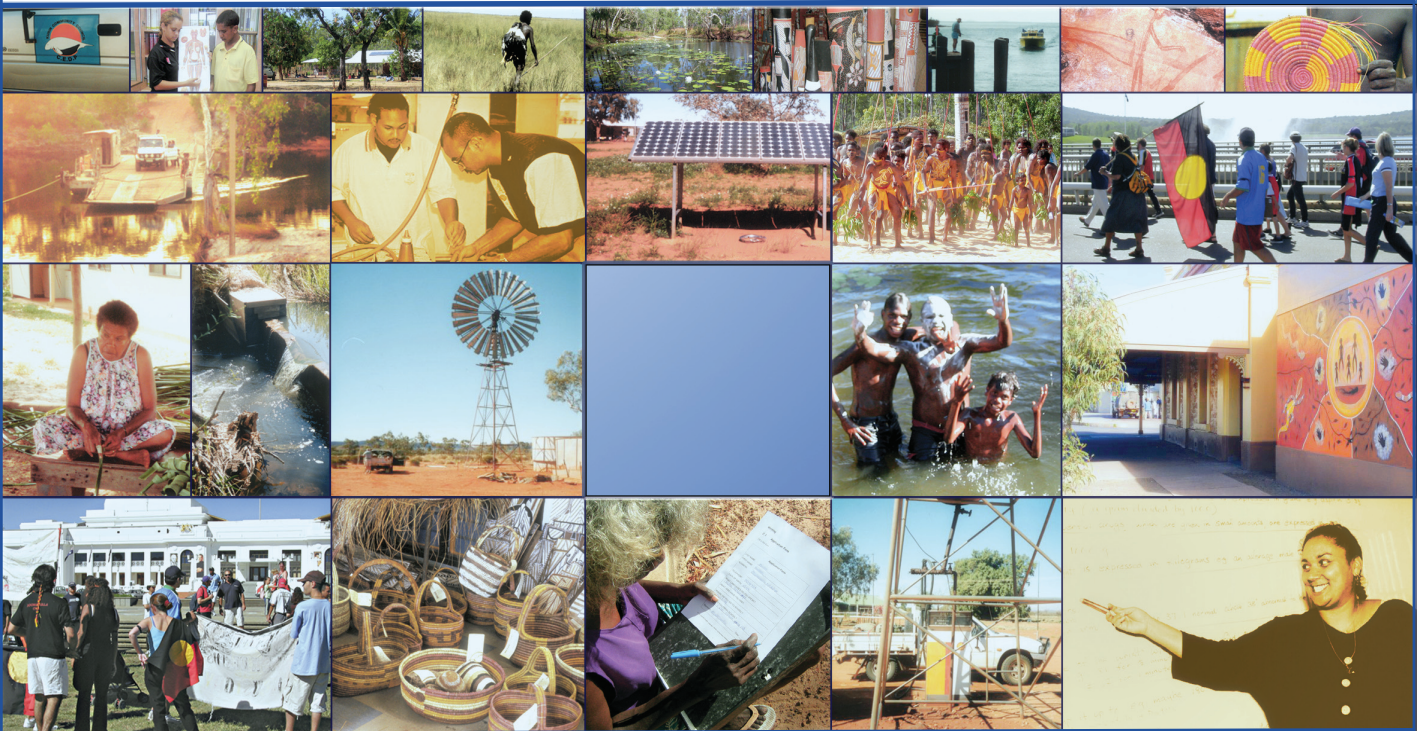


The untimely abolition of the Community Development Employment Program

Submission to Senate Community Affairs Committee Inquiry into the Family Assistance and Other
Legislation Amendment (2008 Budget and Other Measures) Bill 2008

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Re: Inquiry into the Family Assistance and Other Legislation Amendment (2008 Budget and Other Measures) Bill 2008

The attached comments prepared by Ms Kirrily Jordan and myself are a brief response to the Senate inquiry into the Family Assistance and Other Legislation Amendment (2008 Budget and Other Measures) Bill 2008, focusing on the proposed changes to the Social Security Act 1991 that would facilitate changes to the Community Development Employment Projects (CDEP) scheme.

I have recently made comment on the proposed changes to CDEP in my response to the Australian Government Discussion Paper *Increasing Indigenous Economic Opportunity* in both June and November 2008 and in submission to the Senate Finance and Public Administration Committee's brief inquiry into the National Building and Jobs Plan (see <http://www.aph.gov.au/senate/committee/fapa_ctte/stimulus_package/submissions/sub30.pdf>).

