



A STANDARDS RECOMMENDATIONS REPORT

Combatting the black economy, enabling good practice

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Foreword

The Australian economy is evolving at a rapid pace. Developments in global trade, the reduced cost of supply chain transportation and communication and changes in consumer preferences are encouraging innovation and adaptation of existing business models in Australia.

With the rapid digital transformation across all sectors of the economy, supply chains are evolving from traditional centralised analogue structures to become more decentralised presenting both opportunities for compliance and non-compliance and the black economy. Standards based solutions, such as Technical Specifications and handbooks can provide adaptable solutions in this space.

This Recommendations Report was developed as a result of a structured program of consultations aimed at strategically identifying standards development opportunities over the short, medium and long term. It brought together a broad range of stakeholders who have an interest in these important topics, enabling conversations between key groups, and finally setting out a list of prioritised actions to guide future directions.

This Recommendations Report would not have been possible without the appreciated support of The Commonwealth Treasury, as well as the views received from a number of stakeholders that have a stake in Australia's future. Standards Australia is privileged to have facilitated this report with a diverse range of participants.

Executive summary

As the Australian economy continues to evolve with the adoption of digital technologies across all sectors supply chains have become longer and complex.

This Recommendations Report was produced as a result of a discussion paper, national forums and stakeholder consultations. This enabled industry, consumers and government to express priorities and for engagement by Australian stakeholders to help address the challenges of the black economy in the supply chain.

The Recommendations Report is an informative tool for stakeholders that recognises the importance of allowing the development of markets and business while providing support through future standards development where appropriate. The agenda of Standards Australia and the program of work it undertakes is driven by stakeholders, including industry organisations, other market participants and indeed regulatory agencies and relevant government departments. It is therefore critical that the recommendations of the report be driven by key industry and government stakeholders so that standardisation gaps can be addressed.

The Recommendations Report has also identified the need to engage internationally. Policies that drive International Standards participation will ensure that Australia's perspectives are incorporated at this level, facilitating the potential national uptake of standards produced by these groups. These groups have been identified by stakeholders as key resources supporting efforts to combat black economy activity within the supply chain. Through collaboration between government, industry and relevant stakeholders, Australia can take advantage of the opportunities identified in this report.

The Recommendations Report was written with input from stakeholders and supports a recommendation of the Black Economy Taskforce Final Report.

1. Background – How we got here

The Establishment of the Black Economy Taskforce and the delivery of its Report

In 2016, the Australian Government established a Taskforce to report on the black economy. The term ‘black economy’ refers to a range of disparate activities that have an impact across the economy and society. In Australia, as in many OECD countries, this activity may include: not reporting or under-reporting income, paying for work cash-in-hand, committing visa fraud, hiding behind, or misquoting, an Australian Business Number (ABN), or excise evasion.¹ The black economy is not synonymous with the use of cash alone. Cash does play a legitimate role in a market economy.

The Taskforce delivered its final report to the Treasurer in late 2017.²

Government response

In May 2018, the Government publicly agreed to most of the recommendations of the Recommendations of the Black Economy Taskforce Report. Treasury subsequently engaged Standards Australia to provide detailed advice on the implementation of Recommendation 9.2 of the Taskforce report, including insofar as it intersects with recommendation 9.1, which pertains to Government procurement. Recommendation 9.2 reads:

“Establish national probity standards that private supply chain certification credentials should comply with to ensure responsible supply chain management practices are followed. This would include minimum standards, use of trusted trader certification, and publication of misconduct.”

As a result, Standards Australia established a process to engage with stakeholders on the black economy and the role that Standards might play to address it, consistent with the Taskforce’s recommendation, as adopted by Government.

Consultations

In October 2018, we released a discussion paper on Standards and the black economy, for public comment.³ This discussion paper outlined the nature of our engagement on this issue, comparative approaches to addressing black economy activities and posed seven questions for members of the public.

We subsequently held stakeholder forums in the following cities, attending by a cross-section of industry, NGO, Government and community representatives through November and December 2018:


- Melbourne
- Perth
- Brisbane
- Adelaide
- Sydney
- Canberra

¹ Black Economy Taskforce (2017). Black Economy Taskforce Final Report. Canberra: Commonwealth of Australia, p. 12-14.

² Ibid.

³ Standards Australia (2018). Discussion Paper: Supply chain standards to reduce the black economy. Sydney: Standards Australia.

A number of submitters also provided either formal submissions or emails addressing the questions outlined in the discussion paper. Respondents included NGOs and private companies.

 *When supply chains are long and complex, integrity lapses will be more likely. In these cases, even the most diligent procurement officers may not be aware of what is taking place further down the contracting line. This is why we think that suppliers can do more. In this context, there is a role for industry-led interventions that can be used by businesses and supply chains as an additional means to show their commitment to acting lawfully.*

Reference: Black Economy Taskforce (2017). Black Economy Taskforce Final Report. Canberra: Commonwealth of Australia, p. 206.

2. Our process – Developing Australian Standards, handbooks and lower consensus documents

Tackling the black economy through Standards

Addressing the challenges associated with the black economy, sometimes also referred to as the ‘shadow economy’, requires a multi-faceted response, a fact recognised through the Taskforce report. Nation-states are faced with essentially three broad options in responding: ‘(1) do nothing, (2) eradicate the shadow economy, or (3) legitimise the shadow economy’, each of which have their own implications.⁴ Many of the actions proposed, and taken, to date, including in the Australian context, reflect the use of new or existing regulatory powers, and changes to procurement frameworks, for example.

