

1988



Social Security Review



Issues Paper No. 4

Income Support for the Unemployed in Australia: Towards a More Active System

Social Security Review
Department of Social Security
PO Box 1
WODEN ACT 2606

© Commonwealth of Australia 1988
ISBN 0 644 05390 9 (Set)
ISBN 0 644 07385 3 this volume

First published February 1988
Reprinted March 1988
Reprinted September 1988

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without written permission from the Director Publishing and Marketing AGPS. Inquiries should be directed to the Manager, AGPS Press, Australian Government Publishing Service, GPO Box 84, Canberra, ACT 2601.

PREFACE

The Social Security Review was established by the Minister for Social Security, the Honourable Brian Howe, MP in February 1986. The Review is to complete its work in late 1988. Associate Professor Bettina Cass of the University of Sydney was appointed Consultant Director of the Review, working with officers of the Social Policy Division in the Department of Social Security.

The Review is focusing on three major aspects of social security policy:

- . income support for families with children;
- . social security and workforce issues; and
- . income support for the aged.

The Review of income support for the unemployed covers predominantly income support issues and some related labour market issues. Its objectives are to examine the current situations of unemployed and jobless people and to propose directions for long-term reform of income support programs and to identify more immediate priorities.

The purpose of this Issues Paper is to generate widespread debate and invite written responses from community organisations and interested individuals. Issues of concern in income support for the unemployed have been identified and various directions for reform have been proposed.

The Minister for Social Security, the Hon Brian Howe, MP invites submissions in response to this Issues Paper to be forwarded by 25 March 1988.

Address submissions to:

Minister for Social Security
PO Box 919
WODEN ACT 2606

CHAPTER 14

THE LABOUR MARKET CIRCUMSTANCES OF ABORIGINAL PEOPLE

- . Aboriginal labour force participation rates and unemployment rates indicate a much lower access by Aboriginal people to employment.
- . Estimated rates of unemployment for Aboriginal people are almost five times those of non-Aboriginal people.
- . Employment opportunities for Aboriginal people have been limited by changes in the manufacturing sector reducing opportunities for unskilled workers, and by the decline in and increasing mechanisation of the rural sector.
- . Particular problems in addressing Aboriginal unemployment are posed by a much higher proportion of the Aboriginal population being located in rural and remote areas, by cultural considerations and issues of self-determination.
- . The Government's recently released Aboriginal Employment Development Policy (AEDP) recognises that a comprehensive approach to Aboriginal employment development is the key to the improvement of Aboriginal living standards, and the subsequent achievement of economic independence and self-determination, and that this will require a substantial change in emphasis from individually-based social security provision to expenditure which creates new jobs, particularly within communities, and enhances Aboriginal and Torres Strait Islander access to existing jobs through education, training and provision of economic resources.

14.1 Background

The Aboriginal and Torres Strait Islander population suffers particularly severe unemployment resulting in greater social and economic disadvantage than experienced by any other group in Australia. Aboriginal people have been disproportionately affected by the downturns in the economy which have occurred since 1974. It is therefore critical that attempts to improve the efficiency and equity of our system of support for the unemployed give adequate consideration to their particular needs and complement the labour market strategies aimed at improving their employment situation.

Aboriginal people have fared particularly badly since the collapse of virtual full employment for a number of fairly clear reasons. It is primarily a result of the concentration of Aboriginal employment in a relatively small number of low skilled occupations where employment is more likely to be of a casual, temporary or seasonal nature. The economic changes which occurred over the past decade and a half had a particularly acute impact upon these occupations and areas of employment.

The most important change affecting Aboriginal employment has been the long-term decline in employment in the rural sector brought about by economic conditions and increasing mechanisation. Aboriginal men who have predominantly occupied positions as farm workers within this sector have been displaced in this process.

The declines in employment in the manufacturing sector have also been significant for Aboriginal men who have been predominantly employed as labourers. Recent economic changes have dramatically reduced the opportunities of all unskilled workers to obtain employment in such areas.

Table 14.1 shows the labour force status of both Aboriginal and non-Aboriginal people as at June 1986, and indicates the effects of the 1982-83 recession on Aboriginal employment. The Aboriginal and Torres Strait Islander population experiences almost five times the level of unemployment and four fifths of the labour force participation rate of the non-Aboriginal population in Australia. As at June 1986, the unemployment rates for Aboriginals and non-Aboriginals were 35.3 per cent and 7.5 per cent respectively. At the same time, labour force participation rates were 50.9 per cent and 61.9 per cent respectively. Aboriginal people comprise the most disadvantaged group identified in Australia.

