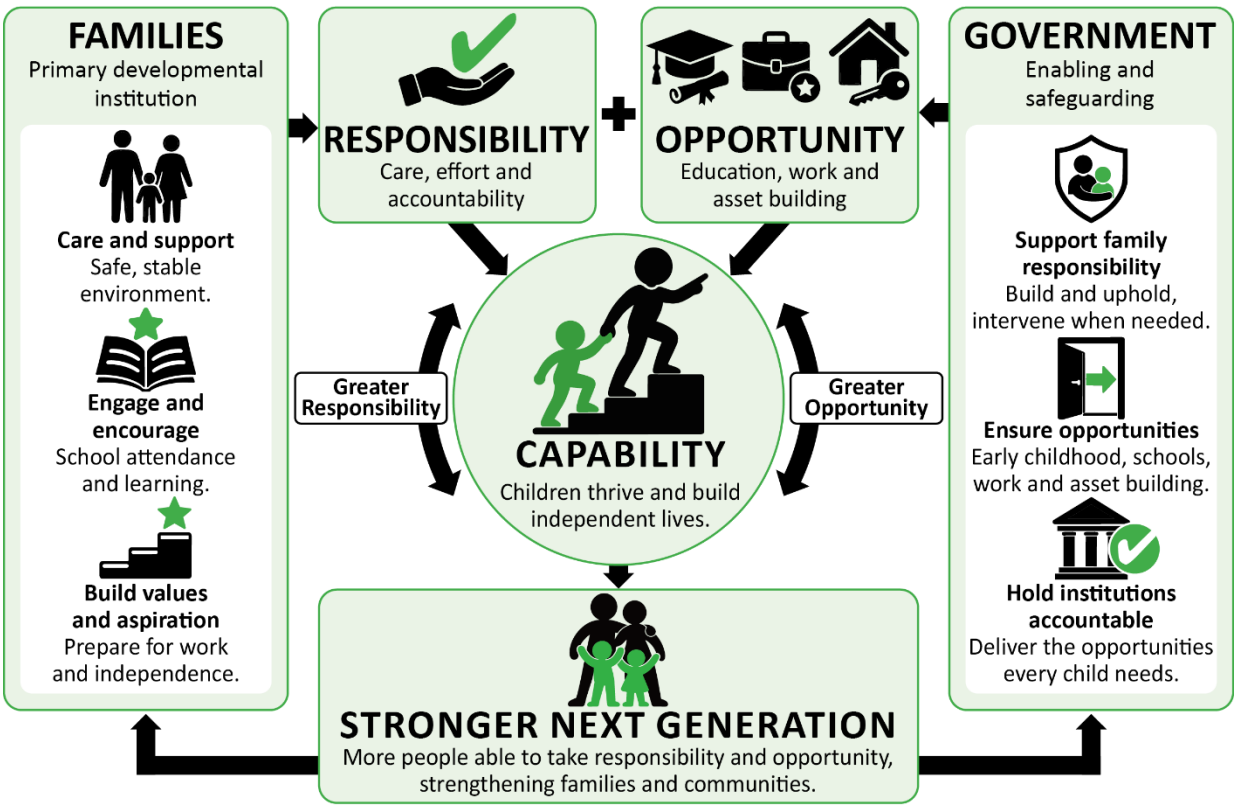



*Figure 3: Capability grows where responsibility and opportunity are joined*

Capability develops when responsibility is exercised and opportunity is available. As children acquire capabilities, they become increasingly able to take responsibility for their own development.

Capability is both the product of responsibility exercised and opportunity realised, and the foundation for further advancement. As it accumulates, people become increasingly able to shape their own lives, seize new opportunities and enlarge the inheritance they pass to the next generation.

**Responsibility without opportunity: the contradiction in employment policy**

There is mass unemployment in Cape York. Yet governments fund employment services to prepare people for jobs, require them to search for jobs and penalise them for failing to meet their obligations—even where there are insufficient jobs available. No employment service can conjure jobs that do not exist.

The State demands responsibility while failing to provide the opportunity through which that responsibility can be exercised. Individuals are held accountable for meeting their obligations, while governments are not held to an equivalent obligation to ensure work is available. Responsibility becomes an obligation without a corresponding opportunity for advancement. Choice and freedom become illusory.

## Institutions must be accountable for development

Closing the Gap requires governments to measure and report outcomes. It does not establish enforceable obligations to ensure that the opportunities required to achieve those outcomes are available, or impose meaningful consequences when institutions fail.

The National Agreement sets socioeconomic targets and four Priority Reforms: formal partnerships and shared decision-making; building the community-controlled sector; transforming government organisations; and shared access to data. These reforms seek to change how governments make decisions, work with Indigenous people and deliver services.[16]

[16] Cape York Institute has played a leading role, together with Empowered Communities, in progressing some of the most substantial structural reforms to put into practice an empowering method for Joint Decision-Making. Panels of local Community members interrogate existing programs, identify duplication and waste, and recommend how funding can be redirected to achieve targeted priorities and better outcomes. Joint Decision-Making panels, or Partnership Tables—comprised of community representatives working alongside government—have influenced more than $411 million in Australian Government funding decisions, including over $105 million in Cape York alone. See the Empowered Communities submission to this review for further details. See also the independent review of these reforms: Reddel, T., et al. (2025), Empowered Communities Partnership Joint Decision-Making: Lessons Learned Review, Final Report, Institute for Social Science Research, The University of Queensland.

The Productivity Commission describes the Priority Reforms as the "key system enablers required to progress toward the targets". [17] This is a substantial causal claim for which the evidence remains inadequate. Enabling conditions for better government are not, by themselves, a developmental strategy.

Shared decision-making, community control, cultural safety and better data may improve the governance and delivery of services. Their contribution to development must ultimately be judged by whether they help produce the capabilities on which advancement depends. A culturally safe school that fails to teach children to read is still a failing school.

A child who reaches Year 5 unable to read has experienced a developmental failure. Closing the Gap can measure the educational gap, but who is obliged to correct it? Who must ensure that the child acquires literacy before the consequences compound? Who is accountable when the school fails?

