Submission to Senate Finance and Public Administration Committee

The appropriateness and effectiveness of the objectives, design, implementation and evaluation of the Community Development Program (June 2017)

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and peak body for the community services and welfare sector. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities have the opportunities and resources they need to participate fully in social and economic life.

Summary

1. The Community Development Program (CDP) is failing to deliver positive outcomes for individuals or their communities and is leading to detrimental effects on people affected. The severe over-penalisation of CDP participants is causing harm and shows that the program is deeply flawed. CDP largely operates in areas where there is a serious lack of employment opportunities, but, unlike the Community Development Employment Program (CDEP), it does not provide waged work and therefore does not address the key reason for unemployment in these areas: a lack of jobs. In our view, CDP fails to recognise the unique circumstances of remote communities and is in urgent need of reform.
2. Reform of CDP should adopt the following principles:
    i. Reform must be led by Aboriginal and Torres Strait Islander people.
    ii. People living in remote areas must have the same social security rights as people living elsewhere. This includes statutory entitlements to social security payments administered by the Department of Human Services, and that, where discretion is required in decision-making on payments, this is exercised in a fair, consistent and transparent manner.
    iii. Mutual obligations in regard to social security payments must concern employment only and should be fair, appropriate and tailored to individual communities, and no more onerous than those applying to the general community.
    iv. Remote employment programs must include paid work under regular employment conditions in view of the limited job opportunities in these communities.
    v. Other employment services should be designed and administered, as far as possible, by communities themselves, to prepare people for paid employment and connect them with employers rather than 'activity' for its own sake.

3. The CDP is a good example of how *not* to develop programs for Aboriginal and Torres Strait Islander communities. CDP was not designed through active and respectful collaboration between the communities, government, business and civil society.
4. It is simplistic and misleading to attribute the high unemployment levels and related social problems in remote communities to the social security system. The underlying problems include the absence of a regular labour market, alongside a history of dispossession, paternalistic control and the entrenchment of low expectations for Aboriginal and Torres Strait Islander people.
5. The centrepiece of CDP - 25 hours a week of 'Work for the Dole' for 46 weeks per year paid at $11 an hour – is not a path towards the regular labour market. It is a dead-end of compulsory 'activity for activity's sake' that leaves communities impoverished.
6. There is a huge opportunity cost in devoting $270 million of public funds to a scheme that is unlikely to improve people's employment prospects and diverts the limited resources of local employment services to administration of social security compliance instead of helping people prepare or search for jobs.[4]
7. Employment service providers should not take on the functions of Centrelink in administering social security in communities, as the Government proposes. The result would be the worst of both worlds, with activity requirements and penalties still dictated from Canberra and local services forced to apply them.
8. We endorse the Aboriginal Peak Organisations Northern Territory (APONT)'s proposed replacement for CDP called 'Remote Development and Employment Scheme', which is a workable alternative that would empower local communities and generate jobs. It would also refocus employment services away from standardised activities and large-scale penalisation of people towards realistic pathways to employment that makes a real contribution to the well-being of communities.
9. Given the lack of a regular labour market in many of these areas, the expansion of temporary or ongoing paid employment is a vital part of the solution to high levels of unemployment. The former CDEP offered a form of paid employment through the pooling of social security payments. Unlike CDP, it paid proper wages and the work was more closely related to regular employment. The weaknesses of CDEP included displacement of funding for local services by CDEP jobs and that too few people transitioned from CDEP to open employment.
10. We support APONT's proposals for employment generation through a local investment fund, enterprise development, traineeships for young people, and

[4] A recent official evaluation of 'Work for the Dole' found that participation increased the probability of employment by just 2% (Social Research Centre (2015) *Evaluation of Work for the Dole 2014-15*, Australian National University). Similar results were found in official evaluations of work for benefits schemes in New Zealand and the United Kingdom (Department for Work and Pensions (2012) *Early impacts of Mandatory Work Activity*, London; Johri, R (2003) *Evidence to date on the working and effectiveness of ALMPs in New Zealand*, Ministry of Social Development, Wellington.

partnerships between communities, employers and Government. Importantly, people should keep the legal entitlements to social security that apply to the rest of the country and benefit from paid work opportunities controlled by communities at the same time.