Table 14.1: LABOUR FORCE STATUS OF ABORIGINAL AND NON-ABORIGINAL PEOPLE BY SEX, June 1986

	Unemployment Rate		Participation Rate	
	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal
	(per cent)			
Males	36.0	7.0	66.2	75.9
Females	34.1	8.1	36.5	48.2
Total	35.3	7.5	50.9	61.9

Source: ABS Census of Population and Housing, 1986
ABS The Labour Force Australia, June 1986

A survey conducted in the first half of 1987 by Ross (1987) indicated that the situation in non-metropolitan areas is likely to be considerably worse than that shown in Table 14.1.

14.2 General Issues

There are many issues common to the unemployment picture for both Aboriginal and non-Aboriginal people. However, such issues are of particular concern to Aboriginal people because of the extent of disadvantage they face in the labour market.

THE YOUNG UNEMPLOYED AND EDUCATION

The Aboriginal population is significantly younger than the non-Aboriginal population. In 1981, one quarter of the non-Aboriginal population was under 15, compared to nearly 43 per cent of the Aboriginal population. There is roughly double the proportion of teenagers and young adults among their working age population. Aboriginal teenagers experience an unemployment rate two and a half times that of all teenagers, and young Aboriginal adults three times that of other young adults. They are also much more likely to experience long-term unemployment.

The need to relate income support policies for Aboriginal youth to objectives in the areas of education and training is particularly relevant. While there have been some improvements in the Year 8 to Year 12 school retention rates of Aboriginal students, it remains at a level less than one-third of the overall national rate.

There are much lower levels of education among Aboriginal people of working age than amongst the Australian population as a whole. Around 11 per cent of the Aboriginal working age population has never attended school in contrast to less than one per cent of the total Australian working age population. A much smaller proportion of Aboriginal people continued their schooling beyond the age of 15 and there is an even larger disparity in the proportion who have some post-school qualification. Only four per cent of working age Aboriginal people have some form of post-school qualification compared with 24 per cent of the Australian population.

The prospects for long-term improvement in the position of Aboriginal people in the labour market remain poor unless there are substantial improvements in their level and standard of schooling. These low levels of education and training have obvious implications for Aboriginal access to employment and for the nature of that employment.

The Federal Government's Aboriginal Employment Development Policy (AEDP) recognises this and includes a commitment to achieve parity in educational participation and outcomes by the year 2000, with an interim target retention rate of 35 per cent for year 12 by 1992 (compared to 17 per cent in 1986). Additional measures to achieve this, including additional funding for the development of appropriate curricula, a scheme for the placement of suitably qualified teachers in Aboriginal schools, and the support of special school programs in remote areas were also announced as part of the AEDP.

THE PROBLEMS OF REMOTENESS AND THE NON-METROPOLITAN UNEMPLOYED

The Aboriginal population has a vastly different geographic distribution from that of the total Australian population. Only a comparatively small proportion of Aboriginal people are located in major urban areas - less than 20 per cent compared with over 60 per cent of all Australians. While only around 14 per cent of all Australians live in rural areas, in the case of Aboriginal people it is over 40 per cent. Given this situation, it is clear that the long-term decline in employment opportunities in country towns and agricultural industries, and particularly recent crises in the rural sector will continue to limit many Aboriginal people's participation in the regular workforce.

The location of Aboriginal people in remote areas raises a number of issues concerning the appropriateness of unemployment benefit. The long-term nature of Aboriginal joblessness has been considered inconsistent with the focus of the system on assisting short-term unemployed people and the general lack of job opportunities has resulted in the work test being considered a meaningless administrative hurdle.

The physical problems of remoteness also impact upon the administration of unemployment benefit. The requirement for fortnightly reporting periods can be quite impractical. Poor transportation and communication facilities combined with poor literacy results in delays and confusion over eligibility and payment. It also impacts upon efficiency through unnecessary terminations and reinstatements. One administrative response to these problems has been to extend reporting periods. Under this approach, known as Northern Territory unemployment benefit (NTUB), individual cheques are issued with income statements for return on a monthly basis. To some extent this takes account of the remoteness of clients, limited job opportunities and the postal service in those localities.