The problem begins earlier. Closing the Gap measures preschool enrolment, but who is accountable for ensuring that children attend regularly and acquire the foundations for learning? Australia has met its national target for Indigenous preschool enrolment, yet the proportion of children developmentally on track across all five domains has deteriorated (see **Appendix A**).

Real opportunity must mean more than access to a service. The State must provide effective opportunities for development, monitor whether children are acquiring the capabilities they need, and act when institutions fail them. It cannot guarantee every child's outcomes, but it can—and must—be held accountable for providing those opportunities and correcting institutional failures when children do not progress.

[17] Productivity Commission (2026), Review of the National Agreement on Closing the Gap 2026.

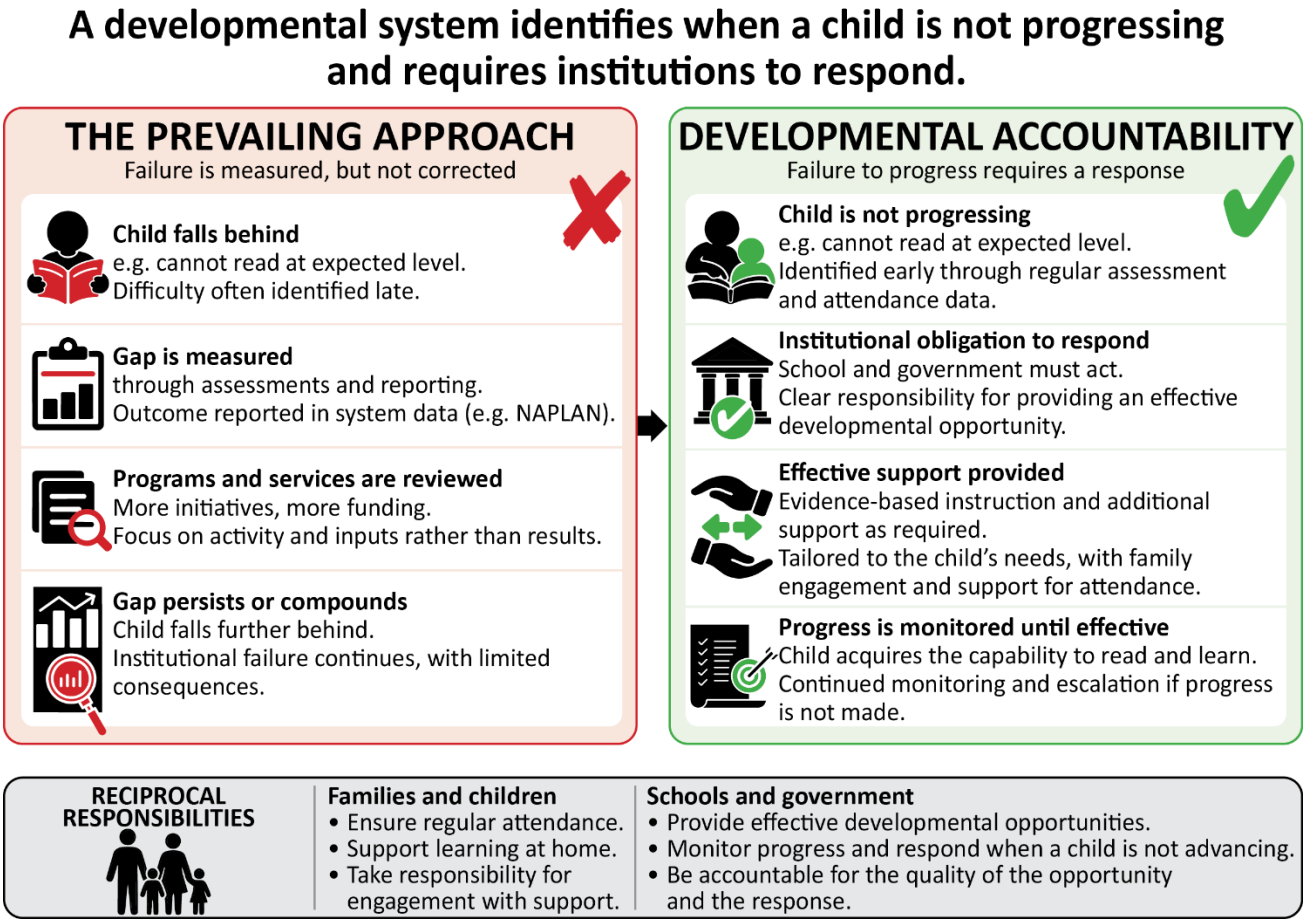



*Figure 4: From measuring failure to correcting failure*

Under the prevailing approach, institutions too often intervene only after disadvantage has accumulated—through child protection and youth justice systems, for example—when remediation is more difficult and costly. A child has only one childhood for Australia to get this right, yet government divides responsibility for a child's development across a maze of departments, programs, services and funding agreements. No institution is accountable for ensuring that responsibilities are matched by genuine opportunities at each stage, or that failures are corrected before they compound. The bureaucracy reports the failure. The child bears the consequences.

Australia has developed the institutions and disciplines to plan, finance and deliver major infrastructure projects. Closing the Gap has established national targets for human development, but where is the equivalent machinery to deliver them? Where is the long-term investment plan, the coordinated developmental sequence, and the institutional accountability for ensuring that children acquire the capabilities they need to reach capable adulthood?

**Responsibility + Opportunity = Capability** demands a different institutional settlement: one that establishes what the State owes its citizens, what citizens owe in return, and how both are held accountable.

**The lesson of Cape York Welfare Reform: responsibility is undermined without guaranteed opportunity**

The Cape York Welfare Reform trial (2008–12) was a landmark attempt to confront entrenched disadvantage through structural reform rather than further program expansion. Cape York families were not passive recipients of reform: many had demanded and helped design it. Its central innovation, the Family Responsibilities Commission (FRC), established enforceable expectations of parenting, school attendance, lawful behaviour and financial responsibility, with Indigenous Local Commissioners exercising authority in their communities.

Independent evaluations identified progress rarely evident in previous reform efforts. The FRC demonstrates the potential of local Indigenous authority, conferencing, conditional income management, referrals and engagement with families to rebuild responsibility.

But the FRC is an accountability lever, not the whole developmental system.

