

# Aboriginal Peak Organisations Northern Territory (APO NT)

An alliance of the Central and Northern Land Councils and  
Aboriginal Medical Services Alliance Northern Territory

## FAIR WORK STRONG COMMUNITIES ALLIANCE

### 2019-2020 PRE-BUDGET SUBMISSION

1 February 2019

The Fair Work Strong Communities Alliance is a coalition of Indigenous and non-Indigenous organisations that has formed to promote an alternative to the Community Development Program which currently sits within the Indigenous Advancement Strategy budget, managed by the Department of the Prime Minister and Cabinet.

Around 30,000 people are currently participating in the CDP, over 80% of whom are Indigenous people. Currently, the centrepiece of the program is 25 hours of Work for the Dole, worked over five days in each week.

The Government has announced that from 1 March 2019 hours will reduce to 20 hours per week, but Work for the Dole will continue to be mandatory for most participants from commencement in the program. This will mean that participants in CDP will still have to 'Work for the Dole' up to 920 hours per year, while non-remote jobactive program participants can only be required to participate in a maximum of 650 hours of activities in each year after one full year of employment assistance. In practice, most jobactive participants opt for an alternative form of 'mutual obligation' – like part-time work or training – options that are not generally available to CDP participants. The Government has also promised 6,000 wage subsidies in CDP areas, but has unfairly and unnecessarily made the availability of this package conditional on a harsh new penalty system being introduced into CDP regions through the *Social Services Legislation Amendment (Community Development Program) Bill 2018*. If enacted this new system will lead to harsher penalties for many CDP participants. While promised reforms to hours of Work for the Dole are an improvement, the CDP remains a discriminatory scheme which does not meet the needs or aspirations of remote communities.

We are seeking a commitment to replace the current CDP with an Indigenous-led model that will provide people in remote communities with the opportunity to work and to gain skills – as detailed in the Fair Work and Strong Communities model outlined below.

## **Long term costs of the current approach**

According to the Australian National Audit Office (ANAO), \$423m was allocated to CDP in 2017-8.<sup>1</sup> The 2018-9 Budget Papers include an allocation of \$1.1b over four years for the CDP. These amounts do not include income support payments to individuals.

In 2017, the ANAO reported the estimated cost of the CDP as five times that of jobactive.

What data is available suggests that many of the employment outcomes claimed by the government under CDP relate to people who were likely to secure employment in any case. 36% of those for whom outcomes were claimed had been on income support for less than 6 months. Indigenous people are less likely to secure long term employment under CDP than non-Indigenous people.

Since the commencement of CDP, over half a million penalties have been applied to its participants – this is more than the penalties applied to any other group of job seekers. The Department of Human Services has reported that more than 50% of its investigations relate to participants in CDP.

Despite this there is little evidence that actual attendance rates in Work for the Dole are increasing. An evaluation has been conducted, but not released.

There is evidence that many young people are disengaging. The CDP caseload has dropped since the start of CDP. This is a major failure of the current scheme. It presents a long-term risk to the Commonwealth Budget because many in this group, having failed to gain work experience or skills when young, will find it much harder to find work later on.

The CDP is inconsistent with the *Racial Discrimination Act 1975* (Cth) and exposes the Commonwealth to the risk of litigation. It is in breach of the Commonwealth's international human rights obligations. Current practices in relation to policy development, management and evaluation of the scheme are in contravention of the Declaration on the Rights of Indigenous Peoples.

## **The Government's proposed CDP reforms**

As noted, the government's proposed reforms to CDP activity hours and scheduling, due to commence 1 March 2019 will reduce the harm done to CDP participants to some extent, but they will still require people to participate in up to 920 more hours of activities in the first year and 270 more hours of activities in each subsequent year and attend more frequently than their non-remote counterparts.

In 2018 the Government introduced the *Social Security Legislation Amendment (Community Development Program) Bill 2018* to the Parliament. The Bill would apply the Targeted Compliance Framework to CDP participants. Savings from the measure would be applied to offer 6,000 partial wage subsidies to employers who employ CDP participants. Minister

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<sup>1</sup> Australian National Audit Office (2017). The Design and Implementation of the Community Development Programme, 21. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Finance\\_and\\_Public\\_Administration/CDP/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/CDP/Report)

Scullion has recently confirmed that, despite widespread opposition to the Bill, the Government will continue to seek its passage.