11. The new program should be community-driven, with sufficient flexibility for local communities to alter the mix of jobs, services, requirements and supports to meet local needs.

12. For this reason it is desirable, as APONT proposes, that it be administered, monitored and evaluated at the national level by an independent body led by Aboriginal and Torres Strait Islander people with relevant expertise.

Responses to terms of reference

(a) the adequacy of the policy process that led to the design of the CDP

The CDP is a good example of how *not* to develop programs for Aboriginal and Torres Strait Islander communities. The program was announced with, as we understand it, very limited consultation with communities affected during the course of an existing five-year program, the Remote Jobs and Communities Program (RJCP). Many local community organisations were already funded under the RJCP, and they were required to radically redesign the services offered.

Its centrepiece – a universal activity requirement of 'full-time Work for the Dole' – was imposed unilaterally by Government without consultation and assessment of the evidence on what kinds of employment assistance might work in remote settings.

It is noteworthy that 'full-time Work for the Dole' was originally designed in 2006 as a punishment for unemployed people assessed by Job Network providers as 'work avoiders', and that employment service providers rarely used it as they did not find it an effective form of assistance for unemployed people.[5]

(b) the nature and underlying causes of joblessness in remote communities

Policy should distinguish between the immediate and underlying causes of high unemployment in remote Aboriginal and Torres Strait Islander communities.

Present policies, including the CDP and Income Management, assume that the main cause is large-scale withdrawal from the labour market due to the availability of social security payments or social harms associated with the availability of payments, a view that is

[5] For details see Department of Education, Employment and Workplace Relations (2010) *Welfare to Work evaluation*

summarised by the phrase 'welfare is poison'. Given this diagnosis, the proposed 'solutions' are to restrict access to cash (on the grounds that this might be spent on alcohol and gambling) and impose standardised activity requirements (well in excess of those imposed outside the communities) on people of working age receiving social security payments who have employment capacity (on the grounds that people would search harder for jobs).

There is no convincing evidence that this view is accurate. The only robust evaluation of compulsory Income Management concluded that it had no significant positive impact on the social outcomes the scheme was designed to achieve including alcohol consumption and the well-being of children.[6] The 'welfare is poison' mantra is simplistic and misleading.

A more credible case can be made that the underlying cause of high unemployment and associated social problems in remote Aboriginal and Torres Strait Islander communities is the absence of a regular labour market, alongside a history of dispossession, paternalistic control and the entrenchment of low expectations for Aboriginal and Torres Strait Islander people. As the submission from Ngaanyatjarra Council expresses very clearly, and numerous credible studies have found, these conditions weaken the social fabric of communities.[7]

These problems are more complex than simplistic theories of 'welfare dependency' suggest.[8] There is no lever that can be pulled in Canberra – such as withdrawal of income support or new activity requirements – to solve them. Solutions will only be found through active and respectful collaboration between the communities, government, business and civil society.

(c) the ability of the CDP to provide long-term solutions to joblessness, and to achieve social, economic and cultural outcomes that meet the needs and aspirations of remote Indigenous people

The CDP applies a harsher version of the mainstream unemployment payment and employment services system to remote communities. The program's main focus, which absorbs the bulk of its resources, is imposing and policing requirements for people receiving activity-tested payments to undertake 25 hours a week of 'activity' for 46 weeks per year. In principle, the 'activity' is employment-related, but in practice it is not possible to offer work-related activities on this scale in communities with limited employment opportunities, in remote locations where the provision of community services generally is challenging.

---

[6] Social Policy Research Centre (2014) *Evaluating New Income Management in the Northern Territory.*
[7] Ngaanyatjarra Council (2017) *Submission to Senate Finance and Public Administration Committee*; Wilson, W (1990) *The truly disadvantaged: The inner-city, the under-class, and public policy*, Chicago, University of Chicago Press; Sarra, C (2011) *Strong and Smart – Towards a Pedagogy for Emancipation: Education for First Peoples*, Routedge, London.
[8] Vinson A (2009) *Intergenerational disadvantage* Department of Education, Employment and Workplace Relations, Canberra.

The result is activity for its own sake. A large share of the resources of employment service providers is devoted to administering compliance with requirements that are impractical and unlikely, in most cases, to progress people towards paid work.