In November 1985, the Minister for Social Security established the Remote Area Task Force to examine existing departmental services to Aboriginal clients in remote areas of northern Australia and to recommend improved methods of service delivery. The Task Force recommended further extending reporting periods to suit the local labour market and using 'exception' reporting to notify of any change in circumstances that may alter eligibility or rate. It also recommended that the community payments scheme (discussed in more detail below) be extended to Aboriginal communities requesting it; that a regular flow of income into communities be ensured by having benefit payments arrive on the off-pension week; that split payments (as discussed in Chapter 13) be given a high priority where either one or both parties agree to the arrangement; and that steps be taken to inform communities participating in the Community Development Employment Program about their entitlements to social security services (Flick, 1986).

UNEMPLOYMENT BENEFIT AND THE LONG-TERM UNEMPLOYED

Some of the compounding disadvantages of poor educational opportunity and remoteness and other factors such as discrimination have made it far more difficult for Aboriginal people once unemployed to move back into work.

Long durations of unemployment are certainly more prevalent among Aboriginal people than the rest of the population. Reliable data on this, however, are not easily found. CES statistics provide the only reasonable source. In December 1986, 31 per cent of Aboriginal people registered with the CES had been unemployed for nine months or more. This compares with only 25 per cent of total CES registrants. Patterns of CES registration, and problems resulting from inadequate coverage of remote areas where durations of unemployment are likely to be greater, mean that the extent of this difference is almost certainly understated.

It will require concerted and co-ordinated efforts by Governments and the Aboriginal people themselves to address the history of economic marginalisation which has resulted in this state of affairs. The approach which the Review of Aboriginal Employment and Training Programs urged the Government to adopt was

'a policy of support to Aboriginal people which goes beyond the welfare, housing and municipal services industries and which should be directed towards Aboriginal people becoming more independent by enabling them to provide for their own livelihood. Programs to achieve this end will be longer-term, involve real training and result in Aboriginal control of resources, as well as access to jobs in the regular labour market.' (Miller, 1985:10)

The Government has accepted this general approach and has developed policy aimed at enhancing Aboriginal economic independence. The Aboriginal Employment Development Policy (AEDP) contains a range of Aboriginal employment, training, education and economic resource programs whose overall objective is to assist Aboriginal people to achieve broad equity with other Australians in terms of employment and economic status. The Government is working towards achieving employment equity for Aboriginal and Torres Strait Islanders by undertaking to assist 3,600 into jobs every year for the next 12 years (AEDP, 1987). Some of these jobs will be within the mainstream labour market, but the majority are to be created within the communities in which Aboriginal people live and which are often remote from mainstream opportunities. Many of these newly created jobs will rely, at least in the medium term, on the conversion of income support payments into subsidies for employment in enterprises and other community development activities.

It is recognised in this report that income support for unemployed Aboriginal people will continue to be very important in the medium term. Attention will particularly need to be focussed on the transition of individuals and communities from being recipients of income support payments to working on employment projects, and on the protection of individual rights to revert to standard income support arrangements (for example unemployment benefit) where their needs are not adequately met by such projects.

ADEQUACY

Given the extent of long-term unemployment, the level of income support has a more direct bearing on the extent of poverty within the Aboriginal community than is the case for any other identifiable group.

The geographic distribution of Aboriginal people also has implications for the adequacy of support. For example, food prices and transport costs are likely to be greater in remote areas. To some extent, these additional costs are already acknowledged through the remote area allowance.

14.3 Issues Specific to the Aboriginal Community

For many years, Aboriginal people were effectively barred from receiving unemployment benefit by law, and by administrative practices. The Unemployment and Sickness Benefits Act 1944 excluded Aboriginal Australians from receiving benefits unless the Director-General of Social Services was satisfied that, 'having regard to his character, standard of intelligence and social development', it was reasonable that he should receive them. In 1960, this general restriction on Aboriginals eligibility for benefit was removed and Aboriginals, other than those who were nomadic or 'primitive', became eligible on the same basis as other members of the community. In 1966, all specific references to Aboriginal people were removed from the Social Services Act.

These legislative changes did not lead to any immediate or pronounced increase in the number of Aboriginal people in receipt of unemployment benefit. It is generally accepted that there was no significant expansion in the number of Aboriginal recipients until the late 1970s. There are a number of reasons for this situation.