In an era characterised as ‘regulatory capitalism’, marked by networked governance and the dispersal of checks and balances, other options to de-legitimise and tackle the shadow economy are available.⁵ In this era, government might be characterised as doing ‘steering’, via publicly signalling intentions that align with public value (and considerations like protecting the revenue base), whilst the private sector itself does more ‘rowing’⁶.

Standards are one means to illustrate this approach, insofar as they can involve both the private sector and government representatives in their development and aim to address specific aspects of defined public policy issues, rather than relying on legislation or other regulatory tools alone.

This kind of response is recognised through earlier reports, which have advocated for a tiered approach in relation to regulatory policy in this area. An earlier review of the impact of regulation on small business, concluded:

A tiered approach to regulatory policy — in addition to risk-based administration of that policy — can help eliminate excessive regulation and increase the net benefits from regulation. Reducing the burden of regulation and making it easier to comply with will typically increase the net societal benefits of small business regulation by increasing compliance rates while reducing the costs of compliance.⁷

What are International and Australian Standards?

Standards are voluntary documents that set out specifications, procedures and guidelines that aim to ensure products, services, and systems are safe, consistent, and reliable.

State and Commonwealth governments often refer to Australian Standards® (AS) or joint Australian/New Zealand Standards (AS/NZS) in their legislation.

International Standards are developed by ISO, IEC, and ITU for countries to adopt for national use. Standards Australia embraces the development and adoption of International Standards.

National Standards are developed either by a national standards body (like Standards Australia) or other accredited bodies. Government can also develop their own national

4 Schneider, F. & Williams, C.C. (2013). The Shadow Economy. London: Institute of Economic Affairs. Pa. 106-109.

5 Braithwaite, J. (2008). Regulatory Capitalism: How it Works, Ideas for Making it Work Better. Cheltenham: Edgar Elgar, p.3

6 Levi Faur, cited Drahos, P. (2017). Regulatory Theory: Foundations and applications. Canberra: ANU Press, p. 764.

7 Douglas, J. & Pejaska, A.L. (2013). Regulation and small business. Canberra: The Treasury, p. 14

standards. Any standards developed under the Australian Standard® name have been created in Australia or are adoptions of international or other standards.

Developing Australian Standards

Australian Standards are developed through a step-wise process, as outlined below. They rely on the submission of a formal project proposal [form](#). Every project proposal will be subject to a preliminary assessment to ensure it meets quality and completeness criteria. Further consideration is given to factors such as capability and resourcing.

This process of developing Australian Standards is underpinned by our commitment to a consensus-based approach, determined through net benefit. The value or benefit of each Australian Standard® must outweigh its costs to society. A net-benefit assessment is undertaken by Standards Australia prior to the commencement of a project, and considers the merits of the project in detail.



To assess net benefit, we look at:

- Public health and safety
- Social and community impact
- Environmental impact
- Competition
- Economic impact

Further information on how we assess net benefit is available [here](#).

Once a project is approved, a Committee is either assigned or established, and balanced in terms of representation, to undertake formal drafting work and steer the Standard from proposal stage to a final product(s). Standards Australia assigns a project manager and appoints a Chair to facilitate this process.

Developing Handbooks and other lower consensus documents

In addition to Standards, lower consensus documents, such as Technical Specifications, are also developed through our process. This is outlined in detail in our Standardisation Guides, and specifically [Standardisation Guide 03](#). Our guide on Standardisation notes:

“These publications vary in their level of authority from the purely informative to being precursors of Standards in new fields where consensus standardisation has not previously been undertaken. For example, the document may only be explanatory in nature to assist readers in using an Australian Standard; and in such cases, the Standard will always be the principal point of reference and the supporting lower consensus document will not introduce any additional measures. In the case of some documents, the content is simply public disclosure of information. Alternatively, a new hazard to health and safety has been identified and steps to deal with it need to be put in place as soon as possible; or a new technology may have emerged and there are significant benefits in industrial efficiency in having guidelines in place at an early stage.”⁸

8 Standards Australia (2016). Standardisation Guide 003: Standards and Other Publications. Sydney: Standards Australia, p. 14.

Lower consensus documents, aside from being normative in their own right, can also provide informative examples of good practice to an audience (an example of which is a handbook developed through our process).

Previous example in practice – Developing a Digital Hospitals Handbook

Standards Australia, through Technical Committee IT-039, facilitated the development of the Digital Hospitals Handbook (SA HB: 163: 2017). The Handbook focuses on key principles, ICT architecture, and a benefits realisation framework. It supports the pivot from volume to value in healthcare. That is: services that are data-informed, timely and personalised, as well as cost-effective.

3. Your feedback – What we heard

Feedback we received throughout the consultation process can be summarised through the following insights:

1. Supply chains are longer, and increasingly complex (often global in nature).
2. There are good performers in Australia, who have high levels of visibility through the supply chain (including in relation to issues such as pay and superannuation entitlements). Some of this is supported by industry specific practices or codes. This signals the ongoing role industry associations might play in this space.
3. Equally, there are complex supply chains where visibility is limited and risks are evident (this is across the economy, but in sectors as diverse as construction, ICT and cleaning and facilities maintenance).
4. The primary risks resulting from black economy activity are reputational, but equally this activity can affect bottom-lines, and competition in the Australian market (in terms of products, or labour costs).
5. Standards are only part of the solution. Educational programs and guidance material is equally useful, to share good practice.
6. Technology-based solutions hold promise, including blockchain and Artificial Intelligence, but need to be supported by an underlying framework.
7. Any framework to tackle black economy-related activity needs to be calibrated to the needs of both SMEs and larger businesses, and address the question of who will shoulder the burden and under which circumstances.

