

Aboriginal Peak Organisations Northern Territory (APO NT)

Standing Committee on Indigenous Affairs

Inquiry into pathways and participation opportunities for Indigenous Australians in employment and Business

Thursday, 25 February 2021

Question on notice from Mr Warren Snowdon:

How can we stimulate the growth of small business? Please provide details of the social enterprise component of the Remote Development Scheme

11 March 2021

APO NT Response

There is a small section on Social Enterprise in the *Fair Work and Strong Communities* proposal:

Social Enterprise

The new scheme emphasises supporting place-based social enterprise organisations as the main drivers of the development of community economies. In order to achieve sustainability, jobs must be permanently incorporated into the economic fabric of communities. The establishment of viable local enterprises of various sizes will stimulate labour demand.

APO NT recognises the Government's efforts to support enterprise development through its \$25m indigenous Enterprise Fund. However, we believe that the fund's impact could be improved through widening the range of projects it assists, and including investment in business support. APO NT proposes that this

fund be redesigned to support social enterprise development – anything from micro-enterprises that might employ an individual or a small family, through to large enterprises that employ a large number of people – as well as sector capacity building initiatives.

In addition, any rules that might inhibit Remote Job Centres or others within the scheme from developing social enterprises – for example ‘related entity’ rules and restrictions on ‘activity generated income’ should be reviewed to maximise local income generation.

APO NT supports measures to ensure that in addition to new jobs being created in existing organisations, there are creative approaches to setting up new businesses or, as Mr Snowdon mentioned in the hearing, redefining what is classified as work. It is worth noting that any small business attempting to start up in a remote community would face a big problem in light of the capacity of the local economy to sustain them. As the Census data showed, remote communities are getting poorer. In order for local businesses to have a chance to be successful, there needs to be investment in job creation, and an increase in social security payments, so that there is more money circulating through local economies. A hairdresser or butcher or similar will not be successful in a community in which nobody has any disposable income.

This is also why it is so important to build the capacity of essential services in communities. There are people with a disability in the NT who have NDIS plans that give them access to funding support, but they can't use it because of lack of services. These services need to be strategically developed in remote communities. Providing a pool of wage subsidies as APO NT has outlined, could be used to develop and build the capacity of local workers to deliver services, which would ultimately become funded in an ongoing way through the NDIS.

Referring back to the questions from Mr Snowdon and Ms Claydon regarding “who defines a job”, the APO NT proposal is deliberately broad. It is up to local Aboriginal community controlled organisations to put forward proposals, and that could include cultural activity if decided by the community. This reflects the idea that the scheme is Indigenous led and local. Locals have substantial say in what is meaningful.

What is *not* a real job is something that you are made to do but aren't paid a wage for – that is, undertaking CDP activities.

NT JOB CREATION PROPOSAL: A REMOTE AREA JOB CREATION SCHEME FOR THE NORTHERN TERRITORY

Overview

APO NT proposes the establishment of a Northern Territory Remote Jobs Fund to provide employment opportunities for Aboriginal people across Northern Territory remote communities.

This proposal would:

- prevent further widening – and contribute to the closing - of the employment rate ‘gap’;
- provide meaningful employment opportunities for young people in the context of dramatic worsening of the youth labour market;
- reduce the economic impact of withdrawal of the COVID Job Seeker supplement and Job Keeper payment; and
- build resilience in remote Aboriginal communities through supporting local organisations and services.

Key features of the scheme:

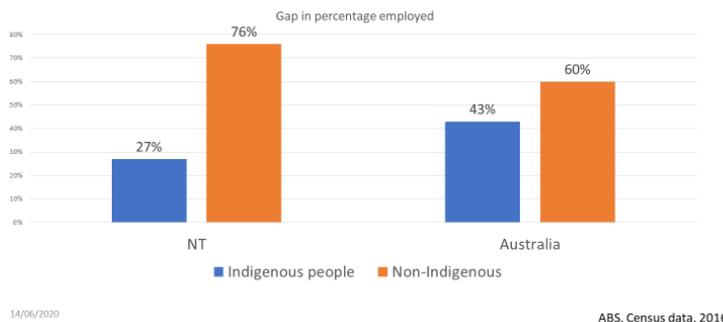
- a fund would be established to invest in job creating projects and services in remote NT communities, with a view to meeting agreed employment rate targets;
- Aboriginal Community Controlled organisations would be able to apply to establish new jobs to employ local unemployed community members;
- Job packages would be set at a rate equivalent to the minimum wage for 20 hours per week plus 30% to cover employment costs;
- Employers would have the option to ‘top up’ to make jobs full-time, to or pay higher wages from their own funds;
- 5,000 jobs should be established initially for up to 5 years, with the possibility of extending these for longer periods;
- Employment in jobs created through the scheme would be under ordinary working conditions and not preclude eligibility for income support (subject to the usual income tests).

Modelling commissioned by APO NT in 2018 in relation to a similar, national, scheme showed that its implementation would lead to an immediate, and substantial reduction in the gap in employment rates between Aboriginal and non-Aboriginal people in remote areas and a decline in household poverty rates across remote Australia. In the context of current policy settings, this initiative can be seen as offsetting the effect of any return to pre-COVID supplement poverty rates and providing a more positive way forward than a return to Work for the Dole for many CDP participants.

