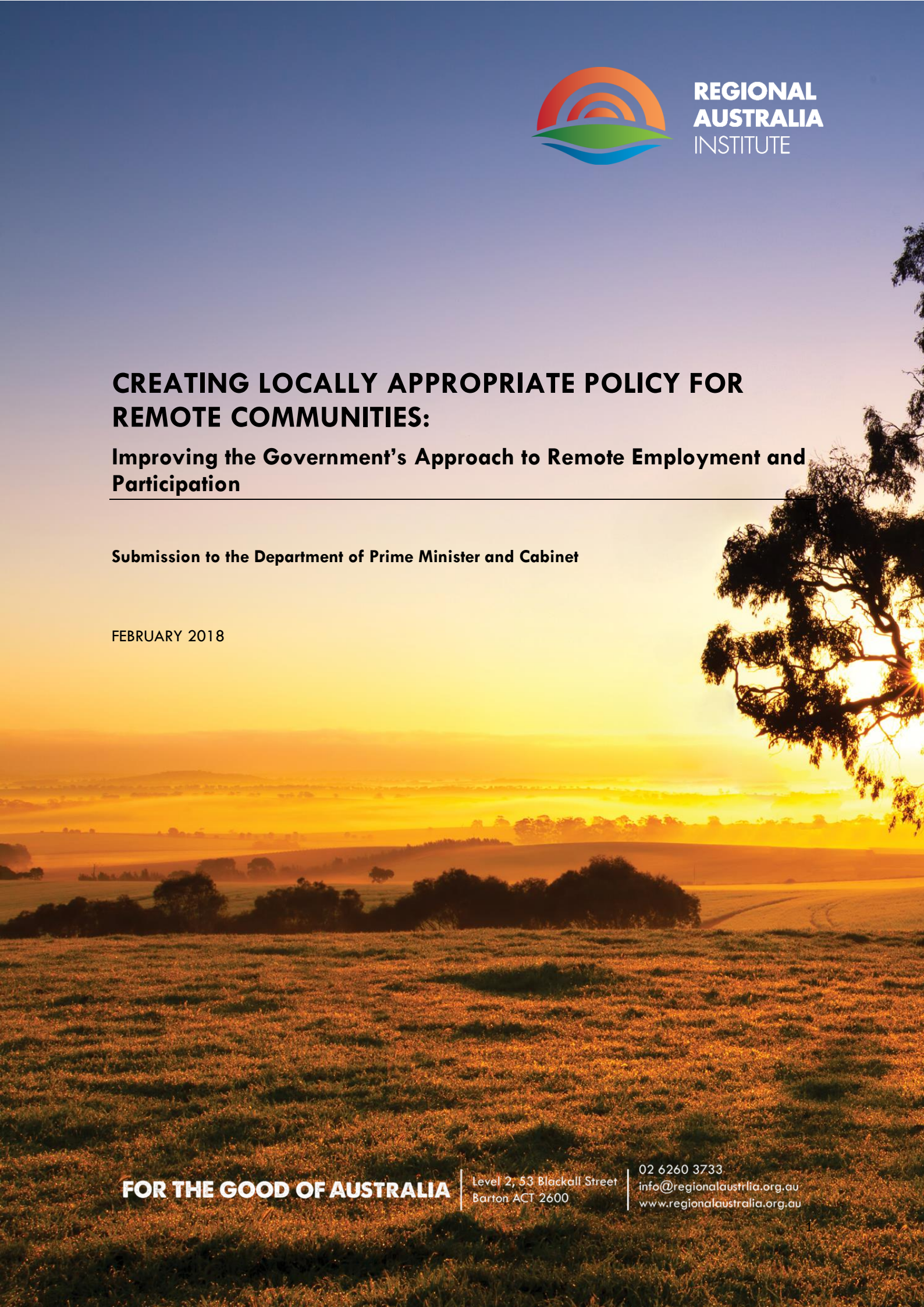


REGIONAL AUSTRALIA INSTITUTE

CREATING LOCALLY APPROPRIATE POLICY FOR REMOTE COMMUNITIES:

Improving the Government's Approach to Remote Employment and Participation

Submission to the Department of Prime Minister and Cabinet

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FOR THE GOOD OF AUSTRALIA
Level 2, 53 Blackall Street
Barton ACT 2600
02 6260 3733
info@regionalaustrlia.org.au
www.regionalaustralia.org.au

About the Regional Australia Institute

Independent and informed by both research and ongoing dialogue with the community, the Institute develops evidence-based policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians.