The longer the scheme remains in place, the more likely it is that it will work *against* transitions to paid employment. CDP undermines people securing waged work through a combination of lock-in effects (where unemployed people are too busy participating in a program to search and prepare for employment), exclusion from the social security system (especially among young people who are breached and exit the system, no longer have income, and must rely on family support), and a sense of hopelessness because the mandated activities do not improve people's lives. In addition, there is a large opportunity cost in devoting $270 million of public funds and considerable effort on the part of local communities and providers to a scheme that is unlikely to improve people's employment prospects.[9]

The Government argues on two grounds that the program is effective. First, it argues that participation in activities is much higher (67%) than the previous Remote Communities Employment Program (7%).[10] This is a service input, which should not be confused with a program outcome. Second, it points out that a total of 15,400 jobs (including 5,100 lasting for 6 months) were obtained by CDP program participants over the 2 years from July 2015 to April 2017.[11]

By itself, this evidence of CDP program outcomes is unconvincing. We could not find information on the share of individuals participating in the program who obtained employment, or, more importantly, the extent to which the program contributed to those outcomes.[12] It is possible, for example, that all of those individuals would have secured a job without the program.

(d) the impact of the CDP on the rights of participants and their communities, including the appropriateness of the payments and penalty systems

The vast majority of CDP participants are Aboriginal or Torres Strait Islander people in receipt of Newstart Allowance or Youth Allowance (Other). These payments are

[9] 'Work for benefit' schemes generally have significant 'lock in effects' and these would be greater in a scheme that requires 25 hours a week's 'activity' almost indefinitely. A recent official evaluation of 'Work for the Dole' found that participation increased the probability of employment by just 2% (Social Research Centre (2015) *Evaluation of Work for the Dole 2014-15*, Australian National University). Similar results were found in official evaluations of work for benefits schemes in New Zealand and the United Kingdom (Department for Work and Pensions (2012) *Early impacts of Mandatory Work Activity*, London; Johri, R (2003) *Evidence to date on the working and effectiveness of ALMPs in New Zealand*, Ministry of Social Development, Wellington).

[10] Senate Hansard (Finance and Public Administration Committee), Estimates hearing transcript 26 May 2017. As the submission from Lisa Fowkes points out, this is not a valid comparison as the method of collecting statistics on participation has changed (Submission from Fowkes, L).

[11] http://www.nigelscullion.com/media+hub/CDP+hits+major+milestone+for+remote+jobseekers

[12] The current CDP caseload is 32,900 but a much greater number would have passed through the program over a two year period. Senate Hansard (*op cit*). The majority of the jobs obtained by participants were casual jobs.

approximately between $110 and $160 per week below the poverty line,[13] and currently amount to $14,000 and $11,000 per annum, respectively.

Considering these low rates of payment, the extremely high number of financial penalties imposed on CDP participants is deeply concerning. In the three months to 31 December 2016, CDP participants were penalised at a rate 20 times higher than that of their counterparts in Jobactive.[14] Since CDP commenced in July 2015, 245,307 financial penalties have been imposed.[15] Most penalties imposed are No Show No Pay (NSNP) penalties, which are not back-paid, even if the person re-engages with their CDP program. A daily NSNP penalty for Newstart is around $50.[16] We are very concerned that the extreme rate of penalisation is placing people on very low incomes into destitution.

The extraordinary number of penalties is likely related to CDP's harsh requirements, which are much more onerous than those under the mainstream Work for the Dole (WfD) program. As indicated, participation in CDP is a condition of receipt of these working-age payments and this applies for 46 weeks of the year. WfD, however, applies after 12 months of unemployment for six months of the year. CDP participants must engage in at least 25 hours of activity per week (compared with 15-25 under WfD).

We believe that the current model of CDP is harming people and their communities. Any reasonable assessment of the severe over-penalisation of CDP participants, which has been a serious problem since the program's launch, would conclude that the program is deeply flawed and needs serious redesign. We argue below that the CDP be replaced by a new program that is co-designed with Aboriginal and Torres Strait Islander communities.

In addition to over-penalisation, ACOSS is seriously concerned about the proposal to give CDP providers power to administer social security payments and impose penalties. This would remove important legislated protections within our social security system, including oversight by the Department of Human Services. It would also reduce transparency and lead to inappropriate and possibly damaging outcomes for people reliant on social security.