Specific issues raised:

Cultural change through education is needed

A number of workshop participants, including those from the private sector, raised the importance of structural responses to the black economy being supplemented by cultural change. It was acknowledged that whilst encouraging greater compliance with tax obligations, and changing procurement rules, was important, so too was behaviour driving black economy activities at a downstream level. This included companies, and individuals, seeking cash discounts for services rendered, without thinking of the impact on competitors. This can have an impact on not only the ability of companies to compete in the market, but also profitability, a factor noted in the Taskforce report.

One workshop respondent who resisted this activity within his own business environment forthrightly commented:

“You can throw me peanuts, but I don’t have any monkeys.”

Others referred to cultural, or behavioural, factors, less explicitly, referring to levels of awareness around what constitutes the black economy. One submission, drawing on the existing literature, sought to summarise the connection between culture and specific black economy practices. It argued: “People have a basic capacity to be morally flexible and reframe situations and actions that reflect positively on themselves. This doesn’t seem to change that much from culture to culture despite our beliefs that some countries are more ‘corrupt’. Culture influences dishonesty in two main ways: “It can take particular activities and transition them into and out of the moral domain, and it can change the magnitude of the fudge factor that is considered acceptable for any particular domain.” The ‘fudge factor’ refers to how dishonest a person can be and still see themselves as honest.⁹

Voluntary Standards, that are specific in what they proscribe, could be useful

Respondents generally thought that standards, such as those envisaged through Taskforce Recommendation 9.2, could add value, increase transparency and ensure accountability. For example, one submission argued:

“A standard could assist businesses and not-for-profits to do adequate due diligence for shadow economy risks and to conduct further investigation where shadow economy flags are identified.

It went on to comment:

“A standard can also assist in changing community attitudes and actions towards shadow economy activities, to increase the view that such activities are socially unacceptable.”

Respondents were equally clear that this was only under certain conditions. These considerations ranged from how widespread the adoption of standards were, the extent to which their adoption could be verified or attested to, and the ease of access to a means to check, or confirm this.

A workshop participant commented:

“Standards are only good if there is ease of access to check if an organisation is being truthful re: certification etc.”

9 Ariely, D. (2012). The (Honest) Truth about Dishonesty. London: Harper Collins Publishers, p. 242.

Respondents also highlighted issues broadly with the effect these standards could have for consumers, in terms of reassuring them the company, or chain in question, met increasing appetites for ethical conduct, citing the supposed 'apathy of consumers' and asking the question: *"are the standards relevant?"*

Equally, other participants were of the view that this could be addressed through *"conveying the importance of standards to consumers,"* suggesting a proactive approach could have import.

There was a widespread awareness of the need to make any standards malleable enough for use within complex chains, but prescriptive at the rights points. One workshop participant remarked, for example:

"[there is a] level of risk in the ability of that part of the supply chain to interpret the standard."

The need to balance specificity and cross-sectoral focus of activities

Participants were clear that whilst black economy related activity occurred across the economy, citing specific sectors, the magnitude of this differed. Accordingly, they advanced the view that prioritisation of sectors where significant issues existed is needed, to inform solutions. Construction, ICT, cleaning and facilities management, and labour hire associated with these more broadly, were all cited as examples of complex supply chains where attention should be focused.

One workshop participant cited examples from within the cleaning sector involving a mix of practices including, 'cash payments, pyramid contracting, and safety issues' - all cited as driving black economy activity. As such, participants suggested a mix of educative, standards-based and legally enforceable measures to tackle these issues.

The other aspect of balance was the differential impact of requirements, including standards, for businesses of different sizes. Small business stakeholders, for example, cited the cost(s) of additional regulation or policy on small and medium sized business which account for over 96 % of all businesses in Australia. They argued that the burden of government regulatory or quasi-regulatory policies is often felt more acutely by small and medium businesses, compared to larger businesses which often have greater financial, human and technology resources to respond to, and absorb, these impacts, a factor noted in the existing literature.¹⁰

However other small business stakeholders identified compliance with regulations as well as standards as key in helping them win new business, compete with larger firms for government procurement processes and operate across markets. As supply chains are becoming longer and more complex with small and medium businesses in Australia increasingly servicing larger business chains across Asia and other overseas markets internationally aligned standards compliance in areas such as quality management, information security management and employment and tax compliance are critical to business success. One stakeholder from a small business operating across Australia stated 'ISO 9001 Quality Management compliance has helped our business and small team of employees win new procurement contracts and demonstrate greater transparency and build trust with our clients.'

10 Douglas, J. & Pejoska, A.L. (2013). Regulation and small business. Canberra: The Treasury.

Technology is instrumental

Technology was seen as instrumental in enabling greater accountability through complex supply chains. This was not just at an enterprise level (for example, in relation to governance), but also in relation to supply of goods and services, and inputs into supply chains, themselves.

One workshop respondent commented that, at a baseline level, “technology makes things more visible,” referring to its power to enable greater accountability, and in some respects, to ensure a seemingly immutable record can be created at different points within a supply chain. This might include, for example: once goods leave a factory setting, or are loaded onto land transport, prior to being shipped. It might equally apply in relation to verification for wages and entitlements.

*“Blockchain will allow transparency”
– Workshop participant*

Participants also shared more granular examples of how technology might be seen as applicable in relation to combating the black economy. For example, blockchain/DLT and Artificial Intelligence (AI) were seen as having applicability in the following domains:

- Provision of goods and services (provenance)
- Compliance against standards or legal requirements (assurance)
- Participant driven reporting (i.e. within supply chains)

Participants also pointed to the ‘internet of things’ and its ‘track and trace’ capabilities, as essential considerations – as hardware components for blockchain and AI-based deployments of technology. This was particularly in relation to the need here to invest in new hardware (such as smart sensors) to enable some of the track and trace capabilities to eventuate. It is entirely possible that these tech solutions could enable businesses to meet the requirements of new technical specifications relating to supply chain integrity. This could include by automating the core requirements of the technical specification.



