Appropriate income support for Aboriginal Australians: options for the 1990s

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ABSTRACT

This paper focuses specifically on income support options for Aboriginal Australians, and an attempt is made, for analytical purposes, to isolate income from employment issues. Particular attention is paid to the Aboriginal Employment Development Policy (AEDP) and its goal of achieving income equality between Aboriginal and other Australians by the year 2000, while simultaneously reducing the extent of Aboriginal welfare dependence to levels commensurate with those for the total population. The paper analyses the entire range of income support options available to Aboriginal Australians (including the Community Development Employment Projects (CDEP) scheme); outlines the current income status of Aboriginal people; and lists a number of preconditions for appropriate income support. A range of issues and options for the 1990s are then canvassed, particularly in light of the introduction of the Active Employment Strategy from 1 July 1991 and the associated replacement of unemployment benefits with Job Search Allowance and Newstart. The paper concludes that income equality for Aboriginal Australians is unlikely by the year 2000; a move towards income equality and reduced welfare dependency will only occur if appropriate income support strategies are implemented.

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The Hawke Government's *Towards a Fairer Australia: Social Justice Strategy Statement 1990-91* has as its central objective the development of a fairer, more prosperous and more just society for every Australian. The strategy is directed at expanding choices and opportunities for people so that they are able to participate as citizens in economic, social and political life and are better able to determine the direction of their own lives (Hawke and Howe 1990: 1). The aim here is to examine how closely income support options for Aboriginal Australians correlate with this social justice goal.

A major Aboriginal affairs initiative, the Aboriginal Employment Development Policy (AEDP) officially launched in 1987, also has major social justice objectives. These are incorporated in three major economic policy goals: to ensure employment and income equity between Aboriginal and other Australians by the year 2000 and to concurrently reduce welfare dependency for Aboriginal Australians to levels commensurate with those for other Australians (Australian Government 1987). As noted elsewhere, the AEDP statement is extremely ambiguous in its definition of equity, which is generally assumed to mean 'statistical equality' as measured by census-based social indicators (Altman and Sanders 1991a). To date, the major focus of the AEDP and commentaries about the policy have focused on employment issues; there has been little analysis of how income equality or reduced welfare dependence might be achieved. Prior to the official launch of the AEDP in 1987 it was already being suggested that, given the inequitable distribution of economic opportunities across the Australian continent and the circumscribed options for many Aboriginal people residing in rural and remote locations, a strict policy aim of income equality would require marked income differentials within the Aboriginal population (Altman 1987). This observation has recently been reiterated in the *Royal Commission into Aboriginal Deaths in Custody, National Report* (Commonwealth of Australia 1991: 366-7).

The focus here is specifically on income support and an attempt is made, for analytical purposes, to isolate income issues from employment issues. Nevertheless it is probably worthy of note that even when Aboriginal people are employed they generally occupy lower occupational niches than other Australians, and consequently have a lower income status. Using 1986 Census data and an earnings regression, Jones (1991) found that employed Aboriginal people consistently earned less than other Australians. In short, even full employment for Aborigines may fail to achieve income equality.

Two major forms of income support are identified: the range of social security benefits that apply to all Australians and the Community Development Employment Projects (CDEP) scheme. The identification
of the CDEP scheme as an income support scheme is made with full acknowledgement that the relative balance between income support and employment development objectives of this scheme has swung markedly towards the latter since its incorporation as a major element of the AEDP in 1987 (Altman and Sanders 1991b).

In examining policy options for the 1990s, the means by which the recently introduced Active Employment Strategy might operate to meet both social justice objectives (allowing people to determine the direction of their own lives) and income equality goals are examined. This possibility is explored with reference to an earlier proposal made in 1987 that Aboriginal people residing at remote outstations and homelands could maximise their incomes through a guaranteed minimum income scheme (Altman and Taylor 1989).

The arguments put forward here are made with full recognition of legislative and administrative complexities that they may entail. The central dilemma is that policy realism dictates that it be recognised that the majority of Aboriginal people need cash income and income support, but equity goals dictate that Aboriginal and other Australians be treated equally. The principal issue is how income support can be structured to open up opportunities and life chances for Aboriginal Australians. The emphasis here is on a progressive income support agenda for the 1990s that can simultaneously move Aboriginal people towards income equality; this paper rejects some ultra-conservative arguments, recently articulated in the press in the central Australian context, that social security is totally inappropriate for Aborigines, with the not-so-hidden agenda that it may be preferable to return to the 1960s when Aboriginal people did not receive their full social security entitlements.