The Institute was specifically formed to help bridge the gap between knowledge, debate and decision-making for the potential and future pathways of regional Australia. It exists to ensure local, state and federal policy makers, researchers, business and members of the community have access to the information they need to make informed choices about the future of regional Australia.

Submission Contacts

Hayley Achurch – Senior Researcher

02 6260 3733

hayley.achurch@regionalaustralia.org.au

Executive summary

The Regional Australia Institute (the Institute) welcomes the opportunity to respond to the Department of Prime Minister and Cabinet's discussion paper: *Remote Employment and Participation* (Discussion Paper).

This discussion paper outlines three potential employment models for remote and very remote Australia which seek to grow the local labour market, provide more incentives to job seekers, give communities more control and greater decision-making, and improve the support available to job seekers so they can move from welfare to work.

Remote employment and participation approaches should recognise the diversity of remote labour markets, people and policy interactions which exist in remote communities. Place-based, flexible and adaptable measures which genuinely include local people in delivery are most appropriate to achieve this task.

This is because unemployment and employment opportunities are unequally distributed in remote and very remote communities. The nature of the isolated labour markets in these areas is different and disconnected from other parts of the country and should be treated so by government policy.

Currently, Prime Minister and Cabinet's three proposed employment models present little differentiation from each other and previous approaches. A policy that's design and delivery places greater attention on responding effectively to the local context of each remote community a policy that seeks to support and influence is likely to have greater impact than a centralised policy redesign.

The Institute proposes the following are further incorporated into the analysis of the policy challenge and final design of the policy response:

1. the nature of local labour markets,
2. creating flexible place-based policy to suit local contexts, and
3. providing genuine powers for local led delivery.

Remote labour markets should be treated differently

The Institute supports the Commonwealth Government's position in this discussion paper that metropolitan and remote and very remote labour markets should be treated differently. They operate very differently to labour markets in more populous and interconnected areas of Australia.

More important though is the great diversity amongst remote labour markets. The discussion paper only acknowledges this issue of remote labour market diversity in a general way. This is a fundamental limitation to development of effective policy for remote employment and participation.

Many remote and very remote areas are too small and isolated for viable labour markets to exist. Transition to complete mainstream employment in these contexts is not possible in the short term and government policy should not be built upon this expectation.

In cases where more viable markets exist, the Government's role should be a stewardship approach to develop the best possible local outcomes. This includes as a creator of demand for employment via services investment and supporting supply.

The Institute suggests that a detailed analysis of labour market diversity is conducted to support an analysis of the practical impacts this diversity has on policy design and the expected policy outcomes, before a homogenous, centralised policy structure is put in place.

Policies which are designed around the place they are set in are more likely to be successful, as they will reflect the uniqueness and diversity of the community they serve. **A more explicitly place-based policy which allows for diversity in labour markets, particularly thin markets is needed to achieve better outcomes in the future.** This requires monitoring employment opportunities in different communities and adjusting the rules and expectations underpinning the employment programs to these local conditions.

Local delivery

Remote labour markets are unique so communities should be afforded the flexibility to achieve agreed policy aims in a way which is practical and logical for the local context.

The Government's commitment to local delivery expressed in the discussion paper is important. However it is unclear how this aim will be practically be achieved in detailed policy design and delivery. In fact, the activities outlined in the discussion paper indicate a minimal level of local level powers to dictate how the policy unfolds.

The Institute suggests that the Government provide local communities with genuine power to govern in ways which reflect the needs of all people in that group and account for local labour market conditions.