Case study: tracking provenance through the supply chain using blockchain

AgriDigital is an Australian headquartered technology company focused on digitising and de-risking global agri supply chains with a focus on the grain and cotton industries. Founded in 2015, AgriDigital's flagship solution is a blockchain enabled commodity management platform that provides transactional trading and inventory management capabilities to farmers, storage operators, and traders. Traditionally, agricultural supply chains have relied on largely paper based and manual processes, which are both costly and resource heavy. These processes contribute to the complexity of global supply chains, impeding the flow of information between parties.

With their extensive agricultural backgrounds, AgriDigital founders recognised agri supply chains as a natural market for blockchain technology; multiple participants connected via mutual interest in a common asset who all require data and information about that asset. Due to their complexity, supply chains are particularly vulnerable to fraud; in fact the OECD has stated counterfeit goods market is growing, making up 3.3% of global trade volumes, totalling an estimated US\$509 billion¹¹, while food fraud costs at least US\$10 to US\$15 billion annually.¹² There have been recent examples where crops have been fraudulently labelled as organic and sold for a premium, similarly wine, olive oil and honey. In an effort to reduce illegal fishing and improve sustainability, the WWF has embarked on a project to track fish caught to capture data around where they were caught and how the fish journey through the supply chain.

AgriDigital too, is focused on improving security, trust and traceability to supply chains and has implemented blockchain technology to enable multiple participants to transfer commodities with complete security, while attributing value to those goods and recognising where this has been attributed along the supply chain. AgriDigital's cloud based commodity management solution connects farmers, traders and site operators, enabling management of contracts, deliveries, invoices, inventory and payments. By digitising processes and assets, and with the development of a library of smart contracts that facilitate trade and finance of agricultural commodities on the blockchain, a record of the asset that is both data rich and immutable is created. Information on the asset, such as where it was grown, the date it was harvested, how it was transported to the producer etc., is captured as it moves through the supply chain and is shared with others in the network. By storing information collected on the blockchain, supply chain participants can execute secure transactions, providing transparent chains of custody and proof of ownership in real time. The key here is integrity; through blockchain's ability to provide transparency and

11 <https://www.supplychaindive.com/news/counterfeits-rising-global-trade-OECD/550798/>

12 <https://www.singaporebusiness.com/2016/keeping-an-eye-on-food-fraud-in-asia.html>

security around key supply chain transactions, integrity of both the asset and the data around the asset is improved.

Traceability was one of the elements of AgriDigital's 2017 blockchain proof of concept with CBH Group, one of Australia's largest grower representative groups. AgriDigital and CBH carried out a pilot to test the application of blockchain at CBH's wholly owned subsidiary, Blue Lake Milling, an oats processor in South Australia. In one of the pilot scenarios, AgriDigital & CBH used a private blockchain to trace the movement of a batch of organic oats from the farmgate, through milling and production to a retail customer. A range of physical inventory data points were captured on a web application and bundled into assertions, each representing an event or claim determined to be critical to the organic status of the oats. Across the various stages of growing, transporting and producing organic oats, there are thousands of data points available to be captured.

Determining the data points which are valuable to the supply chain as a whole and ultimately to individual consumers and those relevant to proving the organic status of the oast, requires matching the digital assertions to business processes. Each assertion was then hashed and recorded on the blockchain layer. At the point of sale to a consumer, the assertions pertaining to that particular batch run were analysed to produce a report that either confirmed or denied the organic status of the oats. AgriDigital developed an analytics model to determine whether the oats were organic at the farmgate, and by checking off pre-identified business processes through hulling, milling and packaging, produced a true/false statement as to whether the organic status had been retained as the batch of oats passed through the various stages of the supply chain to the point of packaging and readiness for delivery to the retailer.

AgriDigital continues to work with blockchain technology, confident that through the creation of digital assets and data capture, product integrity can be proven and supply chains are traceable and transparent.

More information on AgriDigital's work in blockchain can be found here:

<https://www.agridigital.io/reports/blockchain-pilot-report>
<https://blog.agridigital.io/>

Risk Management

Stakeholders raised the importance of risk management techniques and appropriate internationally aligned standards and frameworks to help address the challenges of black economy activity in the supply chain. According to stakeholders one of the greatest risks is the communication of how to approach risks. Although industry has historically applied parts of International Standards there was now a view that industry was moving away from standalone standards towards more holistic management frameworks to meet new reporting regulations and expectations of society to ensure business are 'good corporate citizens'. Examples of such approaches include the development of ISO 37001 (Anti Bribery Management Systems), which adopt a risk-based approach.

Stakeholders agreed that a consistent approach to measure risk is essential for building trust and supporting transparency and compliance in supply chains. Standard needs to cover capability to respond to risk, managing through to addressing risk. Given the critical nature of supply chains for government, industry and society it is important that appropriate risk management frameworks continue to evolve as the economy evolves. It is important that suitable scope is built into risk management frameworks and not just to include a 'defence' element.

In addition, a number of stakeholders raised the concept of applying learnings from sectors of the Australian economy which are leading the way in supply chain transparency and reporting. Examples include some firms in Australian financial services and mining reporting requirements for fraud, taxation evasion and terrorism. Stakeholders also identified a number of related standardisation areas that support mitigation of the black economy in the supply chain. These include workforce screening, fraud and corruption control and workforce data quality. This could be achieved through handbooks, which are premised on disseminating models of good practice.