One of the major factors was the manner in which unemployment benefit was administered. While legally they were just as entitled to receive unemployment benefit as anybody else, the administration of eligibility criteria and, in particular, the work test served to exclude large numbers of Aboriginal people. The manner in which the work test was applied to Aboriginal people frequently reflected judgements about the appropriateness of unemployment benefit and was often clearly discriminatory.

A good example was the requirement for Aboriginal people in the Northern Territory to demonstrate a 'work history' to be eligible for unemployment benefit. Aboriginal applicants who had worked under the Northern Territory Welfare Branch's Training Allowance Scheme, which was being abolished in the Whitlam Government's attempts to secure award wages for Aboriginal people, were not considered to have a recent history of work. They were regarded as ineligible for unemployment benefit. However, employment under these conditions had previously been regarded as suitable work for Aboriginal people and its availability had precluded receipt of unemployment benefit. It has been argued that this practice was clearly contrary to a November 1973 Cabinet decision but persisted until publicly exposed in 1977. (Sanders, 1985). Practices such as these effectively limited the number of Aboriginal recipients of unemployment benefit.

CULTURAL CONSIDERATIONS AND SELF-DETERMINATION

There has been and there continues to be considerable debate about the appropriateness of unemployment benefit in Aboriginal communities, particularly in more traditional communities in remote areas. A range of general labour market considerations such as the long-term nature of Aboriginal joblessness and the lack of job opportunities have already been mentioned. However there are also cultural factors to be considered.

There are a number of clear examples of cultural differences which our system of income support was not designed to handle. These are the existence of polygamy and differences in responsibility for the care of children. Children are, in fact, cared for by different relatives at different stages in their development. Our system of income support is based around such notions as that of the single breadwinner in a nuclear family and hence in more traditional Aboriginal communities it does not always direct payments to the most appropriate individual. The problem is exacerbated in some cases by poor literacy and lack of knowledge of the purpose of each component of income support. It has been argued that the community is the most appropriate unit to ensure that income support is directed to where it is needed.

Aboriginal relationships to land are also a potentially important cultural consideration. Unemployment benefit recipients under certain circumstances can be required to move to obtain work and in general are precluded from moving to areas with lower employment prospects. This is potentially in conflict with attempts by Aboriginal people to re-occupy and assume responsibility for their traditional country, and also with general Commonwealth Government support for the homelands movement. In general it is not considered reasonable to require Aboriginal people to move from their traditional lands or even from their communities. This would be seen as a reintroduction of the old policies of assimilation. Finally, the right to self-management has important implications for the manner in which Governments relate to Aboriginal people and communities. The Miller Report noted that:

'In the more remote areas ... where Aboriginal traditional custom and law remain very strong, people have removed themselves from the enforced change of life-style encompassed by a Western style economy. In so doing they have not rejected entirely any relationship with the wider society and economy, but have chosen to maintain a life-style compatible with their traditional culture' (Miller, 1985:5).

The report suggested that such groups could, given appropriate types and levels of assistance, provide for their livelihood in ways and at a level suited to their needs. It was considered important that the Australian community recognise the right of Aboriginal people to this option. However, the role of income support and specifically that of unemployment benefit within this environment still needs to be addressed.

INDIVIDUAL AND COMMUNITY ENTITLEMENT

The Australian system of income support for the unemployed is based upon individual entitlement. The particular circumstances of Aboriginal communities have given rise to a number of approaches which to some extent can be seen as moving more towards the notion of community entitlement.

The community payments scheme, in operation in Western Australia and the Northern Territory, is designed to provide regular fortnightly payments of unemployment benefit to remote communities. Individual cheques are issued without income statements and are distributed by a community representative. A control schedule is used by the representative to advise the Department of any change of circumstances.

In addition, the Department of Aboriginal Affairs administers the Community Development Employment Program (CDEP) which enables a community to organise employment-oriented projects. The scheme was developed for, and to date only implemented in, remote autonomous Aboriginal communities and with all eligible community members participating. However, it forms a major part of the Aboriginal Employment Development Policy (AEDP) strategy, and under this its scope has been widened to allow specific groups only within a community to participate and to include other groups, such as town camp communities outside remote areas, who have no alternative employment prospects.