It is important to emphasise that the term 'appropriateness' is used here principally in relation to mainstream labour markets and that this paper has a somewhat narrow economic policy focus. Issues of the cultural appropriateness of social security legislation and in particular its ability to accommodate distinct Aboriginal practices like polygyny and tribal marriage have been raised elsewhere (Sanders 1986, 1987). It is also important to caution that none of the policy options canvassed here are based on any wide-ranging consultation with Aboriginal people.

**Income support options**

The full range of income support options only became available to Aboriginal Australians in the last decade. It is all too easy to overlook that it was only during 1979/80 that Aboriginal residents of outstations and homelands became eligible for unemployment benefit entitlements. Many
Aboriginal people were only paid pension entitlements from the 1960s (Peterson 1985; Sanders 1986) and similarly in many rural and remote regions, unemployment benefit eligibility was only recognised with the expansion of award conditions to Aboriginal settlements and missions (Sanders 1985).

An additional income support option that is available to Aboriginal people, but not to other Australians, is the CDEP scheme. While the CDEP scheme was introduced to Aboriginal communities from 1977, its initial expansion was very slow. Its very close notional links to unemployment benefit (UB) entitlements (UB plus 10 per cent on-costs) resulted in it being primarily regarded as income support. While it is rarely officially acknowledged today, an important consideration in the introduction of the CDEP scheme was to allow a degree of community control over individual incomes (and expenditure). As the payment of unemployment benefits to remote Aboriginal settlements expanded rapidly, a sudden influx of cash was perceived to cause, or have the capacity to cause, social upheaval (Department of Aboriginal Affairs 1977: 1). Nevertheless, from the outset the CDEP scheme also had 'work-for-the-dole' employment and 'community development' components.

Since 1987 there has been a rapid expansion in the CDEP scheme; participant numbers have grown from 6,000 in 1986/87 to 18,266 in 1990/91. With this expansion, the scheme has been increasingly viewed as an employment development program, partly because the nexus with UB has altered from UB entitlement plus 10 per cent on-costs to UB entitlement plus up to 35 per cent on-costs and capital support. The political and bureaucratic appeal of the CDEP scheme is obvious: despite its notional nexus with UB, the financial cost of the scheme is regarded as program expenditure and not welfare. Similarly, participants are classified as 'employed' for census purposes. Hence in the 1986 Census the classification of CDEP participants (4,000) as employed would have reduced the Aboriginal unemployment rate from 41 per cent to 35 per cent. The impact in the 1991 Census could be far more marked. Based on projections by Tesfaghiorghis and Gray (1991) it is estimated that the Aboriginal labour force in 1991 (assuming participation rates in 1991 similar to 1986) will total 73,500; the current 18,266 participants could account for 25 per cent of the estimated labour force and could reduce the official Aboriginal unemployment rate to a level that is similar to the national average. With a further expansion of the CDEP scheme, employment equality may be achievable. However, it must be recalled that CDEP scheme participants are invariably employed part-time and for wages limited to unemployment benefit entitlements. Under such conditions income equality will not occur.
Recent statistics on Aboriginal incomes

A recent analysis of census data from the four Censuses that have attempted to fully count Aboriginal people (1971, 1976, 1981 and 1986) indicate that Aboriginal (cash) income status has improved, but from a low base (Tesfaghiorghis and Altman 1991: 25). In 1986, median Aboriginal individual income ($6,214) was 65 per cent of the median for the total population's income ($9,593) and mean Aboriginal income ($8,017) was 65 per cent of the total population's income ($12,251).

Using 1986 Census data Tesfaghiorghis (1991a, 1991b) has demonstrated marked variations in Aboriginal incomes on the basis of a range of geographic disaggregations including States and Territories, section-of-State (major urban, other urban, rural locality and other rural) and ATSIC regional council jurisdictions. In some regions, but most especially the Australian Capital Territory, Aboriginal incomes exceed the Australian average, although on an Australian Capital Territory-basis they are still only 80 per cent of the median incomes for the total population.