Privacy

Privacy was identified by stakeholders as a key consideration facing the industry in dealing with business operations and minimising the black economy in the supply chain. As supply chains of business lengthen greater numbers of third party companies are now provided with personal data of Australian consumers across a range of industries. Appropriate privacy mitigating safeguards are required. In addition to national legislation such as the Privacy Act 1988 in Australia many stakeholders indicated that internationally they face a growing privacy regulatory landscape. The increasing adoption of Internet of Things (IoT), Cloud computing and other information and communications technology in across all sectors of the Australian economy raises the level of data and possible personal information generated and collected. This could escalate the potential financial and reputational costs of black economy activity in supply chains.

Substitution

Participants raised the issue of substitution of goods consistently through consultations. This ranged from parallel importation, where goods were purported to meet Australian Standards, but did not. One submission stressed the impact on the bottom-line such practices can have, particularly in the electronics sector, commenting:

"They're huge, as the real impact for losses in the electronic industry can be 5x the value of the manufacturing cost, we cannot deliver to the customers on time and on the agreed conditions, what it can cause [is] that customers go with another OEM and we lose the customer."

The complexity of substitution, in the building sector, has been reported on elsewhere and is often the subject of regulatory attention. As recently as 2018, the Senate Committee on Economics noted similar concerns, including as they impact on safety

and competition for the Australian community.¹³ An Ai Group report on a comprehensive survey commented, in relation to Non-Conforming Products (NCP):

...92% of all respondents...reported NCP in their supply chains. Local producers conforming to relevant standards and regulations can be at a competitive disadvantage when the price at which a competing product is sold reflects lower levels of attention to the quality that is required under Australia's conformance framework. Immediate business impacts of this uneven playing field are usually in the form of eroded margins and reduced revenues. According to this survey, that is happening to 45% of companies in this sector.¹⁴

Whilst the responsibility of developing effective responses to NCP falls outside of the remit of this project, it is important to note that stakeholders raised it and that it should, in specific circumstances, form part of any supply chain risk assessment process that stakeholders undertake.

Ensuring labour protections

Many different stakeholders highlighted the differential approaches adopted to protecting the work rights of employees, ranging from ensuring proper award rate entitlements to ensuring superannuation is paid. The issue of sub-contracting was at the heart of many of these discussions, particularly in sectors such as facilities management (which may include cleaning services). This has led to the development of codes in the industry already, as part of a global trend.

Some existing businesses reported that they had developed sophisticated models to ensure direct 'line of sight' through the supply chain. In the franchise sector, for example, where financial and other penalties already apply and where media interest has arguably been heightened, heightening industry compliance. One participant commented, for example, how an employers group had now insisted on a model of compliance assessment which relied on direct access to employees in the franchise chain, in an attempt to ascertain and verify whether correct employment conditions had been met. This appeared to form part of an emerging good practice model, involving a heightened awareness to who was employed, as well as a set of common standardised steps, record-keeping and accountability at the top of the chain for decisions-made in relation to entitlements.

International Harmonisation

Consensus was reached by stakeholders for the importance of ensuring Australian standards are harmonised with International Standards. Stakeholders agreed that one of the key actions to facilitate the mitigation of black economy activity in Australian supply chains is international engagement and harmonisation. Participants agreed that generally Australian mirror committees to the ISO and IEC were the appropriate mechanism for engagement. Ideally, this would lead to direct adoptions of relevant black-economy related International Standards (such as anti-bribery and supply chain sustainability).

¹³ Senate Standing Committee on Economics (2018). Non-conforming building products: the need for a coherent and robust regulatory regime. Canberra: Commonwealth of Australia.

¹⁴ Ai Group (2016). The quest for a level playing field: The non-conforming building product dilemma. Melbourne: Ai Group.

4. Our key recommendations – Crafting a model to tackle the black economy

Recommendation **One**

That a proposal for an Australian Technical Specification be developed to provide performance requirements to combat the black economy for Australian businesses. This could adopt a risk-based approach, replicating the ISO High Level Structure for Management system standards.

The scope of this Specification should include:

- Competencies
- Awareness
- Reporting
- Traceability

Recommendation Two

That supply chain handbooks be developed, providing clear case studies and measurable and replicable approaches for businesses of different sizes and supply chains of different complexity. It is suggested that Government explore subsidising the cost of these handbooks, at no direct cost to end users.

It is suggested that case studies be drawn initially from:

- ICT
- Mining
- Construction
- Transport
- The food and beverage sector
- Cleaning
- Security
- Horticulture
- Labour hire operators that provide such workers.



Handbook 1 – relevant case studies targeted specifically for SMEs. This could also provide a basic ‘checklist’ that they can use to self-assess their performance.



Handbook 2 – relevant case studies targeted to larger organisations/entire industries with more information on complex arrangements (e.g. Safe Load Program).

Who should have carriage/initiate this work? The Australian Government, through Standards Australia (equally involving industry buy-in).

The aim: To provide clear, illustrative and accessible examples across sectors of how to implement measures to combat black economy activities within complex supply chains, across SMEs and larger businesses and organisations.

The need: Significant good practice and knowledge about how to tackle the black economy, in tangible terms, is locked in proprietary silos, and is not shared outside of the confines of individual companies in many cases. To lift maturity, accessible materials are required to demonstrate the impact that proactive approaches can have in real-world settings.

The benefit: Widespread diffusion of good practice across specific sectors, and within complex supply chains.

Recommendation Three

That an educational and awareness raising program be provided, alongside the development of Standards and other guidance material, targeted primarily at SMEs and large businesses, profiling the benefits of combating black economy activities through the use of standards, handbooks and associated activities.