The reciprocal opportunities were not delivered as envisaged. The trial proposed a pathway from welfare dependence to economic independence through local job creation, economic development, savings, asset formation and home ownership. Employment opportunities remained scarce, while national housing policy prioritised social housing provision over asset formation. Families also needed practical support to fulfil their responsibilities, including parenting assistance, treatment and housing conditions that made stable family life possible.

Families were held to higher expectations, but governments were not held to equivalent obligations to ensure that the opportunities necessary for change were available.

The independent evaluation identified the lack of opportunities as the most significant obstacle to the transition from welfare dependence to economic self-reliance. It concluded that personal responsibility must be matched with genuine opportunities.

That is the unfinished business of Cape York Welfare Reform. Further reform must retain enforceable personal and family responsibilities while establishing equally enforceable obligations on government to close the Opportunity Gap. Responsibility without opportunity cannot produce development.

Sources: See e.g. Cape York Institute for Policy and Leadership (2007), *From Hand Out to Hand Up*; FaHCSIA (2012), *Cape York Welfare Reform Evaluation*. See also Queensland Premier Anna Bligh's 2008 description of the FRC legislation as groundbreaking. Under the National Partnership Agreement on Remote Indigenous Housing (NPARIH) approximately $5.5 billion was invested in remote Indigenous social housing from 2008-18. The investment was directed to severe overcrowding, but the effort was not matched by pathways to ownership and asset formation. See Laurie, V. (2011), 'Home improvement Indigenous housing', *The Monthly*.

# The Productivity Commission bears some responsibility

The Productivity Commission cannot stand outside the history of Australia's failure to Close the Gap. It played an important role in establishing the analytical foundations of national Indigenous disadvantage reporting and has spent more than two decades documenting the disappointing results.

As Australia's principal independent adviser on productivity, the Commission is uniquely placed to advance a developmental approach to overcoming entrenched disadvantage. For decades, it has examined human capital, skills, labour force participation and productive capacity across the economy, while its reporting on Indigenous disadvantage has documented persistent failures to develop those same capabilities.

The Commission should have been at the forefront of bringing these two agendas together and establishing development as a central organising principle for overcoming entrenched disadvantage.

The original *Overcoming Indigenous Disadvantage* (OID) framework, first published in 2003, contained the seeds of such an approach. It recognised that "man cannot live by service delivery alone".[18] The framework distinguished headline outcomes from the factors influencing them, recognised the importance of prevention and intervention across the life course, and identified economic participation and development as central to overcoming disadvantage.

**Closing the Gap neglects vice economies**

The original OID framework explicitly identified alcohol misuse as a strategic priority for government action, recognising its contribution to poor health, family dysfunction, crime and other forms of disadvantage. Under Closing the Gap, alcohol misuse no longer receives equivalent recognition as a strategic priority, despite its role as a proximate cause of harm that disrupts development across generations.

Where vice economies have taken hold, they undermine healthy brain development before birth, children's capacity to learn and adults' capacity to take up opportunities for work and advancement. Individual behaviour-change interventions cannot, by themselves, overcome addiction or the environments in which harmful consumption flourishes. Closing the Gap requires a strategy to confront these economies and the conditions that sustain them.

*Source: SCRGSP, Overcoming Indigenous Disadvantage: Key Indicators 2003, chapters 2, 4–9.*

[18] Cited by Productivity Commission Chair Gary Banks (2004) *Foreword* in *Overcoming Indigenous Disadvantage*, *Key Indicators 2003*.

**Closing the Gap neglects school attendance**

The original OID framework explicitly identified early engagement in education and school attendance as strategic drivers of educational achievement. It recognised preschool attendance, not merely access, as an important indicator of progress.

Under Closing the Gap, school attendance is monitored but is not a national target, despite its foundational importance to learning and the developmental sequence. While access to early childhood education is a national target, access does not guarantee attendance. Without sustained attendance and effective teaching, children cannot reliably acquire the literacy and numeracy skills on which subsequent educational achievement depends.

*Source: SCRGSP, Overcoming Indigenous Disadvantage: Key Indicators 2003, chapters 2, 4–9.*

More than two decades later, the Commission has not developed these early insights into a coherent approach to overcoming entrenched disadvantage. The developmental logic evident in the original OID framework has receded rather than advanced as an organising principle of national policy to overcome entrenched disadvantage.

**Learning from Singapore's development story**

Singapore demonstrates how development can serve as an organising principle of national policy, connecting economic growth with the development of people and families, and transcending conventional divisions between economic and social policy, and between left and right.

Over six decades, Singapore has transformed itself into one of the world's most prosperous economies. Its achievements in education, employment and home ownership reflect a sustained commitment to developing human capability, productive participation and household assets. Public investment and redistribution have frequently been designed not simply to alleviate immediate need, but to enable individuals and families to advance and build prosperity across generations.

More recently, Singapore has extended this developmental approach to families experiencing persistent disadvantage. Through ComLink+, families work with dedicated coaches on longer-term plans for progress in children's education, employment, financial stability and housing. Assistance and incentives are increasingly linked to families' progress towards greater independence, rather than organised solely around the provision of services.

Australia's circumstances and institutions differ from Singapore's, and its approach cannot simply be transplanted. But Singapore offers an important lesson: the development of people and the development of the nation can be pursued as one coherent undertaking.

# A new settlement for development

Australia should commit to closing the gap in life chances for children born into entrenched disadvantage within a single generation. Cape York provides grounds for believing that much more is possible. Over two decades, Indigenous-led reforms have demonstrated that outcomes previously regarded as intractable can be changed when high expectations, personal and family responsibility, and genuine opportunity are brought together.

Cape York Institute is working with Cape York people to develop a proposal for a **Personal Responsibility and Opportunity Act (PR+O Act)**. A comprehensive report setting out the proposed legislation, institutional arrangements, opportunity guarantees, implementation and funding will follow.

The proposed Act would establish a new reciprocal settlement between citizens and the State. Individuals and families would be expected and supported to exercise responsibility for their development. Governments would be obliged to ensure that the substantive opportunities necessary for responsibility and effort to produce advancement are genuinely available. These would be enforceable obligations, not merely policy commitments. Where an institution fails to provide an effective opportunity, there must be a means of requiring it to remedy that failure.