Policy should represent the composition of the community it serves

The discussion paper asks whether subsidised jobs should be available to Indigenous or all job seekers in remote Australia (page 10) and the Institute agrees that it should be open to all remote community members who are facing this challenge. Effective place based approaches will take into account and respond to the particular needs or challenges that may be a factor in different communities throughout remote Australia.

Introduction

In 2016, Australia's unemployment rate was 5.7% which is below the average of 6.3% for OECD countries[i]. However unemployment is not equally distributed across Australia with some regional, remote and very remote areas experiencing considerably higher or lower rates of unemployment or underemployment.

There were over 307,000 people living in remote Australia and over 193,000 people living in very remote Australia in 2016. This population has increased since 2006 by 1.4% and 5.4% respectively[ii].

Work opportunities in remote and very remote areas differ greatly from those in metropolitan cities. The nature of local labour markets varies considerable depending on the availability and diversity of work and, the size and capacity of the local workforce. Consequently, policy approaches to interventions in remote and very remote labour markets should differ considerably from metropolitan areas.

However, policy approaches that treat regional and remote communities as one or two homogenous groups with a central policy control are unlikely to work[iii]. There is significant diversity between remote communities. For example, each community has a unique mix of people, labour markets and government actors supporting them. Remote policy and participation implementation needs to respond to the diverse experiences of those communities in a locally appropriate way.

An assessment of the proposed models

The Government has proposed three models to improve current remote employment and participation. These models include 1) a new Wage-Based Model 2) a CDP reform Bill 2015 (CDP2) and, 3) the current CDP model with improvements.

The Institute has assessed these models according to fundamental factors for remote delivery including their consideration of remote labour markets, creating place-based policy to suit local contexts and flexible policies which can be genuinely delivered by local people (Table 1).

The Institute assessed the Government's proposed models based on these core items and has scored the according to their current approach and consideration of them. The table below presents a summary of this assessment.

Table 1. Proposed new employment and participation models scored against three key areas for successful remote policy delivery

	Remote labour markets	Flexible and place-based	Local delivery	Features of the proposed model
New Wage-Based Model	★☆☆☆☆	★★☆☆☆	★☆☆☆☆	• Funding for Indigenous start-ups and expansions • No Show No Pay, daily activities with a cap on hours • Activities designed with communities and where possible on community priorities • Tailored activities and job assessments by local providers • Sits within national Income Support System and Job Seeker Compliance Framework • Phased roll out in a number of locations
CDP Reform Bill 2015 (CDP2)	★☆☆☆☆	★☆☆☆☆	★★☆☆☆	• Local control of payments • No Show No Pay, participation in activities • Tailored remote employment services • Sits within the national Income Support System and Job Seeker Compliance Framework • Phased roll out in a number of locations
Current CDP Model (with programme improvements)	★☆☆☆☆	★☆☆☆☆	★☆☆☆☆	• No Show No Pay with a cap on hours • Assessments are tailored and can be substitute for part-time work • Partly sits within and outside of national Income Support System and Job Seeker Compliance Framework • Phased roll out in a number of locations

Key: one star represents inadequate consideration; three stars represents some consideration; and five stars represents good consideration

When you consider these three factors which are important in designing good remote policy, the three new employment models have significant scope to improve. Each model's consideration of these three factors only varies slightly and the outcomes are not likely to be greatly varied. The decision between these proposals is much less significant compared to the need for a wider revision of the design and delivery of remote employment and participation programs to radically improve on policies of the past.

It is not clear whether the proposed models will deliver significant changes from what current policy is delivering in remote Australia. The Government needs to more clearly demonstrate how these models will substantially address remote employment and participation issues and to what extent this policy approach will deliver considerably different outcomes than its predecessors.

A new employment model should provide considerably more weight to the factors that matter most in designing remote policy, particularly it should account for the nature of remote labour markets, flexible place-based policy to suit local contexts and providing genuine powers for local delivery.