While the current inquiry focuses on the process of implementing the changes, I feel the serious potential consequences of abolishing CDEP as currently formulated in non-remote areas by July 2009 and remote areas by July 2011, and the government's lack of engagement with these issues to date, warrant a further submission.

Yours sincerely



Professor and Director
ARC Australian Professorial Fellow
20 April 2009

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1. The Community Development Employment Program, also referred to as the Community Development Employment Projects scheme, (hereafter CDEP) was introduced on a pilot basis in remote areas in 1977. It was developed as an alternative to welfare that ensured participants were actively engaged in community development projects. It expanded rapidly during the late 1980s, particular following the introduction of the Aboriginal Employment Development Policy (AEDP), and reached a peak of around 40,000 participants in 2004. By paying participants to undertake local community projects for 15 hours of work each week, it was designed to serve needs in employment creation, income support and community development.
2. During the 2007 federal election campaign the Australian Labor Party (ALP) committed to a reformed CDEP. Instead, in December 2008, just as the Australian economy was slipping into negative growth, the Minister for Indigenous Affairs Jenny Macklin outlined key elements of the Rudd Government's new Indigenous employment strategy that centred on significant changes to CDEP and reform of the Indigenous Employment Program (IEP). The proposed changes will see CDEP cease to operate in non-remote areas as of 1 July 2009. In remote areas existing CDEP participants will continue receiving CDEP wages until 30 June 2011, while new entrants to the scheme from 1 July 2009 will receive income support instead of CDEP wages (Macklin and O'Connor 2008).
3. Associated with the changes to CDEP will be a new 'jobs package' to create 2,000 non-subsidised jobs (with award wages and superannuation benefits) in government service delivery that were previously supported by CDEP, as well as 400 new traineeships in government-funded service delivery and 60 new Indigenous Ranger positions in remote areas (Commonwealth of Australia 2009a). CDEP 'on-the-job work experience' will also provide 3,000 placements in which salaries are paid by employers but wage subsidies are provided to employers by the federal government (Macklin and O'Connor 2008). Additional funding for Indigenous employment will be provided by the Council of Australian Governments (COAG). Under its National Partnership on Indigenous Economic Participation, COAG has committed funds to assist 'up to 13,000' Indigenous Australians into employment in the four years from 1 July 2009 (Commonwealth of Australia 2009b), including the creation of jobs with 'normalised employment conditions' from CDEP positions in government service delivery. While the 'roll-out' of these jobs is due to be completed by 1 July 2009, as yet we have seen no information on where these jobs will be located or what sort of work will be underwritten (COAG 2008).

CDEP:

Community
Development
Employment
Program

AEDP:

Aboriginal
Employment
Development
Policy

ALP:

Australian Labor
Party

COAG:

Council of
Australian
Governments

4. Exactly how these changes will affect the number of Indigenous people in paid work is difficult to tell. The latest data put the number of CDEP participants nationally at around 17,000 people (VanDenBrink pers. comm.). We are skeptical about the accuracy of this number—it is unclear, for example, if it includes the Torres Strait and certainly seems low given that to date it is only CDEP in urban centres that has been abolished. We do not yet know how many CDEP positions will be transformed into non-subsidised jobs under the COAG agreement. However, while governments may be able to increase the opportunities for 'mainstream' work in remote areas, it is difficult to see how enough jobs could be generated in limited and remote markets to engage the majority of Indigenous working-age residents in non-subsidised jobs. Rather than the stated aim of shifting CDEP participants into so-called 'real jobs', the likely result is shifting people out of active work through the CDEP scheme and onto long-term income support.
5. There is already some evidence that this is occurring. A recent Senate Standing Committee on Education, Employment and Workplace Relations Additional Estimates 2008–09 question on notice indicated that 1,679 former participants in abolished urban and regional CDEP projects had been placed in employment and 1,100 were receiving Newstart Allowance: suggesting that just over 40 per cent were moving from CDEP to income support in areas where there were robust labour markets (information provided by the Office of Senator R Siewart, DEEWR Question No. EW1012_09). It is likely that even with additional public sector job opportunities a greater proportion would be moved from active CDEP employment to passive welfare support in remote and very remote Australia.
6. The removal of subsidised CDEP labour is also likely to see the collapse of many successful Indigenous enterprises in remote areas including Indigenous ranger programs, arts and tourism ventures, community stores and community service providers, with these enterprises lacking the capacity to transform CDEP positions into non-subsidised jobs at award wages. We made this point in a submission and evidence to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs in their inquiry on community stores in remote Aboriginal and Torres Strait Islander communities (Altman and Jordan 2009).
7. There are some arguments highlighting shortcomings in the CDEP scheme. Our colleague Boyd Hunter (2002, 2009b) provides data that indicate that while many CDEP workers were happy to work part-time, Indigenous workers in CDEP positions were twice as likely as other Indigenous workers to be underemployed (i.e. working fewer hours than they would like).
8. There are other arguments against CDEP that are of more dubious value. For example, there is evidence of cost-shifting onto CDEP with local, State/Territory and Federal government agencies using CDEP labour instead of properly funding service provision on an equitable needs basis (Altman, Gray and Levitus 2005). However, this is a wider problem of governance and accountability rather than of the CDEP. It is almost as if governmental guilt for historic neglect is looking to shift blame for neglect onto CDEP and thus justifying the abolition of the program despite its considerable success.
9. CDEP has proven very popular in many Indigenous communities. Many CDEP organisations have a proven track-record of administering successful CDEP schemes, with official statistics showing that CDEP has provided increased income and hours of work for participants and has also allowed participants to supplement their livelihoods by engaging in non-market activities like wildlife harvesting (these statistics are documented in Altman, Gray and Levitus 2005). Successful CDEP schemes have allowed flexibility that is consistent with Indigenous participation in economic and cultural activities and have generated benefits in both individual and community wellbeing. They have also facilitated community control of development projects and underwritten many Indigenous enterprises that would not be profitable without access to CDEP. While there have been some