Who should have carriage/initiate this work? Standards Australia and Industry associations

The aim: To improve the community's awareness of what black economy related activities are, particularly in a business setting, by using tangible examples. This would put downstream pressure on factors that facilitate the growth of the black economy (i.e. customers engaging in cash for discount behaviour, or employing people without adequate background checks). It might also provide an opportunity to adopt specific technological approaches (i.e. automation) consistent with the Technical Specification, handbooks and good practice.

The need: Although structural changes are being introduced to tackle the black economy, participants in this consultation process argued that the downstream 'drivers' of the black economy will remain intact unless behaviours that feed it are addressed.

The benefit: Widespread societal awareness of how individual behaviours contribute to sustaining the black economy, leading to a nudge to do the right thing.

Recommendation Four

That an online training module for businesses, with a focus on quality management, be developed and required of all SME suppliers. This should feature examples of what constitutes 'black economy' activity. This could be a pre-requisite to entering into contracts/joining pre-qualification schemes, with procurement policies updated accordingly.

Who should have carriage/initiate this work? The Australian Government.

The aim: To provide baseline training to companies entering into contracts with the Australian Government, ensuring levels of awareness in relation to black economy-related activities are elevated.

The need: Although companies are meeting pre-qualification requirements in relation to Government tenders, the Taskforce Report highlighted that this on its own may not be adequate in terms of ensuring supply chain integrity. This no-cost measure to business is another way to 'nudge' individuals and enterprises towards compliance.

The benefit: Widespread business awareness of practices driving the black economy, and what action to take in the event these practices are identified in a businesses' own supply chain.

Recommendation Five

That Australian stakeholders consider proposals for the adoption of ISO 37001 (Anti-bribery management systems) and 37002 (Whistleblowing management systems).

Who should have carriage/initiate this work? The private sector

The aim: To ensure a harmonised and national approach to combating black economy activity in supply chains.

The need: Adopting internationally developed standards, where Australian stakeholders might have had earlier input, provides certainty for businesses across supply chains, including those of a regional and international nature.

The benefit: Clear frameworks and procedures for identifying, managing and quantifying risk that improve consistency across, and within, businesses.

Recommendation Six

That Australian stakeholders consider supporting the ongoing development of the following relevant Standards, including as, and where, revisions might be necessary.

AS 4811 – Workforce Screening (previously known as Employment Screening)

The key objective of this revision will move the standard from a process approach and establish a risk-based, all-hazards workplace decision-making approach. It looks to implement a whole-of-person lifecycle monitoring approach, thus enabling organisations to be more responsible for their own and their workforce's needs according to changing risk context. Maintaining screening and monitoring processes for the duration of engagement and, where possible or where necessary, beyond is important. Positive and informed communications with the workforce and other stakeholders has been identified as a critical new area needed within the standard to support more timely identification of continuous learning and improvement.

AS 8001 – Fraud and Corruption Control

There have been significant developments within the discipline of fraud and corruption control that should be taken into account in the revision of the Standard. One of the key developments is the recognition that employee engagement can play a significant role in controlling fraud and corruption. In addition, issues such as supply chain management, outsourcing, cybercrime, identity theft, artificial intelligence, applied psychology, models of decision-making, assurance mapping, probity auditing, social media, mobility between private and public sectors and technological change have significantly changed in nature since the Standard was last issued. In the last ten years, there have also been changes in the field of compliance and governance that impact on fraud and corruption control. Internationally, anti-corruption requirements and guidelines bring increased attention to assurance frameworks and measures. They emphasise the importance of controls being more than “paper” measures that look good but are not effectively applied.

Workforce Data Quality (new standard)

Standards Australia Committee MB-009 Human Resources and Employment, is focusing on the development of Human Resource (HR) Standards to support all sectors of Australian Industry. There are numerous metrics described in a range of International Standards and it has been established that there is a need to develop a standard that outlines the quality of the data being used within these metrics. Currently, the primary role of existing standards focuses on the reporting processes within HR functions rather than the quality and consistency of data that they collect. Much has been written about the overall impact of poor data quality on businesses with it cited as a primary reason for 40% of all business initiatives failing to achieve their targeted benefits and effecting overall labour productivity by as much as a 20%.² A range of stakeholders have indicated that these three standards are intrinsically linked from a security, risk, resilience and governance perspective as an organisation's assessment of staff and the individual levels of risk they post are only as good as the data you collect and maintain.