Building on the precedent of Cape York Welfare Reform, the proposal envisages complementary Commonwealth and Queensland legislation and the institutions required to uphold these reciprocal obligations. Its central purpose would be a 21-year developmental mission: ensuring that every child born in Cape York has the opportunity to reach capable adulthood. This requires institutions to take responsibility for providing effective opportunities at each stage of development, replacing the prevailing ‘spray and pray’ approach to programs and services with a coherent developmental undertaking.

The proposed guarantees would encompass education, work, asset formation and home ownership. Together with reforms to restore personal and family responsibility and tackle the vice economies that undermine development, these guarantees would establish a pathway from healthy early childhood through foundational learning, secondary completion, productive employment and the accumulation of assets that can be passed to the next generation.

## A Work Guarantee: an immediate opportunity for reform

One element of the proposal warrants early investigation and trial: a Work Guarantee for adults willing to work.

The proposed Work Guarantee would establish an Employment Buffer, providing access to real, supervised, minimum-wage employment when other jobs are unavailable. It would be complemented by Orbiting: supported pathways into employment in wider labour markets,

enabling people to take up opportunities beyond their home communities while maintaining their connections to family and Country.

The objective is not to create another employment program. It is to test whether an employment buffer, rather than reliance on unemployment, can provide a durable foundation for economic participation, strengthen individual and family capability, and reduce the long-term costs of entrenched unemployment. The trial would also test whether additional employment can be created without displacing existing jobs or undermining pathways into ordinary employment.

The Work Guarantee differs fundamentally from the Commonwealth's Remote Jobs and Economic Development (RJED) program. RJED funds a finite number of jobs through grants to employers. The Work Guarantee would establish an enforceable obligation to ensure that every eligible person willing to work has access to paid employment, including where conventional labour demand is absent. Jobs would be designed around meaningful local work and the capabilities and circumstances of participants, rather than depend upon employers securing grants. RJED creates a limited number of jobs. The Work Guarantee ensures that no one willing to work is left without one.

Cape York Institute seeks the Productivity Commission's engagement in examining the feasibility of a Work Guarantee trial, including its labour-market design, economic and fiscal implications, implementation requirements and evaluation. This is precisely the kind of question that should bring the Commission's expertise in productivity, employment and economic reform into direct contact with the challenge of entrenched disadvantage.

## An invitation to the Productivity Commission

We ask the Commission to look beyond whether governments are implementing the existing National Agreement and examine whether its architecture is capable of producing the development Australia needs. The Commission has vital expertise to help Australia develop and test a different approach—one that joins personal responsibility with genuine opportunity and holds institutions accountable for the development of people.

In particular, the Commission should:

1. **Support the development of a dedicated national policy approach to overcoming entrenched, intergenerational disadvantage among Australia's Bottom Million.** Such an approach must be grounded in three propositions:
    - Development is cumulative and intergenerational. Capabilities acquired in childhood make further advancement possible.
    - Responsibility and opportunity are reciprocal requirements. Neither personal effort nor service provision alone is sufficient.

- Government must be accountable for opportunity. Institutions must be held responsible for providing the conditions for development, not merely measuring the outcomes of their absence.

2. **Support the development a Cape York Work Guarantee trial**, which would include rigorous assessment of its economic and fiscal implications, labour-market design and potential to overcome persistent unemployment in communities where conventional employment opportunities are scarce.

Australia has become a nation of serial reviewers and reluctant reformers.

Australia has spent 18 years measuring the gaps. It is time to build the opportunities through which they can be closed.

# Failure to Close the Gap in Cape York—Appendix A

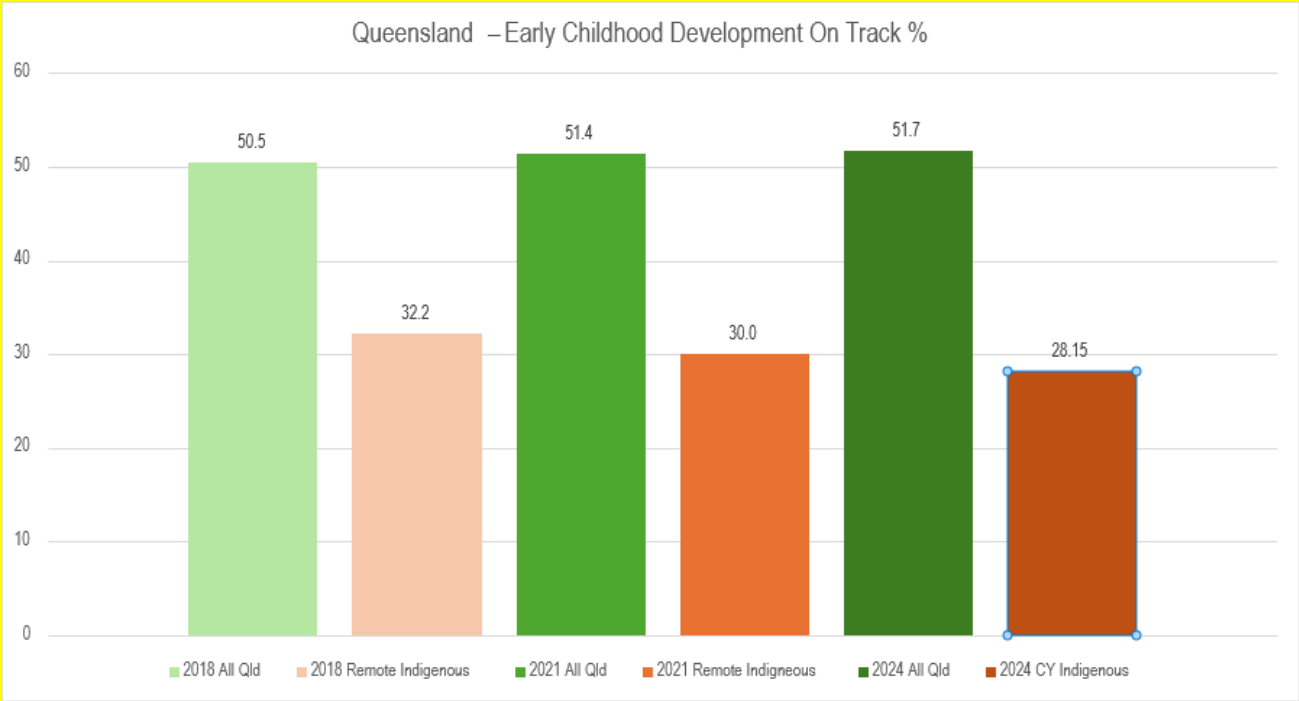
This scorecard assesses progress under Closing the Gap across six indicators critical to the development of children and their prospects for independent and productive adult lives.