The Targeted Compliance Framework is designed to apply the harshest penalties to those who are assessed as 'persistently non-compliant'. Since the start of the CDP the vast majority of those assessed as 'persistently non-compliant' across the social security system are Indigenous participants in the CDP, accounting for over 70% of all persistent non-compliance penalties, but comprising fewer than 4% of activity tested income support recipients. The Bill would remove any ability for penalties applied to be waived, including in cases of hardship.

While the Government has rightly identified lack of jobs as a key cause of unemployment across CDP regions, there is little evidence that the proposed wage subsidies will generate a net increase in jobs in those areas that have the greatest need. Take up of Indigenous wage subsidies in non-remote areas has been limited, and employers in very remote areas are less likely to be able to cover the 'gap' in employment costs. There is no provision for training, and a high risk that those who get work would have achieved it in any case. However, the cost, in terms of harsher penalties under the Targeted Compliance Framework (TCF) being applied to Indigenous job seekers, would be unacceptably high. The government's own economic modelling on the TCF demonstrates that the circumstances of Indigenous people in remote communities will not be improved. The modelling shows that if fully implemented, those in CDP will lose, on average, more than two weeks income support in the year. One of the most alarming aspects of the TCF is that penalties cannot be waived no matter how desperate a person's circumstances.

### **Proposal for a positive alternative**

We are seeking a long-term investment in creating jobs in Indigenous organisations, promoting positive economic development and long-term skills development in remote communities.

A future Government should fund the creation of new jobs with fair conditions and wages rather than making people 'Work for the Dole'.

In replacing the CDP, we ask the Government to commit to:

- a new program with governance arrangements that embed Indigenous control at every level – from the development of national policy to its application on the ground. This must include the ability for local communities to set goals and adapt program settings to local circumstances and the establishment of national governance arrangements that enshrine, in law, Indigenous leadership of the program at a national level;
- the establishment of at least 12,000 fully funded new jobs in remote communities to be wholly, or predominantly, created in Indigenous community organisations. These must attract relevant award pay and conditions, with access to funds for training;

- a move away from focus on measuring short term job placements to long term employment and development outcomes, applying a community led, strengths based approach;
- ensuring that any new remote program does not discriminate, either directly or indirectly, against Indigenous peoples.

In the interim, given that CDP is causing harm on a daily basis in remote communities, and leaving some people without money for food, we call on the government to:

- Reduce the number of annual activity hours imposed on CDP participants to a level that is no greater than that of participants in non-remote job programs;
- Allow any participation hours to be worked flexibly across the full range of mutual obligation activities ;
- withdraw the *Social Security Legislation Amendment (Community Development Program) Bill 2018*.

Details of the Fair Work Strong Communities proposal are set out in **Attachment A** and are also available at [www.fairworkstrongcommunities.org](http://www.fairworkstrongcommunities.org).

### **Cost of job creation proposal**

In 2018 the National Centre for Social and Economic Modelling (NATSEM) was contracted to calculate the wages cost (excluding on-costs) of the two job creation measures in the proposal, including offsetting reductions in income support.

The direct wage cost of the proposal is \$225.7m (excludes on-costs) – a net cost of \$128.1m once income support and other offsets are taken into account.

In addition to direct wage costs, it is proposed that funding be given to employers to cover the costs of employment and training (including superannuation, workers compensation etc), estimated at 30% of wage costs or an additional \$67.7m<sup>2</sup>. This is essential to ensuring that the new jobs are fair, and that, over the long term, people in them gain skills that enable them to move into unsubsidised job opportunities when these arise. All jobs under the scheme will be in Indigenous community based organisations or local government.

There will also be costs associated with the establishment of a new Indigenous-led entity to manage the scheme. This is necessary to bring about a shift from the current centrally controlled approach to one based on recognition and partnership. These costs should be substantially, if not wholly offset by abolition of PM&C's existing CDP management structure which has around 106 staff<sup>3</sup>.

Other program costs associated with the provision of employment assistance have not been calculated. The detailed proposal for a Remote Development and Employment Scheme

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<sup>2</sup> Based on 30% of wage costs, with 5% quarantined for training.

<sup>3</sup> Australian National Audit Office (2017). The Design and Implementation of the Community Development Programme, 42. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Finance\\_and\\_Public\\_Administration/CDP/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/CDP/Report)

anticipates significant savings from a shift away from the current transaction-based program to one based on net impact, and the movement of around 30% of the current caseload into paid employment.