Given that CDP, by definition, operates in small communities, privatising decision-making could see decisions about a participant's entitlement to social security being assessed by family, friends or other acquaintances. This raises serious questions around conflicts of interest and family obligations. Privatising decision making also threatens important safeguards in our social security system such as discretion to impose penalties, assessment of reasonable excuses when deciding if mutual obligation requirements have been met, and access to the independent appeals system. For example, domestic violence or health issues could be the reason for failure to meet mutual obligations, but it may be totally inappropriate

[13] ACOSS & SPRC (2016) *Poverty in Australia 2016* http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf p.28

[14] Calculated using figures from the Department of Employment (2017) *Job Seeker Compliance Data – December Quarter 2016* https://docs.employment.gov.au/system/files/doc/other/job_seeker_compliance_data_-_dec_qtr_2016.pdf

[15] Fowkes, L (2017) *Social security penalties applied to participants in the Community Development Programme: Update including data for quarter ending September 2016* p.1

[16] This exceeds the daily rate of the payment, which is just $38, because penalties are based on a 10 day fortnight rather than 14 days.

to disclose these reasons to the employment service provider if they are known to the person.

People who are locked out of paid work in remote communities should not be treated as second class citizens. We urge the Committee to recommend that people living in remote areas continue to receive the same legislated protections as everyone else and that the Department of Human Services continues to administer their payments.

(e) the funding of the CDP, including the use of unspent funds in the program

The Government has suggested that the impact of social security penalties on communities would be alleviated if payments were administered by local employment service providers, as was the case with CDEP.[17]

The best way to ensure that social security funds remain within communities is to reduce the number of penalties rather than penalising large numbers of people and transferring the proceeds back to local community organisations, who still face the substantial opportunity cost of managing a flawed compliance system.

An alternative way to convert social security payments into paid employment, which we advocate below, is to directly subsidise paid employment in the communities.

(f) the extent of consultation and engagement with Aboriginal and Torres Strait Islander communities in the design and implementation of the CDP, and the role for local decision making within the program

As indicated in (a), we understand that there was minimal consultation with affected communities. From the outset the CDP was a program designed and delivered from the very top of Government down to communities.

(g) alternative approaches to addressing joblessness and community development in remote Indigenous communities

Given the lack of a regular labour market in many of these localities, the expansion of temporary or ongoing paid employment is a vital part of the solution to high levels of unemployment.

In the past, the policy response to this problem was a combination of 'remote exemptions' from activity requirements for most people of working age in the communities and the

[17] Senator Scullion (2015) *Second Reading Speech Social security legislation amendment (community development program)* Senate Hansard 2 December 2015 http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansards%2F4338c56a-c77a-4a12-a868-652df075a3e9%2F0130%22

pooling of social security payments to create paid work through the CDEP for a minority. For participants and communities, the CDEP had many advantages over payment of social security payments without activity requirements. For many, it offered regular work that was properly paid (including through top-up pay) in projects of value to communities.

Paid work experience in regular employment can reduce poverty and, if well designed and targeted, can improve self-esteem and strengthen skills that participants can apply in the regular labour market.[18] Broadly speaking, the closer the connection with regular employment, the better the employment outcomes from paid work experience schemes.

The main weaknesses of CDEP included the inconsistent quality of the local schemes (and of the jobs on offer), a lack of progression in most cases to unsubsidised employment, and a lack of opportunity for those community members (especially young people) not included in the program. These are common challenges for paid work experience schemes.

The work experience provided under the CDP is very different, and in many ways inferior, to that provided by CDEP. The CDP program incorporates some of the weakest elements of CDEP activities with low productivity and often little connection to regular employment, together with the lock-in effect. It exacerbates those weaknesses by paying income support rather than a wage, and imposing work requirements almost universally within communities so that the quality of the work experience is greatly diminished and there is no sense of progression towards regular employment.

The scheme reinforces the view that Aboriginal and Torres Strait Islander people should not aspire to a career and accept instead a life of poverty and underpaid activity. The hourly rate of 'pay' for a single adult without children receiving Newstart Allowance under CDP is $11, compared with a minimum wage of $18.