The evidence reveals failures extend across the life course. Children enter school without the foundations for learning; educational disengagement persists; child protection and justice systems absorb the consequences; and premature mortality remains a defining feature of life in Cape York.

Cape York data are presented where available, including for early childhood development, school attendance and median age of death. For child protection, youth detention and adult imprisonment, comparable regional trends are unavailable. Queensland-wide data demonstrate persistent or worsening outcomes, while available Far North Queensland evidence reveals the disproportionate burden borne by remote Indigenous communities.

These data do not track the developmental progress of individual children or successive birth cohorts. That is itself a fundamental weakness of Closing the Gap: after 18 years and vast amounts spent, the combined efforts of two governments cannot demonstrate the relatively small number of children born into entrenched disadvantage in Cape York are progressively acquiring the capabilities necessary to overcome it.

## Early childhood development: Closing the Gap FAIL ×




Source: The Australian Early Development Census (AEDC) data: http://www.aedc.gov.au/, developed and owned by the Commonwealth of Australia as represented by the Department of Education as at 19 October 2026. Note these data do not include all Cape York communities, and do not include Aurukun and other locations where teachers were unable to complete the data collection and where the AEDC is not reported. Consequently, the 2024 Cape York data may overestimate the proportion of children developmentally on track. CYI estimates that if all communities were included, no more than 25 per cent of children would be on track when entering school.

### Poor early childhood development compromises everything that follows

*Target: 55 per cent of Aboriginal and Torres Strait Islander children developmentally on track in all five Australian Early Development Census (AEDC) domains by 2031.*

In 2024, only 28 per cent of Indigenous children in Cape York were developmentally on track across all five domains, compared with just over half of Queensland children overall.[19] This is well short of the national target of 55 per cent on track by 2031.

Other evidence from Cape York points to serious developmental difficulties among children. A comprehensive assessment of children in three Cape York communities was commissioned by the Royal Flying Doctor Service in 2014–15 under Cape York Welfare Reform. In two of the three communities assessed, approximately one-quarter of students met the criteria for intellectual impairment, with a further 42 per cent falling within the borderline range of cognitive functioning.[20]

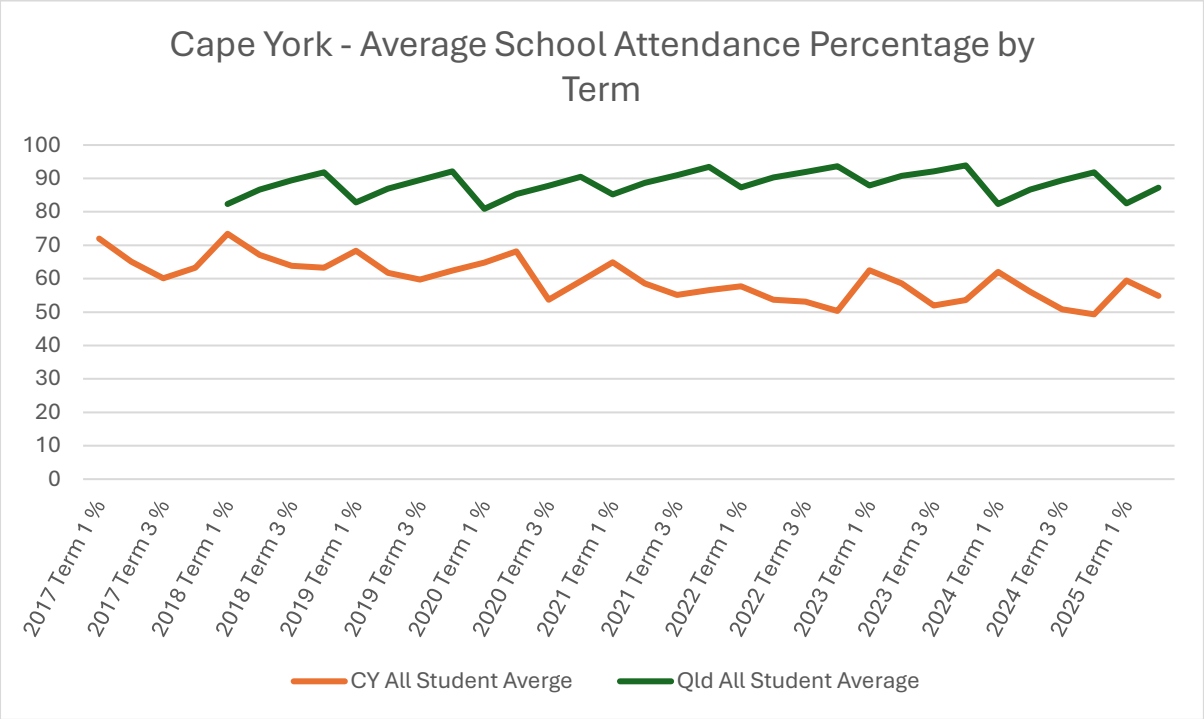
**Closing the Gap has failed at the very beginning of the developmental sequence. Children are entering school without the foundations required for learning, and the consequences can compound throughout childhood and into adult life.**

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[19] Only 2024 regional figures are available, and these exclude communities where developmental outcomes may be particularly poor. For example, no AECD data are available for Aurukun.

[20] See results reported in Cape York Institute for Policy and Leadership (2016), We're black—we don't matter: the neglected special needs of First Nations students in Queensland schools.

## School attendance: Closing the Gap FAIL ✗




Source: Queensland – Australian Curriculum Assessment and Reporting Authority. Student Attendance (accessed May 2026) https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/student-attendance, Department of Education school attendance data.