Remote labour markets should be treated differently

The biggest challenge for the new employment and participation policy is to effectively respond to diverse remote labour market conditions.

Overall there is a large employment gap in remote Australia which is unlikely to be filled. The estimated number of jobs which would need to be created to meet rates of unemployment are high. In 2009, it was estimated that 83,000 jobs would be need to be created in 10 years to meet unemployment demand. This is 2/3 greater than the actual growth in employment even while the economy was undergoing rapid growth[iv].

Remote areas also generally have thin labour markets. In an employment context, thin markets refer to situations with a low number of employers and/or a low number of potential employees. The market is more volatile and employment options are more limited. A longitudinal mobility survey of 21 remote Indigenous communities[v], sited that the most common reason Aboriginal and Torres Strait Islander people were not seeking work was because there were no jobs available (1/4 of respondents). For some remote communities, the nature of local labour markets means that complete employment is not feasible.

The recommended safety net outlined in the Government's new employment and participation model will be vital for some unemployed people. The discussion paper's suggested caveat that allows part-time, seasonal, intermittent or casual work opportunities will also be of great importance to remote and very remote communities, particularly in thin market situations. Other instances where markets are insufficient to self-regulate also need to be considered such as inflexible markets and markets that are unresponsive to change.

Similarly, not all labour markets will be able to deliver employment for all people, and some labour markets struggle to deliver employment opportunities outside of direct and indirect government intervention through job creation. In remote and very remote areas the government often dominates demand for employees that is unlikely to exist in many remote labour markets without their intervention. An example of this is the Northern Territory Local Government Area of Wagait. Table 2 lists the industries which support more than 5 jobs* in Wagait.

Table 2: Employment in Wagait (Source: ABS Census 2016)

- **Public Administration & Safety (45 jobs);**
- **Health Care & Social Assistance (22 jobs);**
- **Education & Training (20 jobs);**
- **Transport, Postal & Warehousing services (18 jobs);**
- **Retail Trade (16 jobs);**
- **Construction (15 jobs);**
- **Other Services (15 jobs);**
- **Administrative Support Services (13 jobs);**
- **Professional, Scientific & Technical Services (13 jobs);**
- **Accommodation & Food Services (9 jobs);**
- **Mining (9 jobs);**
- **Arts and Recreational Services (8 jobs);**
- **Manufacturing (7 jobs);**
- **Agriculture, Forestry & Fishing (6 jobs); and**
- **Rental, Hiring and Real Estate Services (6 jobs).**

* Note: Values between 1 and 5 are automatically generated by ABS to protect personal privacy

In Wagait, the most significant direct employers in the area Public Administration and Safety (45 jobs) followed by Healthcare and Social Assistance (22 jobs) and Education and Training (20 jobs). These positions are likely to be created and funded by one or more levels of government. This government created employment, alongside local welfare payments, underpins many of the services in the area. This means that a high proportion of the local labour market only exists through government intervention.

Where this government dominance of remote labour markets exists, there is both an opportunity and responsibility for the Government to manage market conditions towards the best possible local outcomes.

While the situation outlined above exists in many remote areas it is not representative of all areas. There is great diversity between remote and very remote labour markets and some are dominated by other types of industry. For example, the diversity between groups of remote labour markets in the Pilbara and Kimberley of Western Australia is significant.

The 2016 Census data shows that at the regional scale, the Pilbara had a very high proportion of the labour force in full time employment (41%) and only a small proportion looking for work (3%) or not in the labour force (11%). In contrast, the nearby Kimberley region had a much smaller proportion of the labour force in full time employment (28%). The prominent industry of occupation in the Pilbara is Mining and Construction which account for 36% and 13% of the labour force respectively, but account for only 2% and 8% of employment in the Kimberley. In contrast, the Kimberley has a more diverse labour market, with the majority of jobs coming from Health Care and Social Assistance (16%), Education and Training (14%) and Public Administration and Safety (10%). These local labour markets need very different policy responses as the demand for private sector employment and potential incomes are very different.

