

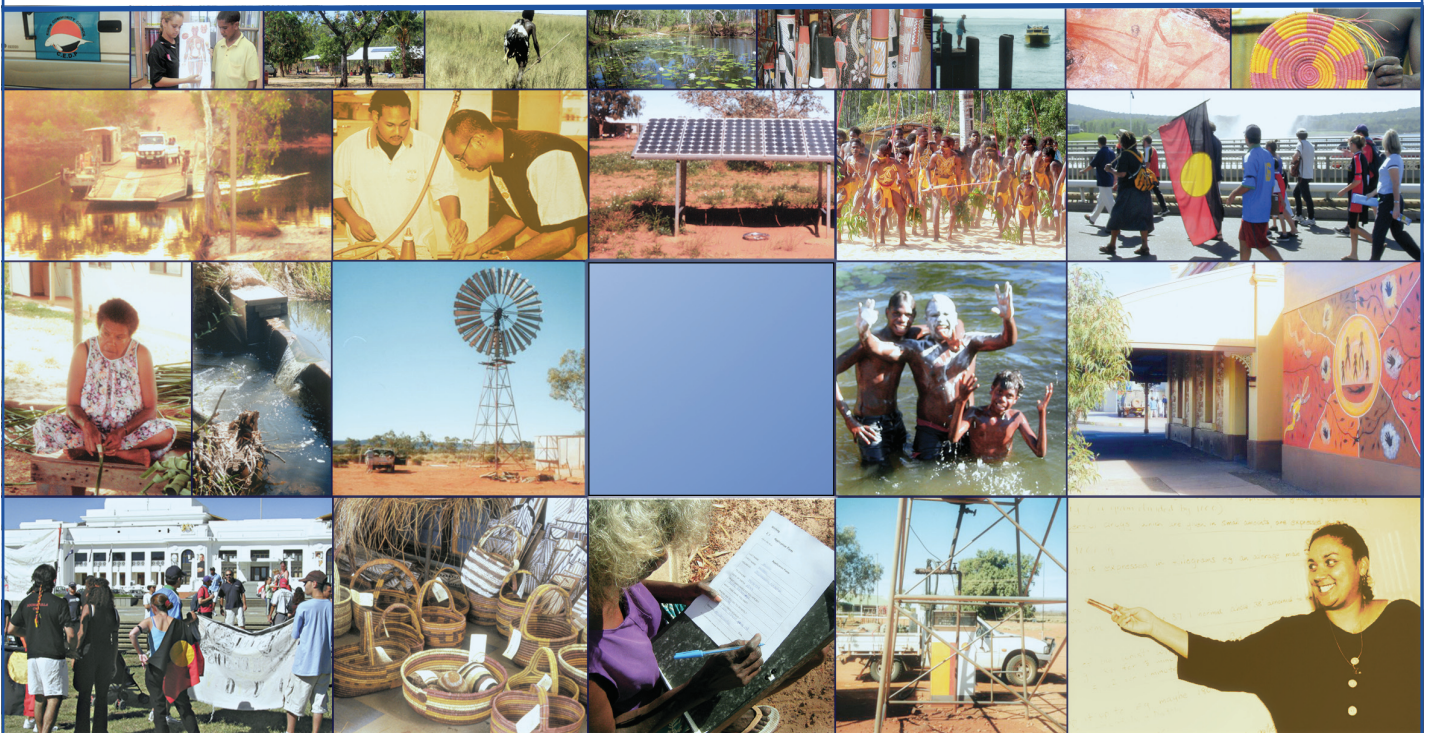
# CENTRE FOR ABORIGINAL ECONOMIC POLICY RESEARCH



## Submission to 'Increasing Indigenous Economic Opportunity – A discussion paper on the future of the CDEP and Indigenous Employment Programs'

J.C. Altman

CAEPR Topical Issue No. 14/2008



ANU COLLEGE OF ARTS & SOCIAL SCIENCES



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The Hon. Julia Gillard MP  
The Hon. Jenny Macklin MP  
The Hon. Brendan O'Connor MP

Dear Ministers

It is difficult to know how to productively engage with *Increasing Indigenous Economic Opportunity: A Discussion paper on the future of the CDEP and Indigenous Employment Programs*, released under your joint signatures in May 2008.

The Australian government paper has many similarities to the NT government's CDEP Discussion Paper released in March 2008. Part of my response to your paper is to attach a response by Dr Will Sanders and myself to the NT government (*Revitalising the Community Development Employment Program in the Northern Territory*, dated 10 April 2008).

The Rudd government has repeatedly claimed that it is only interested in evidence-based policy making. The attachment to this submission provides statistical evidence about what is good about CDEP, what are the evident problems, the first order problems to address, and some proposed solutions (with numerous references to completed research). It should assist your CDEP policy reform process.

I find your Discussion Paper puzzling on a number of key grounds on which I will comment.