### Poor school attendance undermines educational outcomes

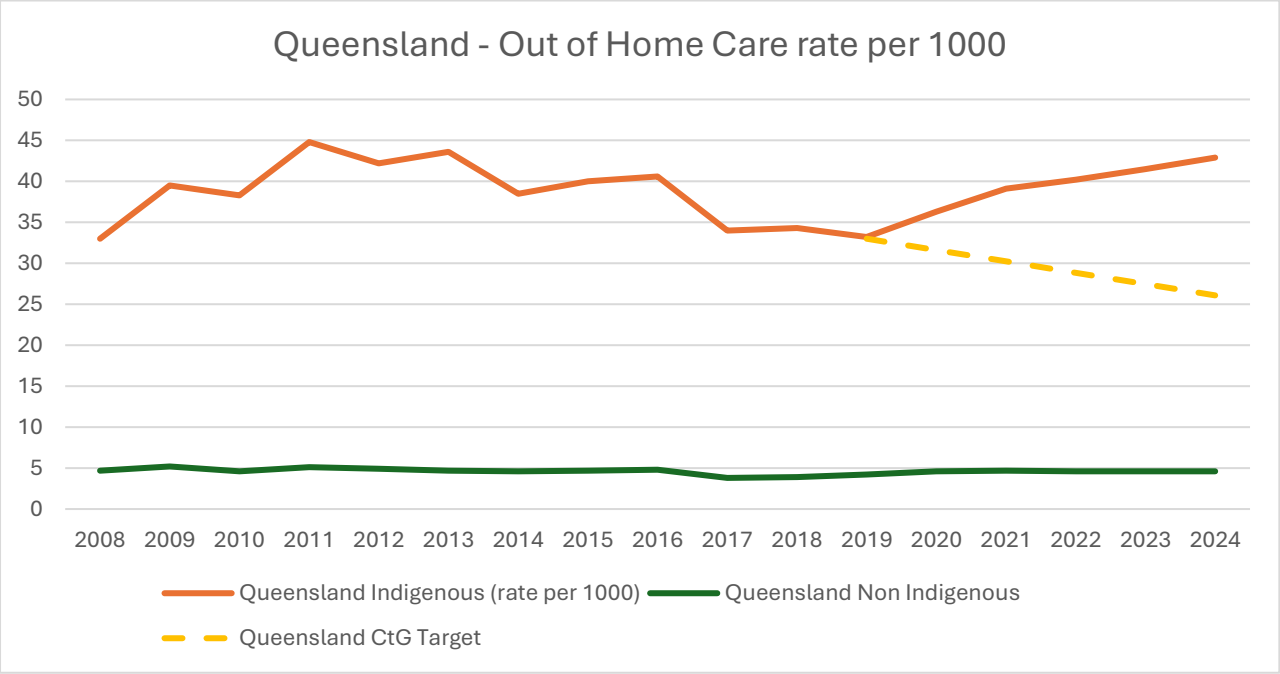
*Target: Closing the Gap has no school attendance target, despite attendance being fundamental to educational achievement and broader life outcomes.*

School attendance rates in most Cape York communities have worsened or remained chronically low. Declining school attendance is a trend that can be seen across remote Indigenous Australia.[21]

**Closing the Gap has failed to secure sustained school engagement, one of the most basic conditions for children to acquire the capabilities necessary for advancement.**

[21] Guenther, J., Osborne, S., Corrie, S., Rigney, L.-I. and Lowe, K. (2022), 'The Remote School Attendance Strategy (RSAS): Why invest in a strategy that reduces attendance?', *The Australian Journal of Indigenous Education*, 51(2), https://doi.org/10.55146/ajie.v51i2.35; Holmes, C., Guenther, J., Oliver, R. and Ober, R. (2025), 'Learning can be anywhere: On the ground views of what impacts student engagement and attendance in remote Australian schools', *Australian Journal of Education*, 69(1), https://doi.org/10.1177/00049441241303785.

## Children in out of home care: Closing the Gap FAIL ✕




Source: Closing the Gap Information Repository, Socio-economic outcome area 12, Australian Government Productivity Commission (accessed May 2026) https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area12; Child Protection Reports 2014 – 2023, Australian Institute for Health and Wellbeing (accessed May 2026) https://www.aihw.gov.au/reports-data/health-welfare-services/child-protection/overview

### Out-of-home care reflects persistent system failure

*Target: reduce the rate of over-representation of Aboriginal and Torres Strait Islander children in out-of-home care by 45 per cent by 2031.*

Queensland's child protection crisis has deepened through successive inquiries. At the Forde Inquiry in 1998, approximately 2,000 children were in out-of-home care, 20 per cent Indigenous. By the Carmody Inquiry in 2012, the number had risen to 8,000, with 39 per cent Indigenous. By the Anastassiou Inquiry in 2025, approximately 13,500 children were in care, half of them Indigenous. Over nearly three decades, the number has increased more than sixfold, while the Indigenous share has risen from one-fifth to one-half. Successive inquiries and reforms have failed to reverse these trends.[22]