While the discussion paper acknowledges diversity, thin markets and some of these issues it does not substantively investigate them using evidence or practically deal with them in the policy design. There are also no clear suggestions as to how they could be managed and indicators of when government needs to act. It is unlikely that this will provide an effective response to remote labour market issues.

A place-based framework that can be adapted to local conditions is needed to improve on remote employment and participation. Policy approaches that treat remote communities as one or two homogenous groups with a central policy control are unlikely to work[vi]. Remote policy and implementation needs to respond to the diverse nature and experiences of the communities it serves[vii].

Policies which are designed around the places they are set are more likely to have features which reflect the distinctive nature of the local community they govern. These types of approaches can take a holistic understanding of all of the factors at play and the relationships and connections between them. Policies which are not based on the place they govern risk many unintended consequences, being impractical for purpose and being overly top down in their approach[viii].

In response to the discussion paper's question on the completeness of the objectives and design principles (page 6), the Institute suggests that the policy aims should be broadened to address policy interactions within and between the Commonwealth and with State and Territory Governments. This should be done in combination with an overall policy aim which seeks to build community prosperity in a locally practical way.

Unique labour markets operate in each area therefore unique approaches are needed for the different market types. Policies based on market mechanisms do not always work in remote

places because their local market conditions are entirely different from the mainstream systems the policies were originally created for. During the policy design phase an analysis of available data and case studies should be conducted to determine the practical impact of policy options and to resolve deficiencies or identify the need for flexibility.

A study of remote communities in Western Australia delivered similar advice to the Government of Western Australia[ix]. The study, conducted by the University of Western Australia mapped State and Federal Government expenditure and outcomes in remote communities. The study suggested that the Western Australian Government should conduct sub regional analysis to effectively deliver funding and achieve the intended outcomes. An analysis of this nature should also underpin the Federal Government's national remote employment and participation program.

In communities where jobs and training are more readily available, there should be greater expectations to move towards employment. Identification of these local market conditions cannot be finite however as labour markets can change over time and the expectations of local employment and participation should adjust accordingly. Local labour markets are dynamic and can change rapidly in some instances. For example, mining dependent communities operate with employment volatility and vulnerability. The initial returns from the mining industry may be large but it does not generate long-term employment stability for local communities[x]. In this way, the local labour market in mining dependent communities can rapidly shift from one which delivers low unemployment to high unemployment. Adaptable measures need to be inbuilt into policy so it can remain relevant as local labour markets changes.

Remote communities are not static and policy adaptability needs to be built in to allow for changes in remote communities and the local labour markets. Effective feedback mechanisms are an integral part of this.

The policy design for this new model should be simultaneously designed with feedback systems that are long-term and systematic. Checks and balances should be used during the implementation phase to ensure the trials can be adjusted as required and the risk of failure and resource wastage can be minimised.

This is advice echoed by the Productivity Commission who in their 2015 report[xi], recommended that Indigenous policy needs a greater focus on policy evaluation. A commonly cited rule of thumb in social and economic development literature is that a program should allocate between five and ten percent of its budget to monitoring and evaluation, although this amount may be proportionally smaller for larger programs.

It is important to refine programs as they progress and this includes adjustments to suit changing local contexts but also adaptation in cases where unexpected outcomes eventuate. The market needs to be observed to understand how providers are responding to price incentives and the conditions set out in the policy. It is the role of the Government to adjust the new employment and participation model to correctly deliver employment improvements and associated social services.

Analysis of the National Disability Insurance Scheme shows that the markets in different locations are reacting differently under the policy and that there is inadequate monitoring of this for the Government to adjust the policy[xii]. This is resulting is wider spread difficulties than would have eventuated if the Government could take action earlier during implementation and national roll out. It is almost certain that any redesigned remote employment and participation programs will face the same issues and so preparation through initial analysis supported by active monitoring is essential.

The Institute supports the intent to phase the roll out of the new employment and participation model in a number of locations before it is scaled up. Implementation is key and it is important

that flexibility is not lost between trials and the broader role out. Care also needs to be taken so the principles are not diluted through the implementation process and the flexibility of the program compromised with growth. In response to the discussion paper question on how to implementation should be staged (page 17), the early trail phase should be conducted in areas with different labour profiles to assess how different market forces respond to the change.