The Government's Social Services Legislation Amendment (Community Development Program) Bill 2015 proposed to transfer responsibility for compliance to employment service providers and to maintain people's connection with the CDP even when engaged in fulltime paid employment. If passed, these changes would move remote Aboriginal and Torres Strait Islander communities a step further away from the world of regular employment, careers, and decent incomes. As we have argued, this would also further alienate people from the rights and responsibilities at the core of our social security system. The social security system should be adjusted so that it works for remote communities (as was attempted through CDEP) not replaced with a separate, inferior system in those communities.

While on the face of it handing responsibility for social security to employment service providers would place more control in the hands of local communities, there is no guarantee that providers will be community-based. They could, for example, be for-profit providers

[18] Department of Employment (2015) *The effectiveness of wage subsidies in Job Services Australia*; Bloom, D (2016) *Should the Government Subsidize Jobs for the Unemployed?* Manpower Development Research Corporation 'Issue Focus', New York; Bivand, P (2005) *Evaluation of StepUp*, Department for Work and Pensions, London; European Commission (2014) *Stimulating job demand: the design of effective hiring subsidies in Europe.* Brussels.

based outside communities. Even where local community organisations run the CDP, placing the administration of benefits in their hands under these conditions would not strengthen self-determination. Communities would face the worst of both worlds: their organisations would be given responsibilities to administer a flawed system that penalises people for not meeting unrealistic and inappropriate activity requirements, with little or no power to change how the system works, either nationally or locally.[19]

Building a system that strengthens paid employment in remote communities is challenging for reasons discussed above.

The elements of an effective alternative model are outlined in the proposed 'Remote Development and Employment Scheme' developed by APONT, which ACOSS endorses.[20] Those elements include:

- The program should be community-driven, with sufficient flexibility for local communities to alter the mix of jobs, services, requirements and supports to meet local needs.
- For this reason it is desirable that it be administered, monitored and evaluated at the national level by an independent body led by Aboriginal and Torres Strait Islander people with relevant expertise, rather than directly by a government department.
- Performance management systems for local organisations contracted to provide employment services should be adjusted so that they are fit for purpose (for example, with less emphasis on participation in activities and short-term outcomes).
- A strong employment generation component (with regular pay and conditions) is essential through subsidised jobs for unemployed people, enterprise development, and partnerships between communities, employers and Government (including employers located away from communities).
- Care should be taken to prevent the displacement of regular jobs in local community services by subsidised jobs in the new program (as was the case with many CDEP projects), and to prevent people from being 'locked-in' to those jobs.
- All local unemployed people should have reasonable opportunities for paid work experience in subsidised jobs. This implies a degree of 'turnover' in these positions, and a need to make it worthwhile for people to transition to the regular labour market. APONT proposes that subsidised jobs be offered on a part-time basis (20 hours a week) so that participants would still receive part-rate social security payments and be obliged to accept full time jobs if they become available.

[19] The Bill gives the Minister unprecedented powers to determine activity requirements attached to benefits in remote communities, and the Government has proposed hourly monitoring of participation in Work for the Dole activities.

[20] Aboriginal Peak Organisations Northern Territory (2017) *Developing strong and resilient remote communities: proposal for establishment of a Remote Development and Employment Scheme.*

- The full range of social security entitlements should be available, and Centrelink should be properly resourced to ensure that people are accurately assessed and benefits are paid in a timely manner.
- Local employment services, operated where possible by local community-based organisations, should offer individual needs assessment, job search assistance, and placement in subsidised jobs, traineeships, and other training and related support programs (including school to work transition programs).
- The role of local employment services in administering the compliance system should be minimised so that they can focus on their main task – growing jobs and assisting people to transition to regular paid employment.
- The program should help build capacity in employment services and employment generation in communities, including sharing best practice.
- There should be sufficient flexibility for communities to experiment with different approaches, within a framework where transparency (of inputs, expenditure and outcomes) is assured and the impact of different approaches is evaluated.

Compared with the CDP, such a program would shift the focus of local efforts and national policy away from managing compliance with activities, towards the achievement of employment outcomes for both individuals and communities. The current problems of widespread 'non-compliance' and imposition of penalties would quickly fade.