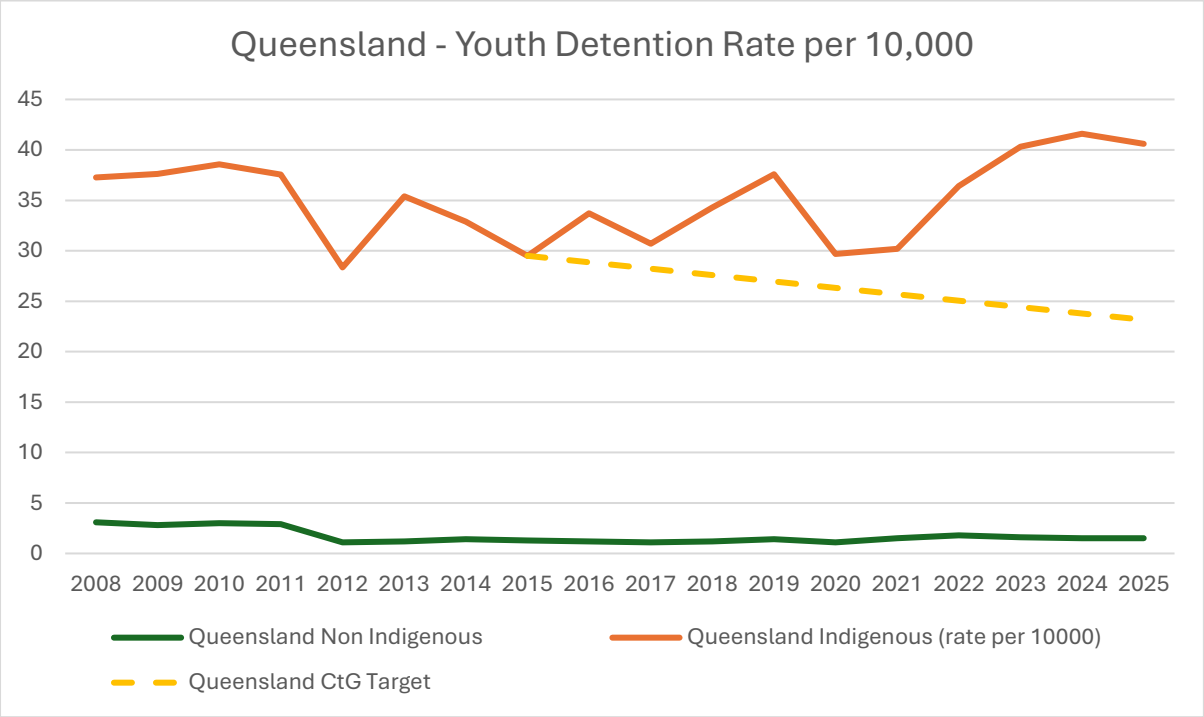
[22] Commission of Inquiry into Abuse of Children in Queensland Institutions (1999), *Report of the Commission of Inquiry into Abuse of Children in Queensland Institutions* (Forde Inquiry), Chapter 6; Queensland Child Protection Commission of Inquiry (2013), *Taking Responsibility: A Roadmap for Queensland Child Protection* (Carmody Inquiry); Commission of Inquiry into Queensland's Child Safety System (2026), *From Pressure to Purpose: Reforming Child Protection in Queensland* (Anastassiou Inquiry). See also Anastassiou Inquiry background information Opening hearing – Brisbane – 23 July 2025 | Child Safety Commission of Inquiry; Child Commission (2026), *Principle Focus: A Continued Commitment to Systemic Accountability for the Safety and Wellbeing of Queensland's First Nations Children*.

In Far North Queensland, out-of-home care rates are approximately 73 per cent above the state average. The region accounts for one-fifth of Queensland's Indigenous children in care, despite representing a much smaller share of the state's child population.

**Closing the Gap has failed to secure sustained improvement in the conditions necessary for Indigenous children to grow up in safe, stable and developmentally supportive families.**[23]

[23] Queensland Department of Families, Seniors, Disability Services and Child Safety, *Our Performance*, regional child protection statistics; Queensland Family and Child Commission, *Principle Focus* regional data.

## Youth detention: Closing the Gap FAIL ✕




Source: Closing the Gap Information Repository, Socio-economic outcome area 11, Australian Government Productivity Commission (accessed May 2026) https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area11

**Youth detention outcomes reflect the accumulation of early disadvantage across childhood**

*Target: reduce the rate of Aboriginal and Torres Strait Islander young people (10-17 years) in detention by 30 per cent by 2031.*

Youth detention outcomes in Queensland have worsened since Closing the Gap baseline.

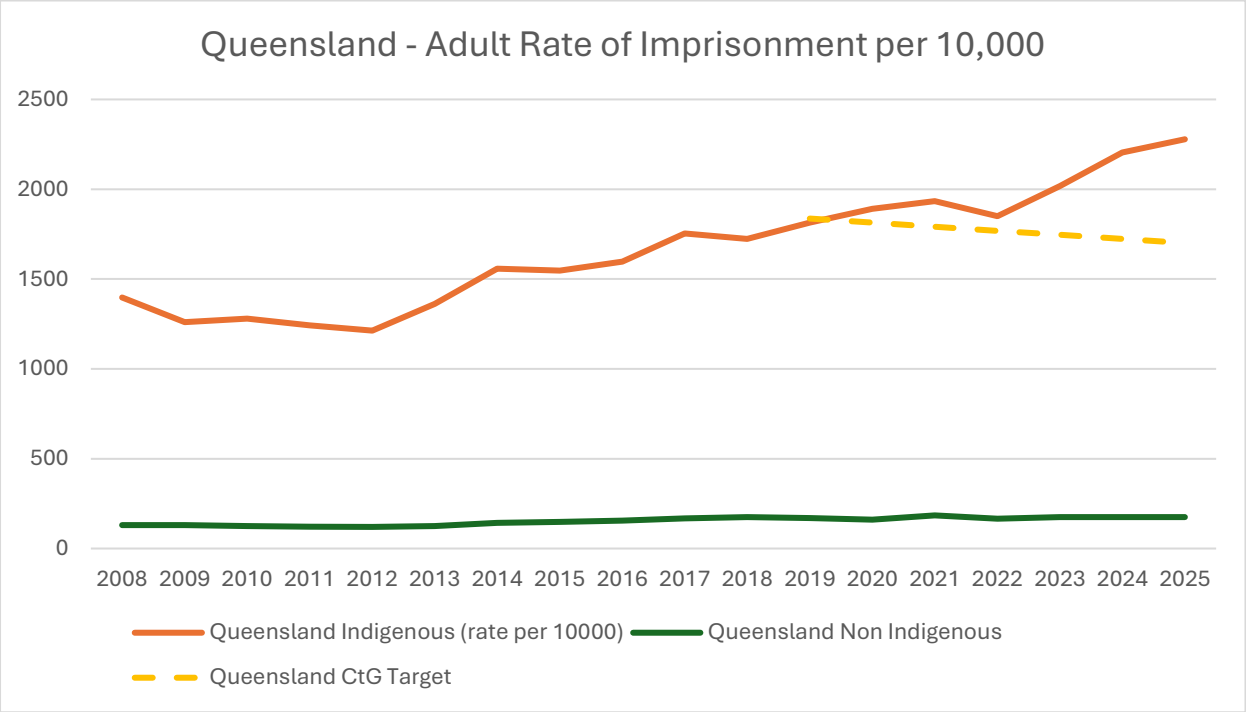
High rates of recidivism reinforce the persistence of these dynamics: more than half of young people released from supervision are re-sentenced for new offences within 12 months. Queensland records among the highest rates of repeat offending.[24]

While the absolute number of young people involved in serious youth offending is relatively small, a small cohort accounts for a large proportion of offences. This concentration reflects cumulative disadvantage, weak early intervention and repeated system failure.