First, at para 89, Chapter Thirteen of the ALP's National Platform and Constitution 2007 (that outlines Labor's long-term principles) it is noted that 'Labor will review the policy and funding guidelines of CDEP to meet the social and economic development agendas of Indigenous communities in remote areas'. I understand that the May 2008 Discussion Paper marks the beginning of that review process, but it is really at loggerheads with the Platform commitment. In particular, the Discussion Paper seeks to redefine CDEP in accord with the Howard government's unilateral top-down approach as a labour market program (that is, economic only) rather than as an expression of self determination and community development (that is, the social agenda). It is also apparent that by articulating principles of reform and posing so-called 'hard questions' the Discussion Paper is setting the reform agenda rather than responding to the priorities and aspirations of Indigenous communities in remote areas.

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Second, the Discussion Paper borrows (without attribution) from the NT government's discussion paper a tripartite framework that differentiates established, emerging and limited economies. It also makes reference to differences between remote and urban Australia. The Howard government abolished CDEP in urban Australia effective 1 July 2007. So presumably the framework applies to remote Australia only. In my view this abstract (or theoretical) notion of various economies is deeply flawed because it fails to recognise that in all concrete community or regional contexts in remote Australia these three types co-exist, and Indigenous labour regularly shifts between them. Given that the Rudd government's stated goal is to base policy reform on evidence, in my view it is incumbent on the Australian government to empirically quantify this new typology in relation to the actual location of CDEP organisations and participants. This typology also overlooks other possible types of economy/labour market like 'declining' or 'steady state' or 'rapid growth' that could be included in the mix.

Third, given the above-mentioned goal of the Rudd government to base policy reform on evidence, the Discussion Paper is extremely disappointing in its refusal to use so much that has been written about CDEP in the last 30 years, including many papers that use official statistics or community-based case study material. What is especially concerning is that the little evidence that is provided in the Discussion Paper is wrong. It is stated on p.4 that:

'CDEP participants typically work 15–16 hours a week and are paid a wage at rates similar to the Government's Newstart Allowance. There are flexible arrangements that allow some people to top up their wages if others work fewer hours and work less'.

This one statement contains a number of fallacies. CDEP participants typically work more than 16 hours per week. The following table from *CAEPR Discussion Paper No. 271* (2005) uses ABS National Aboriginal and Torres Strait Islander Social Survey statistics to clearly demonstrate that only a small proportion of participants work less than 16 hours per week:

Usual work hours	Non-remote	Remote	Very remote
1–15	36.4	15.6	10.4
16–24	31.9	53.3	61.4
25–34	12.8	10.8	9.6
35+	18.9	20.3	18.0
Population (no.)	9,200	3,900	21,100

Note: (a) Table population is Indigenous persons aged 15–64 years.

Source: NATSISS (2002).

And CDEP wages top up is not contingent on others working fewer hours. In most situations, the additional income earned by participants is generated by the additional work opportunities created by CDEP organisations engaging in economic enterprises or service delivery contracts.

While the issue of CDEP reform has inevitably become entangled with the issue of income management (this being the main motivation for its proposed abolition in the Northern Territory by the Howard administration from 21 July 2007), it is crucially important to recognise the additional income generated for participants by CDEP. Again, the following table from *CAEPR Discussion Paper No. 271* uses ABS National Aboriginal and Torres Strait Islander Social Survey statistics to clearly demonstrate this:

**Table 8. Average gross personal weekly income (\$), by labour force status and region,<sup>a</sup> 2002**

	Major cities	Inner regional	Outer regional	Remote	Very remote
Employed					
CDEP	291	279	275	271	276
Mainstream	640	498	576	587	581
Unemployed	161	166	168	168	167
Not in the labour force	214	219	220	190	213
Total	405	319	359	283	344

Note: (a) Table population is Indigenous CDEP participants aged 15–64 years.

Source: NATSISS (2002).

There are 21,100 CDEP participants in very remote Australia. The figures in this table indicate that on average these participants earn \$5,668 per annum more than the unemployed; or nearly \$120 million extra per annum. This sum makes a significant contribution to closing 'the income gap' between Indigenous and other Australians and should not be erroneously dismissed.

Fourth, the presentation of erroneous evidence undermines some of the theoretical suggestions made in the Discussion Paper. For example, there is no evidence provided that CDEP wages create disincentives for people to study, train or work outside of CDEP (p. 5): indeed, in many situations CDEP participants do study and receive training, if available, and work inside and outside CDEP. If there are work ethic issues in remote Indigenous communities as suggested (p. 5), there is no evidence that this is linked to CDEP. Until evidence is provided to support such statements key elements of the Discussion Paper could be dismissed as ideological myth making.

Fifth, the Discussion Paper seems to be based on a pre-determined view that participants should move off CDEP, an option that is currently available to participants. But it is far from clear where participants should move except to work outside CDEP, either at home communities or elsewhere. The problem with the former option is that the very existence of CDEP is due to the absence of such employment opportunities in home communities. The problem with the latter option is that it is predicated on an unlikely migration for employment elsewhere that if undertaken could see the collapse of home communities. Whether emptying the Indigenous estate of people is in the national interest can be debated, but in my view it cannot be justified on strategic, environmental or social justice grounds. The imagined evolutionary pathway to the mainstream may not be an aspiration shared by CDEP participants. And even in situations where participants articulate an aspiration for mainstream public or private sector employment, it is imperative that this process is undertaken in a competitive manner that reflects participants' labour productivity, otherwise Indigenous communities will receive second-rate services and industry second-rate labour. As noted in the submission to the NT government, the labour supply side is as important as the labour demand side.

