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### **Submission on Indigenous Potential meets Economic Opportunity Discussion Paper, November 2006**

The DEWR Discussion Paper released in November 2006 proposes to replace the CDEP scheme in specified urban areas with enhanced STEP training for employment. The areas selected have been assessed by DEWR to have robust labour markets and it is estimated that this proposal will affect about 40 of 210 CDEP service providers and would reduce 35,000 CDEP places by about 7,000.

The DEWR Discussion Paper seeks focus on four consultation questions which we are willing to speculatively make comment on. Such comment has to be speculative because there is no evidence-base upon which transition for an established to a proposed program can be made. A diagram in the Discussion Paper suggests that over the two financial years 2004–05 and 2005–06 there have been growing placement of CDEP participants in employment off CDEP. What is not indicated is what proportion of those exiting CDEP into non-CDEP employment remained in employment six or 12 months after employment placement; in other words, there are no transparent post-employment data or independent evaluation provided. Second, it is assumed that because over 6,000 CDEP participants (Australia wide) have been placed in employment between 1 July 2004 and 30 September 2006, this trend will continue. No information is provided on the skills of those placed in employment, where these skills were acquired (presumably at least in part while CDEP participants) or as noted above whether those employment in 2004–05 are still employed or back on Centrelink payments or back on CDEP. It is also assumed that the pathway to employment of CDEP participants via community-controlled CDEP organizations can now be replicated by enhanced STEP brokerage services.

We provide submission as three social scientists who have researched the CDEP scheme and associated social security and labour market issues for a considerable period: our perspectives are informed by labour economics, development economics, political science and anthropology.

We are surprised that the DEWR Discussion Paper makes no mention of a report by the Office of Evaluation and Audit *Evaluation of the Community Development Employment Projects Program* (ATSIC, Canberra, 1997) that focused on urban CDEP outcomes.

Admittedly this report is nearly 10 years old and describes somewhat different institutional arrangements, but it makes some pertinent points including:

- Urban CDEPs have had better employment outcomes than mainstream providers
- Urban CDEP was a very important source of training opportunity for participants
- Urban CDEP participants exhibited a range of positive economic (higher employment and income, etc) and social outcomes (lower alcohol consumption, lower number of police arrests, etc) than among unemployed Indigenous persons in urban areas.

Some aspects of the results on the positive social outcomes of CDEP participation have recently been replicated in analysis of 2002 National Aboriginal and Torres Strait Islander Social Survey (NATSISS) data in a *Crime and Justice Bulletin* (Number 104, October 2006) 'The economic and social factors underpinning Indigenous contact with the justice system: Results from the 2002 NATSISS' authored by Don Weatherburn, Lucy Snowball and Boyd Hunter. For example, in comparison to being unemployed, being a CDEP participant has a significant protective effect against the probability of being charged within the justice system. Such results suggest that while exiting from CDEP to employment would be very positive, return to unemployment could heighten risks of incarceration and associated private and public costs.

We recognize that the approach taken in the DEWR Discussion Paper is based on a different approach that assumes that enhanced STEP brokerage services will ensure exits into mainstream employment for participants after a period of training. This assumption though will require empirical verification. Furthermore we recognize that the appropriate future comparison will be between CDEP exits into mainstream employment and CDEP participants, but believe this will be impossible if non-discretionary policy change will eliminate CDEP participation in urban areas. In other words, such a comparison will be impossible to make after 1 July 2007.

With regard to the DEWR Discussion's Papers four consultation questions, we make the following brief comment:

1. *Are there other locations where the proposed new model should be applied?* We do not question the fact that the Australian labour market is currently robust. However, we are not convinced that the abolition of CDEP organizations and their replacement with enhanced STEP brokerage services will generate better outcomes. Some CDEP organizations have performed admirably, training, mentoring and placing CDEP participants in mainstream employment. The new non-discretionary policy proposes to impose a new policy framework without distinguishing between CDEP organizations that are exiting participants to employment and those that do not. Rather than a blanket introduction of the new approach, we recommend that CDEP organizations are approached seeking volunteers to pilot the new approach. This would then leave the possibility to undertake comparative analysis of performance (CDEP organizations versus enhanced STEP service providers) and to adaptively manage the new approach if it becomes apparent that CDEP organizations are either performing better or provide an effective platform for training and exit.