Employment rate targets should be negotiated at a community or regional level, with a process to monitor progress against them. There should be a commitment to meet targets through the proposed Remote Jobs Fund as well as through direct public sector employment and other measures, like investments in housing repairs and maintenance.

Background – pre-COVID

In the Northern Territory the ‘gap’ between employment rates of Aboriginal and non-Aboriginal people is higher than in any other jurisdiction. Between 2011 and 2016 this gap became wider, with the largest deterioration in remote areas. Joblessness has been the major driver of increasing poverty rates among NT Aboriginal households between 2011 and 2016¹.



While there are a range of issues that have an impact on the employment prospects of Aboriginal people in remote NT communities (including discrimination, health conditions and poor housing), it is clear that the **single most critical driver of unemployment in these communities is lack of available jobs**. As PM&C advised the Senate in 2016:

in the larger remote communities in the Northern Territory, if every job was taken up by the job seekers in that community the employment rate would still be only half of the national average. In Wadeye and Galiwinku, even if every current local job went to local Indigenous job seekers the employment rate would still be under 35%. ²

In 2018 the Government announced partial wage subsidies in an attempt to create 1000 new jobs for CDP participants. At 31st March 2020 only 17 had been created for CDP participants in the NT.³

Of particular concern to communities is the lack of employment for young people. Between 2011 and 2016 education participation amongst remote Indigenous youth increased, but employment rates declined. The proportion of young Indigenous people in remote areas not in employment, education or training (NEET) increased between 2011 and 2016⁴. Full-time work for the dole and

¹ Francis Markham & Nick Biddle (2018) Income, Poverty and Inequality: 2016 Census Paper 2, CAEPR, ANU.

² PM&C Submission to the Senate Finance and Public Administration Committee Inquiry into the Social Security Legislation Amendment (Community Development Program) Bill 2015 p3

³ NIAA answer to question on notice ref 0092. Senate Finance and Public Administration Committee. Additional Budget Estimates 2019-2020.

⁴ Venn (2018) Indigenous youth employment and the school to work transition, 2016 Census Paper 6, CAEPR, ANU.

penalty arrangements under the CDP scheme⁵ contributed to a major decline in participation of young people in employment assistance⁶.

The Commonwealth currently pays CDP providers \$12,000 to keep people in Work for the Dole. Income management costs another estimated \$6,000 per person per annum. This money goes to providers, while Aboriginal households get poorer.

COVID-19 impacts

Data on employment effects of COVID-19 on remote Indigenous communities are limited. However we know that:

- There was an increase in CDP caseload of 23% in May 2020 - albeit unevenly distributed across the country
- Indigenous workers are more likely to be casual employees, making them more vulnerable to losing their jobs, both now and when Job Keeper payments cease⁷
- Important sectors like art and tourism have been hard hit, reducing community income and jobs
- the youth labour market was poor prior to COVID-19 and is expected to be significantly worse, even after restrictions are lifted. This is particularly the case for young people without bachelors degrees – which includes most young people in remote communities⁸.

The COVID supplement provided welcome relief for many in extremely poor communities. The heavy reliance on income support in many remote communities means that the effect of withdrawal of the supplement will have a far greater effect on local economies than it will in most other parts of Australia. We are particularly concerned for young people who face bleak employment prospects, with significant risks of long term unemployment and poor mental health.

The COVID crisis has highlighted other community vulnerabilities. These include:

- Food security. Reliance on community stores has highlighted their high relative costs, and supply problems of essential goods.
- Housing. Overcrowding and poor quality housing mean that control of infection through distancing or basic hygiene measures would have been extremely difficult.
- Reliance on outside workers. Key services like youth support, disability services, health care and education were all impacted by community lockdowns, even though, with appropriate training and funding support, many local people could do much of this work.

At the same time we have seen the enormous capacity of the Aboriginal Community Controlled sector to lead policy and practical responses to local issues. Aboriginal leaders were quick to respond to evidence of a pandemic and advocated strongly for government action to close access. This rapid action prevented what might have been catastrophic infection and death rates in highly vulnerable

⁵ Now partially, but not wholly, reversed.

⁶ The under 25 caseload declined from 9,848 in 2015 to 7,372 in 2017.

⁷ Dinku in <https://caepr.cass.anu.edu.au/research/publications/indigenous-australians-and-covid-19-crisis-perspectives-public-policy>

⁸ <https://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>

communities. It has highlighted the capacity of Indigenous communities to lead policy responses to issues that affect them – and the rarity of opportunities for them to do so.

There is an opportunity for a positive jobs package to harness the strengths of Aboriginal Community Controlled Organisations, to build resilience of remote communities and to provide positive employment and earning opportunities for many, rather than a return to poverty and Work for the Dole.