Making Standards stick

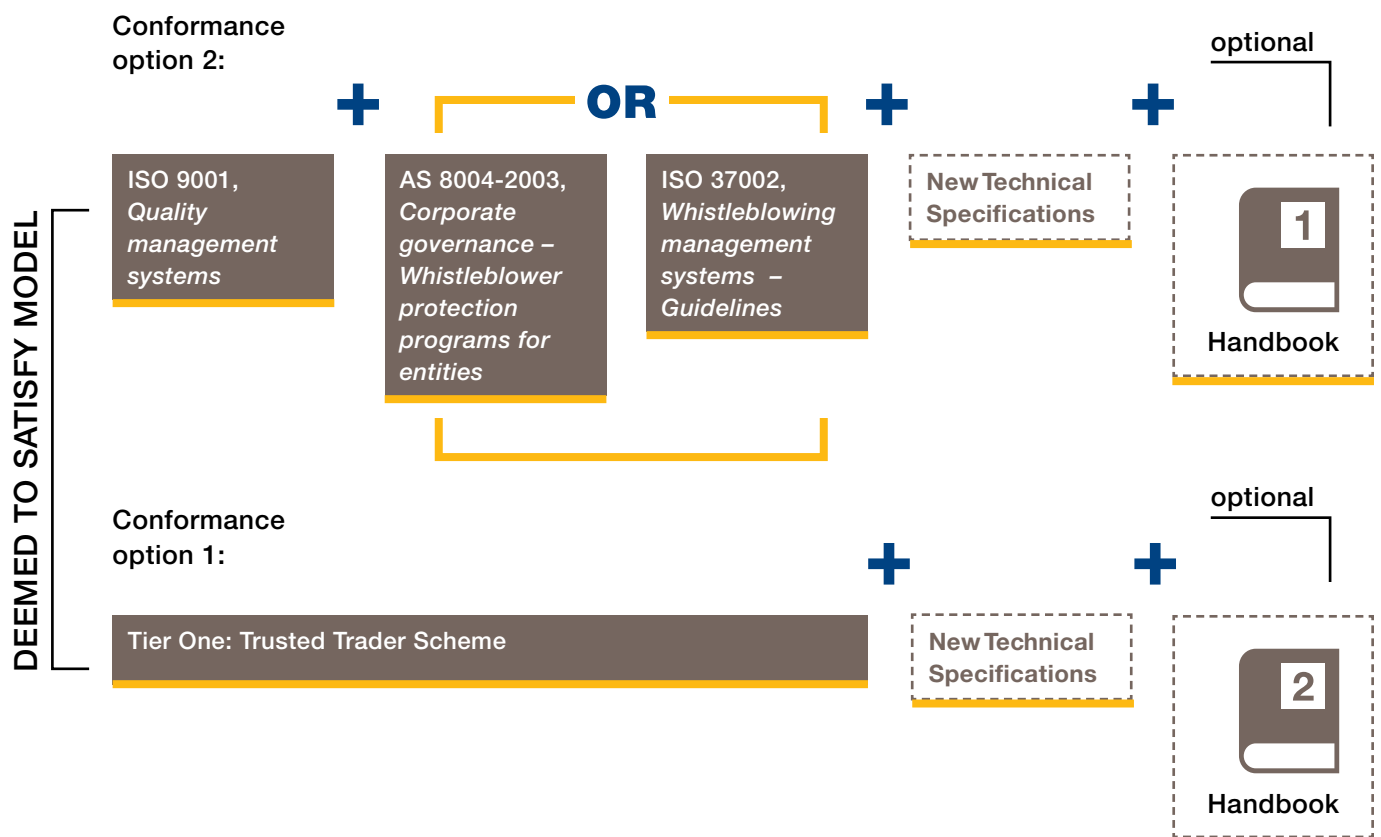
A 'deemed to satisfy' model for enabling supply chain conformance within procurement

To give effect to supply chain oversight, particularly in relation to private sector, business to business, operations and procurement, procurement processes, we have developed a *deemed to satisfy* pathway model. This pathway is designed to enable companies that already comply with Standards, or other appropriate schemes, to be recognised formally for their proactive approach. It also recognises the robustness of the Trusted Trader Scheme, administered by the Australian Border Force.¹⁵ There are other private sector models which, at Government's discretion, might also be applicable within this pathway.¹⁶

This model is intended to be accessible for all Australian businesses, including SME's, and provide multiple pathways to compliance (specifically for businesses who are particularly cost sensitive to new regulatory approaches).

Ultimately, implementation of such a model is at the discretion of industry associations and businesses themselves, with contractual mechanisms providing the most clear opportunity to embed these requirements and contingent on the development of an additional Technical Specification, as recommended in this report (*Recommendation One*).

One option might be for industry associations and bodies to provide an accreditation and certification functions to drive uptake of the Technical Specification and handbooks.

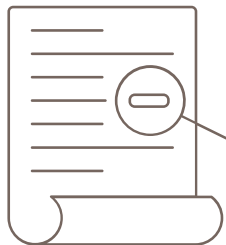


¹⁵ Australian Border Force (2019). 'Trusted Trader', accessed 12/03/2019 from: <https://www.abf.gov.au/about-us/what-we-do/trustedtrader>

¹⁶ See, for example: Insert <https://www.staffsure.org/>

How could this work?

Company A are tendering for a \$7 million ICT maintenance contract with the Yarralumla Centre, a private cosortia. This is part of their growth strategy. Company A are a medium sized business, with a regional footprint and 45 staff, across NSW, Victoria and the Philippines. They are neither a Trusted Trader, nor have they given consideration to anything other than the core requirements of the performance conditions of the contract they are applying for. To satisfy the procurer, they pursue compliance option 2, certifying their growing organisation against ISO 9001, so record-keeping is up to date and consistent with international best practice. They embed the requirements of AS 8004-2003 or ISO 37002 in their internal policies, safeguarding whistle-blowers, and thereby also strengthening their ability to meet new procurement changes across the private and public sectors. Finally, they adopt the best practice management approaches outlined in the new Technical Specification, providing clear line of sight in terms of who they employ, for what wages and entitlements, which is now also more clearly visible to the Procuring Agency. This also enables Company A to position themselves more competitively when sub-contracting for others, including in private and public supply chains.



Case study: Raising maturity levels through Standards: The use of AS 8004-2003, *Whistleblower protection programs for entities by Australian organisations*

AS 8004:2003 was published in 2003 and provided a framework to embed whistleblowing protections within institutional settings. It was referenced in guidance material in the public sector, including via ASIC, and by the private sector (ranging from NGOs to private companies), as reflected through their internal policy documents. This led, in many cases, to increased clarity and visibility over specific processes employees and decision-makers can follow to protect whistleblowers and act on allegations that might be made (including through having independent external channels or nominated contact points for complaints). [Graincorp](#) and the [Australian Catholic University \(ACU\)](#) are just some examples of organisations that adapted their policies to align with AS 8004: 2003. Shortly, ISO 37002 will provide similar guidance, at an international level.