**Closing the Gap has failed to interrupt the progression from early disadvantage and educational disengagement into repeat justice-system contact.**

[24] Productivity Commission (2026), *Report on Government Services 2026*, Part F, Section 17, Youth justice services, Table 17A.26. Nationally, 56.7 per cent of young people aged 10–16 released from sentenced supervision in 2022–23 returned within 12 months; Queensland recorded the highest rate, at 71.5 per cent. https://www.pc.gov.au/ongoing/report-on-government-services/community-services/youth-justice/

## Adults in prison: Closing the Gap FAIL ✕




Source: Closing the Gap Information Repository, Socio-economic outcome area 10, Australian Government Productivity Commission (accessed May 2026) https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area10

**Adult imprisonment reflects entrenched and repeated system failure**

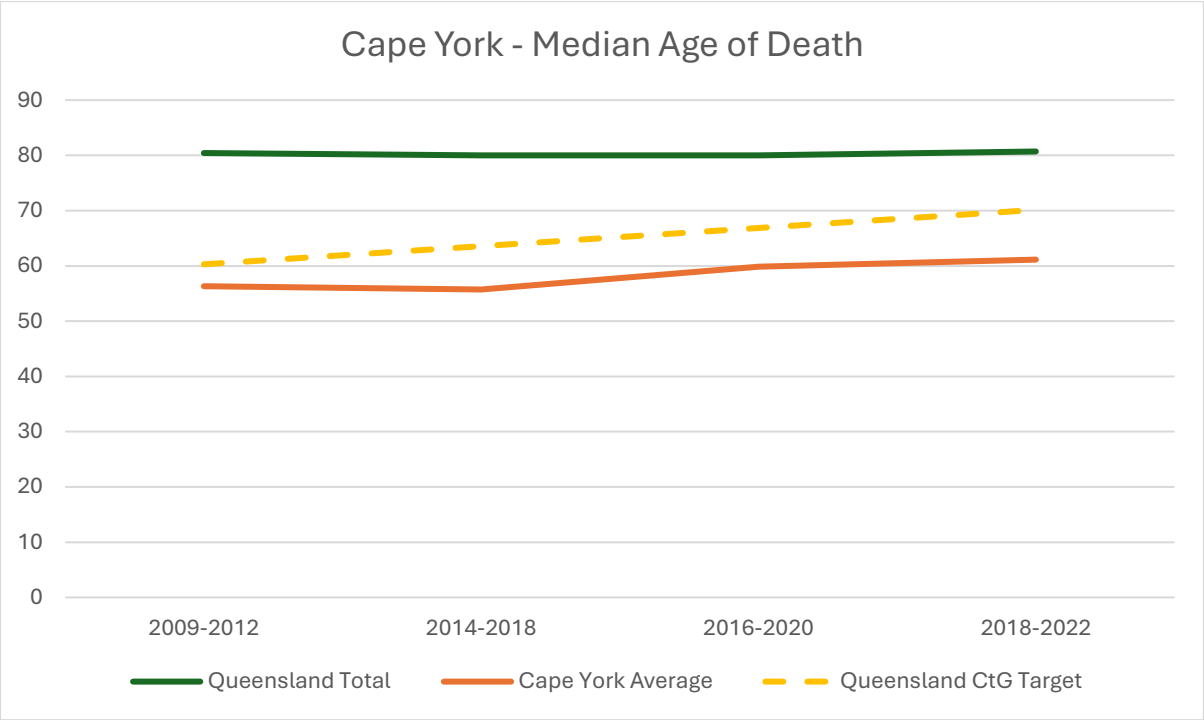
*Target: reduce the rate of Aboriginal and Torres Strait Islander adults held in incarceration by 15 per cent by 2031.*

Indigenous Australians are proportionally the most incarcerated people on the planet.[25] In Queensland, more than 35 per cent of the adult prisoners are Aboriginal and Torres Strait Islander, despite Indigenous people comprising around 3 per cent of the state's population. Cape York is an epicentre of this disgrace. At times, more than 70 per cent of prisoners at the large Lotus Glen Correctional Centre in Far North Queensland are First Nations. In Aurukun, imprisonment rates have continued to escalate over decades and are estimated to be around 100 times the Queensland rate. In a community of only around 1,000 people, prisoner numbers at any one time may exceed 100.[26]

**Closing the Gap has failed to reverse the escalating involvement of Aboriginal and Torres Strait Islander adults in Queensland's prison system.**

[25] Anthony, T. (2017), "FactCheck Q&A: are Indigenous Australians the most incarcerated people on Earth?" *The Conversation*.
[26] Limerick and Associates (2021), *Aurukun Justice Reintegration Project evaluation*. Unpublished report commissioned for Queensland Government.

## Life expectancy: Closing the Gap FAIL ✗




Source: Public Health Information Development Unit at Torrens University. Social Health Atlas of Australia, Indigenous area 2013 – 2023 (Accessed May 2026). https://phidu.torrens.edu.au/social-health-atlases/data
N.B. There are only two data points available. Data is aggregated at source to ensure fluctuations are not present in the trend.

### Median age of death reveals the ultimate cost of entrenched disadvantage[27]

*Target: Close the Gap in life expectancy within a generation by 2031.*

The persistence of premature mortality reflects the cumulative consequences of disadvantage across the life course.

**Closing the Gap has failed to demonstrate sustained improvement in the conditions that shape longevity in Cape York: education, work, income, stability and the capacity to build secure family lives across generations.**

[27] Available regional mortality data reveal the severity of premature death in Cape York. Median age of death provides a different measure from life expectancy at birth and cannot, by itself, strictly be used to establish progress against the national Closing the Gap target for Cape York. Median age at death is influenced by the age structure of the population, while life expectancy is derived from age-specific mortality rates.