Objectives of the NT Remote Jobs Fund

The proposed objectives of the fund are as follows:

- to increase employment rates and reduce poverty of Aboriginal people living in remote communities in the Northern Territory through creation of new jobs;
- to improve opportunities for local Aboriginal residents of remote NT communities to acquire skills and work experience needed to take up existing and emerging local job opportunities, particularly those designed to promote community resilience;
- to increase access to employment for those who are particularly vulnerable to long term unemployment, like young people and people with disabilities; and
- to support local Aboriginal Community Controlled Organisations to deliver projects and activities that address local economic, social and cultural objectives.

The principal mechanism for the fund to achieve these objectives would be by provision of employment packages to enable local Aboriginal Community Controlled organisations to employ additional people from their communities on projects which address community objectives.

Size and distribution of funds

In order to make a significant impact on employment and poverty rates across the NT and to create a real chance for remote community residents to get work, the number of jobs created must be substantial.

In 2018 APO NT asked NATSEM to model the impact of the creation of 10,500 part time jobs and 1,500 full time youth traineeships across remote areas that are currently included in the CDP scheme. NATSEM reported that, if these jobs were created:

- the employment rate across these regions would increase from 48.2% to 57.8%
- the poverty rate would fall by 2.6 percentage points (or 11.4%) from 22.7% to 20.1%, while it would halve for those directly employed in the scheme⁹.

At the time of this modelling around 40% of CDP participants were in the NT – implying about 4,800 job packages for the Northern Territory to achieve these effects. However the number of jobs created may need to increase to take account of the economic impact of COVID-19 and population change.

APONT proposes that:

⁹ Lisa Fowkes and Jinjing Li (2019), 'Designing a Remote Employment Program: Lessons from the past and a proposal for the future', *Journal of Australian Political Economy*, n82, pp.57-83.

- that the number of job packages be set at 30% of the sum of the number of activity tested income support recipients in remote areas of the NT plus the number of positions funded under the scheme at any given time;
- that this is calculated at 1 March each year;
- that job packages be released on a staged basis – with an intensive effort to maximise numbers available immediately following the end of the COVID supplement;
- a formula be established to determine the number of job packages made available through the scheme that would allow numbers to adjust to labour market conditions.

APO NT proposes that the distribution of job packages within the NT be determined by a formula that addresses:

- The need to focus job creation on areas with poorer employment rates;
- The need to encourage people to take up any new long term employment opportunities if they arise (e.g. new jobs associated with a mine opening)
- More jobs should be created in areas with higher numbers of younger people (under 25) to maximise their opportunities.

Target employment rates should be negotiated at the local or regional level, with this fund as one of a number of measures designed to meet these targets.

Which organisations can receive funds, and for what projects

In line with proposed scheme objectives, APO NT proposes that local Aboriginal Community Controlled Organisations be preferred applicants for job packages under this fund. Applications for shire councils, or from non-local Aboriginal organisations may be considered where necessary to meet the employment goals of the scheme.

In order to access the funds to create these new jobs, applicants would need to identify services, tasks and/or projects that would be performed. Funded employment must be connected with and contribute to delivery of social, economic, cultural or environmental outcomes identified at community level, where possible aligned to existing community plans.

Funds will be available for:

- single jobs – for example: to create a position for a local person to ‘shadow’ a role held by someone outside the community with a view to acquiring necessary skills; to convert an existing unpaid role into a paid position; or create new traineeships;
- project teams – for example: to establish a paid environmental health team; convert existing Work for the Dole projects to paid employment’ or create a pool of trainee disability workers;
- labour hire type arrangements – where employees are employed by an Aboriginal Community Controlled Organisation, but may be assigned to other employers.

Funds will be committed to specific services and/or projects for period of 1 to 5 years. Applicants may specify that they want to target specific groups of recruits – for example young people.

Conditions of employment and eligibility

Jobs created under the package will be open to any local unemployed person who normally lives in that community.

Selection processes will be determined by the local organisation, subject to any requirements that particular groups of applicants (eg young people) be targeted within a specific project.

Employees who hold jobs created under the scheme will be considered ordinary employees for all purposes including:

- Access to pay and conditions under the relevant award;
- Ordinary rights and obligations in relation to work performance and dismissal;
- Superannuation;
- Access to income support (eg part-payment of Job Seeker Payment).

Preliminary estimates are that, for most people currently in receipt of the COVID-19 supplement, this scheme would represent maintenance, or a small decline in weekly income from the current arrangements – but a substantial improvement on pre-COVID incomes.

Decision making process

Decisions will need to be made about which applications are funded within a specific area.

These decisions should be made by a panel of local Aboriginal community representatives, with administrative and secretariat support from by local NIAA staff.

For the purpose of these decisions, the NT should be divided into regions no larger than existing shires. APO NT proposes that, for this purpose, allocations be made to clusters of 2 – 3 CDP regions¹⁰. The final regional structure to be determined following consultation.

Costs

The proposed payment per job created is based on 20 hours per week at the minimum wage plus 30%. That is \$26,823 per annum per job – or \$134m per annum for 5,000 jobs. There would be substantial savings from income support payments, as well as potential increases in tax receipts. A very rough estimate puts possible savings at nearly \$40m. In addition, there would be savings from the existing CDP.

¹⁰ <https://www.niaa.gov.au/sites/default/files/files/cdp-regions-map-170919.pdf>