Ideally, there are many reforms of CDEP that could be implemented, but none are cost neutral. I make just three here, all that accord with the ALP's National Platform (and additional to those in the attachment).

**Recommendation 1:** The ALP, at paras 91 and 92 of its National Platform and Constitution 2007, 'affirms the importance of economic development in increasing self reliance and furthering the aim of self determination' and 'believes that governments must act as enablers of business development and job creation in remote communities'. A key aspect of CDEP at its establishment in 1977 was its aim to empower communities by providing them a lump sum equivalent to unemployment benefit entitlements plus administrative and capital support. While this element of the scheme was incrementally whittled away by the Howard government, especially after the abolition of ATSIC in 2004, it remains a fundamental element of the program's innovation that needs to be retained and enhanced. In my view, successful CDEP organisations should be better resourced

so as to 'build on success' rather than be penalised. The principle of incentives applied to individuals in the Discussion Paper should be applied to organisations.

**Recommendation 2:** Para 85 of the ALP's National Platform 2007 states that, 'Labor asserts the rights of Indigenous workers to fair and equal recognition and remuneration for their work.' Paradoxically, since 1977 the Australian government has been quite comfortable defining CDEP participants as employed in official statistical collections, but has been loath to provide funding so that CDEP employed can be treated as other employed in the provision of superannuation, long service and recreation leave in CDEP employment conditions. This is an ambiguity that may have suited governments and Indigenous people in the past, but if there is a current concern about workers' rights then this problem can be readily resolved with enhanced resourcing per participant.

**Recommendation 3:** Also at para 85 of the ALP's National Platform 2007 it is stated that, 'Labor believes that CDEP should not be used to subsidise employment that would otherwise be funded by government'. At one level I am sympathetic to this view and given the Australian government has developed elaborate mechanisms to sequester the incomes of thousands of individuals in the Northern Territory, it should be relatively straightforward to sequester the program expenditures of tens of Commonwealth and State/Territory agencies to ensure no cost shifting. All too often such cost shifting has been blamed on CDEP rather than responsible governments and agencies. However, the para 85 Labor commitment is contingent on the provision of equitable needs-based support to Indigenous people. Until this task is undertaken, CDEP organisations and participants' labour will be essential to improve services and infrastructure in remote communities. My recommendation is to realistically consider the interdependencies of mainstream agencies and CDEP organisations in delivering municipal and other services to Indigenous people.

I conclude by making the following two broad observations.

First, the CDEP has been regularly reviewed over many years by the Australian National Audit Office, the Commonwealth Grants Commission, Office of Evaluation and Audit, commissioned consultants and independently (e.g. by Ian Spicer). It has invariably been assessed as a very positive program that can nonetheless be improved. In recent years and especially between 2005 and 2007 it has been increasingly scrutinised by the Department of Employment and Workplace Relations and found to be deficient as a labour market program—which it has never solely been. While the Rudd government is committed to review CDEP yet again, this process has been largely driven by the unilateral abolition of the program in the Northern Territory in July 2007. In my view CDEP is experiencing review overload and while the enthusiasm of a new government to review and improve is admirable, this is creating a high degree of uncertainty for what are at times multi-million dollar enterprises with commercial and social obligations to their members. Consideration should be given to fully reinstate CDEP in the Northern Territory and to then undertake a collaborative review of about 190 CDEP organisations on a case-by-case, rather than program-wide, basis. The aim of such a review would be to enhance the efficacy of CDEP.

Second, the proposed notion of labour market differences is likely to be quite dynamic at a time of great economic uncertainty owing to climate change, fossil fuel shortage and inflationary pressure. During such a period of uncertainty it might be better to support what is working and recognise synergies with other Australian government initiatives (like Working on Country, carbon trading, arts development) rather than undertake a risky and destabilising review. As noted earlier it is also incumbent on the Australian government to provide evidence of what alternatives to CDEP might be available, especially for people living in the remotest and most circumscribed situations at outstations.

As a final thought, perhaps CDEP needs a cosmetic change of name because its links with welfare have been overemphasised in public discourse. It is a community and economic development program first and foremost that provides a block grant in situations that are remote, expensive, have been historically neglected, and lack strong market linkage. Principles of fiscal equalisation suggest that a significant regional fiscal subvention is appropriate in such circumstances and CDEP provides a vehicle to provide this.

I would be happy to elaborate on this short submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jon Altman', with a long, sweeping horizontal line underneath.

Professor Jon Altman  
10 June 2008

Attached: *Revitalising the Community Development Employment Program in the Northern Territory* by J.C. Altman and W.S. Sanders (CAEPR Topical Issue No.5/2008, available from  
<[http://www.anu.edu.au/caepr/Publications/topical/Altman\\_Sanders\\_CDEP.pdf](http://www.anu.edu.au/caepr/Publications/topical/Altman_Sanders_CDEP.pdf)>.