Suggestion to the Government:

The new model for remote employment and participation should be tailored to allow a place-based approach to the diversity found in remote labour markets.

The Government should profile a range of remote labour markets and demonstrate how the policy design proposed will effectively respond to local conditions. This includes detailing a set of realistic policy goals for local unemployment.

A mix of markets should be included in this analysis including areas where there is insufficient employment beyond employment programs, where government provides stewardship of demand and supply to maximise local employment outcomes and where the challenge is to better connect unemployed locals with business and employment opportunities in the private sector.

Local delivery

The Institute supports the discussion paper's aims to increase local service delivery and decision making. Further iterations of this policy design and implementation need to provide genuine powers for communities to act and create meaningful change in their communities within the delivery of this policy approach.

The discussion paper details greater local involvement in designing activities in collaboration with communities and where possible aligning with community priorities, however this still leaves communities with minimal ability to deliver services in appropriately local terms. In line with increased flexibility, local service delivery would be better implemented by creating a mechanism for communities to enact their own change, with some oversight from the Government. Local delivery needs to represent the nature of the people it serves and be flexible to the diversity between communities.

Suggestion to the Government: Provide local communities with clearly mandated and genuine power to make decisions on local delivery, beyond priority setting. Enable communities to enact change and operate within the policy principles in a way that is locally appropriate.

Policy should represent the composition of the community

The discussion paper asks whether subsidised jobs should be available to Indigenous or all job seekers in remote Australia (page 10) and the Institute agrees that it should be open to all remote community members who are facing this challenge.

Based on the evidence we have gathered about diversity in remote and very remote places, we support government subsidised jobs being available to all people in underprivileged circumstances living in remote and very remote communities. It is important to support the different composition of underprivileged people in each location rather than select people

groups. To address these circumstances, flexible policy approaches and local logic should be employed.

The three new employment and participation models which do not adequately address diversity between remote communities which is likely to result in vulnerable people falling through the gaps. Remote locations can also create employment challenges and associated outcomes for non-Indigenous people[xiii]. Examples of remote non-Indigenous communities with saturated or limited employment can be seen in Laverton, King Island and Coober Pedy.

Conclusion

Prime Minister and Cabinet's discussion paper on *Remote Employment and Participation* could be strengthened as the policy development progresses. Areas that could particularly contribute to this are considerations on the diversity of remote labour markets creating flexible place-based policy to suit local contexts and providing genuine powers for local delivery. Each model has scope for improvement in these three areas, as indicated in Table 1.

The new model needs an explicit approach outlining the Government's role in addressing different market types, especially thin markets which are prevalent small communities such as those typically found in remote and very remote areas. This should be approached using a suite of policy tools embedded in a stewardship and regulatory framework.

The discussion paper acknowledges the need for local delivery in remote and very remote communities however does not provide people with genuine power to deliver locally in ways which suit the constitution of their community. In response to the discussion question on page 10, this includes making subsidised jobs available to all job seekers in remote and very remote communities.

Policies aiming to contribute to the prosperity of remote communities should be delivered using a place-based approach. Policies delivered along program lines will fail to achieve this and collaboration between remote aims needs to be established. In response to the discussion question on page 6, an additional policy principle should be added which addresses this issue. Once overall policy principles are determined, flexibility is required so communities can deliver change in a way which is appropriate for local conditions.

The new employment and participation model should have feedback systems which allow it to adapt to changing local conditions. In response to the discussion question on page 17, the trail stage of implementation should involve assessing how the model performs in locations with different labour market profiles.

This early stage in developing the new employment and participation model presents significant opportunity to address these items in a more comprehensive way. The overall success of the policy is reliant on it being adjustable for each of the communities and people it seeks to serve. The Regional Australia Institute welcomes further discussion on the policy and any queries raised in response to this submission.

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