The CDEP is an alternative to the individual receipt of unemployment benefit and provides funds equivalent to the total unemployment benefit entitlement of the members of the community to the community council, which are then paid to members of the community as wages. The community also receives an additional amount for materials and administration costs, which since 1983 has been calculated at 20 per cent of the community's total unemployment benefit entitlements. In 1986-87 there were 63 communities, with around 5,600 participants (that is, unemployed people of working age) receiving CDEP funding. In 1987-88 the scheme will be expanded to include an additional 1,600 participants and is expected to effectively provide income support for approximately 15,500 Aboriginal and Torres Strait Islander people by the end of 1987-88. This figure includes participants, spouses and dependent children.

In recognition of the inadequacy of the additional 20 per cent for materials and administration costs, additional funds in support of employment and community development activities have now been provided in a CDEP support program of around \$10m. This represents a further 18 percent on top of the \$55 million committed to CDEP for wages and oncosts, and is intended to provide capital for necessary equipment. Further expansions of CDEP have been approved for 1988/89 and combined with the full year effect of this year's expansion will require CDEP expenditure of around \$70 million in 1988/89.

The demand from communities to participate in CDEP has to-date exceeded the level of funding available. It clearly meets community aspirations because of what it offers for community solidarity, improvements in the community environment and the creation of work in general.

The CDEP scheme avoids the stigma that is attached to the receipt of unemployment benefits. Individuals do not have to meet the administrative requirements of unemployment benefit. The community is able to determine the manner in which income is distributed and it helps Aboriginal people maintain control over social and economic changes. Finally, the additional 20 per cent and the support program provide access to much needed capital.

The CDEP is not free from controversy. The non-payment of unemployment benefit on CDEP communities raises questions of equity for individuals. CDEP guidelines are currently being revised and will then ensure that the work offered to CDEP participants will be such as to ensure that they receive at least as much as their UB entitlements would have been. Nevertheless, individuals doing this level of work would often be entitled to part-benefit payment under the normal income test.

There are also issues relating to the distribution of income within the community. Inevitably once benefit income is transformed into wages the money is distributed slightly differently than if it had been paid out as benefit. To overcome the problem that people with children would have to work for longer than people without children to get the same as their benefit entitlement, some communities offer a guaranteed income supplement to those with children. Other procedures for ensuring support for dependants are currently being examined with the revision of CDEP guidelines.

There are examples in the world where the circumstances of indigenous people have been held to be sufficiently different to warrant special income support arrangements. An example of 'community entitlement' exists in Canada where cash payments are made to Cree Indians who are committed to living off the land. This arrangement recognises subsistence production as a legitimate choice of life style. To some extent, the AEDP has moved in this direction by adopting:

'a policy of supporting traditional activities under Community Development Employment Projects, in recognition that such activities are not only a unique feature of Aboriginal lifestyle and culture, but are also a legitimate part of the economic and employment structure of such communities.' (AEDP, 1987).

The CDEP scheme has strong support from Aboriginal groups and forms a major part of the Aboriginal Employment Development Policy because it aims at enhancing aboriginal community-based enterprise and development, thereby moving away from dependency on income support payments.

14.4 Conclusion

It is clear that Aboriginal people are much more severely affected by problems of unemployment and low workforce participation than are the non-Aboriginal population. These problems are compounded by low education and skill levels, remoteness, the effects of discrimination and declining job opportunities.

Maintaining a universally applicable program such as unemployment benefit does involve a number of challenges and problems of meeting the very different needs of communities who live in areas which do not have a labour market or even a labour force in the conventional, official sense of these terms. There are clearly important differences between the situation of Aborigines in remote communities and those in the rest of Australia. Consideration needs to be given to both the administration of unemployment benefit to ensure that it is sensitive to the circumstances of Aboriginal people. Within this context the recommendations of the Remote Area Task Force (Flick, 1986) provide a useful guide.

In rural and remote areas, it is clear that unless action is taken to convert expenditure from income support programs into subsidies for economic and employment development activity, as proposed under the AEDP, then dependency on individually-based income support payments will continue. Significantly, this policy is a response to the aspirations and preferences of Aboriginal and Torres Strait Islander communities.

General income support policies concerned with the needs of the long-term unemployed (as outlined in Chapter 10) are clearly of crucial importance for Aboriginal people who are likely to experience long durations of unemployment with the consequent serious diminution of labour market prospects. In addition, the AEDP objective of enhancing Aboriginal access to jobs in the conventional labour market, through recruitment, training and education programs is obviously necessary to address the considerable employment disadvantages faced by Aboriginal people.