Actioning the recommendations – options, timing and opportunities for engagement



Visual depiction of process and timing considerations for each recommendation.

Who we are

History of Standards Australia

Founded in 1922, Standards Australia is an independent, not-for-profit organisation, recognised by the Commonwealth Government as the peak non-government standards development body in Australia. It is charged by the Commonwealth Government to meet Australia's need for contemporary, internationally-aligned standards and related services. The work of Standards Australia enhances the nation's economic efficiency, international competitiveness and contributes to community demand for a safe and sustainable environment.

Our role in the Commonwealth conformance framework

Standards Australia is part of the nation's formal conformance framework, which is responsible for measurement, standardisation and conformity assessment. This framework, as the Department of Industry, Innovation and Science has noted, "... provides the essential framework for industry and government to maintain domestic and foreign confidence in our goods and services."¹⁷

Examples of our engagement in other sectors

Bridges big and small

Whether travelling across the Bowen Bridge in Tasmania to get to work, or crossing the Diamantina River outside Birdsville in Queensland there are any number of different types of bridges constructed with different materials and in very different shapes and sizes. Despite their differences the one common theme across the bridge sector is the Bridge Code 2017. As the Australian standard, the Code seeks to provide the best practices to be used in bridge design, maintenance and construction.

AS/NZS 5100:2017, Bridge design, or the Bridge Code 2017, sets out requirements for the design, assessment and alteration of new and existing bridge structures.

Playful past-times

Falling from a slide, getting hair stuck in a swing, or being on the losing end of a seesaw were all incidents many of us would like to forget, however they do happen. It is for this reason that the introduction of AS/NZS 8124.6:2016, Safety of toys – Part 6: Swings, slides and similar activity toys for indoor and outdoor family domestic use has taken place and aims to put safety back in play.

The standard, AS/NZS 8124.6:2016, has been developed to outline requirements aimed at minimising the risk from some of the specific hazards associated with certain types of products when used in a domestic environment. The types of products covered by this standard include swings, slides, carousels, rocking toys, climbing frames and toddler swing seats bearing the mass one or more children. This standard also has a specific intention which is to cover those toys for domestic family use and for children under 14 years of age.

Ultimately, this standard gives suppliers the guidance to create toys and objects like slides and swings which bring enjoyment to the users but are also safe.

¹⁷ Department of Industry, Innovation and Science (2016). Australia's Standards and Conformance Infrastructure. Canberra: Commonwealth of Australia, p. 5

Additional Information

This paper is a start at providing background information on this area, particularly in relation to the relevant standards and technical committees. However, there are a number of additional resources which may be helpful in your consideration.

Standards Development Public Portal

Full list of Standards Australia technical committees, including current projects, published standards, nominating organisations, and international relationships.

www.sdpp.standards.org.au

ISO Website

The ISO website provides a full list of ISO Committees and sub-committees, including their work programs, current projects, and published documents.

www.iso.org

IEC Website

The IEC's website provides a full list of IEC Committees and sub-committees, including their work programs, current projects, and published documents. It also provides background and papers on various topics.

www.iec.ch

Appendix One:

Scope of proposed Australian Technical Specification

This Technical Specification is intended to apply to Small and Medium Enterprises (SME's) and large commercial entities, largely on the basis of self-declaration. It is intended to provide prescriptive guidance for companies, and participants in supply chains, whilst attempting to minimise the resulting regulatory burden (as measured through direct cost) for users.

Specifically, this Technical Specification is intended to cover:

- Employment record-keeping
- Supply chain record keeping
- Verification of employee pay entitlement - process
- Verification of visa eligibility and record-keeping – process¹⁸
- Verification of superannuation entitlement – process
- Whistleblowing procedures (with reference to ISO 37002)

This Technical Specification intended to complement existing ISO and Australian Standards, whose concurrent adoption strengthens a company's overall governance and risk management process, including in relation to supply chains.

Relevant/related ISO and Australian Standards include:

- ISO 9001 (Quality management) – and [sector specific applications](#)
- ISO 20400:2017 (Sustainable procurement – guidance)
- ISO 26000 (Guidance on social responsibility)
- AS/NZS ISO 31000: 2018 (Risk management)
- ISO 37001 (Anti-bribery management systems)
- ISO 37002 (Whistleblowing management systems – Guidelines)
- AS 8004:2003 (Corporate governance - Whistleblower protection programs for entities)

¹⁸ This is also intended to address the findings referenced in the 2019 Migrant Workers Taskforce report, including employers unlawfully retaining employee's passports. This process should provide a clear, standardised, means to check and retain proof of visa eligibility to work – consistent with legal obligations.

Projected benefits of the Technical Specification, by area of concern

Domain/area of focus	Business benefit	Public benefit
Internal record-keeping, following good practice	Accessibility of information for audit and legal compliance purposes Contingency planning improvements	General improvement in record keeping and reporting of important information
Process for visa checks	Clear guidance to ensure compliance with the Migration Act (1958) and Regulations (1994)	Better accessibility of key information across the business, demonstrating good faith and potentially reducing legal liabilities
Process for ensuring consistency with award wages	Clear guidance on complying with the provisions of the Fair Work Act (2009).	Reduced black/informal economy workforce
Process for ensuring consistency with superannuation obligations	Clear guidance on complying with the provisions of the Fair Work Act (2009).	Improved protection for employees in relation to their entitlements
Process for managing whistle-blowing	Clear company-wide procedures for managing whistle-blowing Certainty for employers and employees	Institutionalised processes for ensuring legal compliance and improving existing business models

Contact and further information

For further information, please contact:

SEM@standards.org.au