2. *What would be the key transition issues for affected CDEP participants?* In an earlier 2005 Discussion Paper *Building on Success*, DEWR lauded the inherent flexibility in the CDEP scheme. Clearly this flexibility allows CDEP participants to enjoy a mix of training and employment, as well as flexible work hours. This might be an important element of becoming job ready for full-time mainstream employment. The language of flexibility is again used in the current Discussion Paper: Enhanced STEP brokerage services will be very flexible and combine work experience, training and links to local employers (p.7). Elsewhere though it is suggested that ‘the Australian government proposes to further increase the focus on employer demand and placement directly into jobs’ (p.7). It is likely that employer demand may not be hugely flexible, especially in specialized regional labour markets that focus on a small number of industries, and so there may be a mismatch between supply and demand. While brokers will be paid to achieve employment outcomes for Indigenous Australians, as noted earlier without longitudinal post-program monitoring it will be difficult to assess if such outcomes are sustainable. Given that most Indigenous workers have less labour market experience than other workers, they will be particularly vulnerable when there is a macroeconomic downturn. There is a danger that CDEP participants will move to training then employment and then back onto Centrelink support in situations where CDEP organizations disappear.
3. *What would be the key transition issues for CDEP service providers in the locations where enhanced STEP would be offered?* The key issues for CDEP service providers are that in many situations they will disappear irrespective of their historical performance. In some situations, CDEP organizations may continue alongside enhanced STEP providers (or become organizations with two arms, objectives and outcomes orientations). This will make administration and performance evaluation complex and costly, while also ignoring the movement of participants between urban and major regional centres (where enhanced STEP will be introduced) and the hinterland (where CDEP participation will continue).
4. *What issues would need to be addressed when managing the impact on employers in the locations where enhanced STEP would be offered?* The key issue for employers might be that established relations embedded in host agreements with CDEP organizations will now be replaced by the need to negotiate with DEWR and STEP brokers as well as with Job Networks members (JNMs). Paradoxically, such brokerage services may end up being more complex for employers than the one-stop-shop CDEP organization. Administrative complexity might operate as a disincentive for mainstream employers to engage Indigenous staff. Subsidies provided under host agreements with CDEP organizations could be multi-year, whereas subsidies under the Wage Assistance program will be limited to 12 months. This too may prove a disincentive to employ Indigenous staff with low labour productivity.

We believe there are important opportunities to enhance Indigenous participation in mainstream labour markets in urban and major regional centres that combine enhanced training and wage subsidies. However, it is our view that some best-practice CDEP organizations already perform admirably in facilitating the exiting of CDEP participants to mainstream jobs, suggesting that there is no fundamental problem with the existing model.

This can be demonstrated with reference to the Bungala Aboriginal Corporation located in Port Augusta that has been reviewed on site by CAEPR researchers in 2000 and again in 2004 and whose performance we have monitored regularly since then.

Bungala undertakes many activities outlined in their latest 2005–06 annual report that we recommend to DEWR for careful consideration. This organization placed 136 participants into jobs in 2005–06 and provided a further 174 participants with structured training as a Registered Training Organization (RTO). But equally importantly, Bungala undertook many community development activities that addressed the severe disadvantage of Indigenous people in the Port Augusta region and that have facilitated their social inclusion. It is our understanding that many of Bungala’s businesses will be forced to close under the new proposals including an accredited childcare centre, and art and crafts manufacturing enterprise, an arts and crafts retail outlet and a commercial kitchen that are not all commercially viable, but that do provide participants with access to training and work experience. While we recognize that DEWR is employment focused (even though the Discussion Paper refers to ‘economic opportunity’ not just employment), we believe that such community development activities have crucial links to employment outcomes. Furthermore, many of Bungala’s activities generate multiplier benefits to Port Augusta and the region, especially in the tourism sector.

There are four standout issues that DEWR should consider in cases such this:

1. An organization like Bungala has taken many years to develop. It now has institutional capacity and sound governance and admirable performance in training, job placement, enterprise development and a host of social services. Should all this be jeopardized by Canberra-based program change ‘from the top’?
2. If the proposed abolition of Bungala as a CDEP organization and its replacement by enhanced STEP is unsuccessful, will this institutional capacity ever be re-established and if so, at what cost?
3. Should a successful organization like Bungala that has demonstrated a high level of accountability to funders and members alike be defunded as a CDEP organization? What sort of signal does this send to other successful Indigenous organizations throughout Australia?
4. Bungala has placed well over 100 CDEP participants in mainstream employment in each of the last two financial years. It has done this in part by collaborating as an Indigenous Employment Centre with a local Job Network provider. The new arrangements are likely to place Bungala (assuming it is successful in becoming an enhanced STEP broker) in direct competition with any local JNM, a situation that is unlikely to benefit Indigenous clients.

In our view, at least three options exist:

1. To introduce program discretion based on evaluation that sees enhanced support for performing CDEP organizations based on rigorous assessment of appropriate indicators.
2. To negotiate for the piloting of some enhanced STEP brokerage services and then independently evaluate their performance in comparison to existing CDEP organizations.
3. To unilaterally abolish CDEP organizations irrespective of performance and replace them with a mix of enhanced STEP brokers, JNMs and direct DEWR brokerage.

We submit that either of 1 or 2 or some combination of 1 and 2 are preferable to 3 that we consider an unhelpful proposition.

We end by making the following comment. We do not question the current robustness of many urban and regional labour markets, although clearly there are variations. We also note that the reclassification of CDEP participants from employed to initially unemployed when enhanced STEP is introduced is likely to not only demean these people, but also to raise local

unemployment rates. As this submission makes clear, we are far from convinced that the abolition of CDEP at such localities and the introduction of enhanced STEP will in itself ensure better employment outcomes. Indeed we see robust CDEP organizations as pivotal in providing the appropriate environment to facilitate training and exit to mainstream employment for Indigenous people who are job ready. We are concerned that with limited consultation DEWR is looking to unilaterally change the CDEP scheme. These changes are risky and could significantly damage organizations that have been developed over a long time.

Ultimately we raise questions about political and bureaucratic accountability: what recourse do urban CDEP organizations have if these reforms fail or result in outcomes that are inferior to the status quo? Whose interests and livelihoods are being placed at risk? Our brief case study reference to a successful CDEP organization that we know well, the Bungala Aboriginal Corporation in Port Augusta, indicates that there is a great deal at risk. For this reason we caution that these reforms should first be piloted on a voluntary basis to allow early evaluation and adaptive change if required.

Yours sincerely

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Dr Boyd Hunter

Dr Will Sanders

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