legitimate concerns with particular CDEP schemes, the appropriate response is for reform based on the existing evidence of best practice among CDEP organisations with proven track-records of success.

10. Importantly, while the advantages of CDEP make its abolition at any time inconsistent with the government's stated aims of increasing Indigenous employment, the proposed changes to CDEP may be particularly damaging at this time. There is a growing body of research that suggests that during economic downturns the most disadvantaged groups, including Indigenous Australians, are worst effected in terms of job losses and falling incomes (see Fisk 1985; Gregory 1991; Hunter 2009a). Previous research has suggested that Indigenous employment under the CDEP scheme may have protected Indigenous workers from job losses during the recession of the early 1990s (Altman and Daly 1992: 45). With the federal government recently admitting that the national unemployment rate will exceed its earlier prediction of seven per cent by June 2010, and the International Monetary Fund warning that the current global recession is likely to be 'unusually long and severe' (in Landers 2009), the termination of Indigenous people's employment under the CDEP scheme is likely to compound an already worsening employment outlook for Indigenous Australians.
11. In his National Apology speech to the Stolen Generations on 13 February 2008, Prime Minister Kevin Rudd outlined in broad terms a commitment to concrete targets for 'closing the gap' between Indigenous and non-Indigenous Australians, including halving the gap in employment rates within a decade (Rudd 2008). According to the government, this means 100,000 more Indigenous people will need to 'find and keep jobs' over the period (Macklin and O'Connor 2008). The combination of the current economic downturn and the proposed changes to CDEP are likely to widen, not close, the significant employment gap.
12. The proposed amendments to the *Social Security Act* that are the subject of this Committee's inquiry look to differentiate two categories of CDEP participants: those who began before 1 July 2009 and those that began after. The former will be categorized as employed, can earn 'top up' extra income without being subject to the standard social security taper, can work extra hours, and will be accountable to CDEP organisations for the next two years. The latter will receive income support, will be categorized (one assumes) as unemployed, will not be able to earn extra income, and will be accountable to Centrelink, not community-controlled organisations.
13. These new arrangements will create two categories of CDEP participants and administrative difficulties for organisations, who will not only need to differentiate between types of participants but that will also be required to explain the irrationality of government policy to their constituents. If the government was in a position to provide properly paid work to CDEP participants, then there should be no new entrants after 1 July 2009. And if those who are now 'grandfathered' for two years with existing arrangements prosper under CDEP (earning extra income for working extra hours) then it is unclear why their positions should be abolished from 1 July 2011. This cumbersome process will undermine incentives for individuals to perform and for organisations to invest in new businesses, knowing that CDEP wage subsidies will cease in two years.
14. In our view the decision to effectively abolish the CDEP status quo should be quickly reversed before it is too late. It is far easier to complicate and abolish programs than to devise new ones that have similar levels of success. CDEP was, and remains, an innovative program that facilitates community controlled economic and social development. Its existence since 1977 demonstrates its sustainability and statistics attest to its success. The current proposal to bifurcate the program will create enormous administrative complexity that could well undermine the effective operations of CDEP organisations. In our view this policy change is not only unjustified but will also result in inefficiencies that could render the 'grandfathered' portion of the program as ineffective as its 'new' component.

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