There are indications that there has been a shift in the direction of income equality in the period 1971 to 1986, although it is possible that this movement merely reflects the fuller incorporation of Aboriginal people in the welfare state and the rapid expansion (in real terms) in Federal Government expenditure on special Aboriginal programs. Alternatively, such improvement in real income status may reflect the recent self-identification of previously 'integrated' Aboriginal people who would have probably already enjoyed a relatively high income status. Certainly there is some current concern that this divergence may have stalled with recent stagnation in employment growth and as incomes reach ceilings imposed by transfer payments. It is interesting to recall in this context that Fisk (1985: 79) estimated that at the time of the 1981 Census 54 per cent of Aboriginal personal income was derived from social security payments; more recently, Gregory (1991) has estimated that as much as 75 per cent of Aboriginal income may be from government transfers. It will be necessary to await 1991 Census data to verify if Aboriginal incomes have indeed stagnated.

While not aiming to link income support options with markedly different labour market situations, it is probably important to differentiate three situations. In the first situation there is no labour market and income support is needed on an on-going basis. This situation most commonly occurs at outstations where residents are not only effectively removed from mainstream labour markets, but frequently have located themselves at remote locations precisely to escape the urban living that is associated with labour markets. In the second situation, generally associated with
Aboriginal townships or mixed townships, very small labour markets exist with limited employment opportunities. In these situations on-going income support (often associated with training or job creation programs) will again be needed for the majority. In the third situation, evident at urban and major urban centres, mainstream labour markets exist and Aboriginal participation is potentially unlimited, except for obvious demand and supply-side factors.

There is little variation in the income support options available in these three very different situations. For example, social security entitlements can be paid at an outstation and residents are required to pass work and income tests as if living in a major urban area. Similarly, the CDEP scheme that was initially limited in coverage to remote Aboriginal townships has now expanded to such an extent that it is available at remote outstations at one extreme, and major urban areas at the other.

Some preconditions for appropriate income support

If it is accepted that income equality is a major policy goal, it must also be assumed that it is a goal for a high proportion of Aboriginal Australians. What problems and issues are raised by current options in achieving this policy goal?

At an abstract policy level preconditions for appropriate income support that will facilitate income growth can be readily spelt out. In this discussion paper the range is limited to three. First, it is important that appropriate incentive structures are devised so that income-generating opportunities are not foregone. With the UB and pensions support regime, the major disincentive to increase income is the income test (assuming that the assets test is of no consequence to almost all Aboriginal people on welfare). Poverty and welfare traps are not, of course, limited to Aboriginal people, and Cass (1988) made recommendations that income ceilings be lifted to provide the unemployed with incentives to earn additional income.

Income testing only applies to the cash nexus, and there is a small (and increasingly dated) literature summarised by Altman and Taylor (1989) that demonstrates that productive activity in the informal economy, mainly in the subsistence sector, can generate import substituting income in kind. Indeed it has been argued elsewhere that a welfare support regime may be preferable to CDEP support because individuals have more free time under the former to pursue productive activity (see Altman and Taylor 1989; Arthur 1991). Of course, productive activity need not be limited to subsistence and can extend to export and income generating activities like arts and crafts manufacture and commercial
fishing. Such cash earning activities are frequently undertaken in the hidden economy as income may remain undeclared; such a strategy does not lay the foundations for sound long-term economic policy.

A second precondition would be that appropriate income support options ensure the optimal employment outcomes. For example, where labour markets are non-existent, the ideal outcome would be for people to participate in the informal economy; where a limited labour market exists, the ideal outcome would be to direct the best local people to available jobs; where an active labour market exists the ideal outcome would be for the incorporation of all Aboriginal people actively seeking work. However, it is recognised that two of these labour markets could co-exist on a regional basis and targeting income support options to ensure optimal employment outcomes would be difficult.

A third precondition would be that different income support regimes should suit different circumstances. This is especially the case where there is no labour market. In such circumstances, and especially at outstations where people lead such a distinct lifestyle, normal social security provisions and eligibility requirements are probably of questionable appropriateness.

In practice, each of these normative preconditions face problems. One rather obvious problem is the mobility (and frequent dual residence) that occurs especially between the non-existent labour market situation at outstations, where guaranteed minimum income is appropriate, and the limited labour market situations at Aboriginal and mixed townships. (The whole issue of Aboriginal labour migration is important in the context of the AEDP, see Taylor 1991.) A second problem is that both welfare and CDEP income support regimes have the consequence of undermining income maximising incentives, although there is a distinct possibility that the CDEP scheme with its usual requirement that people undertake work for community councils is worse. On the other hand, it has generally been assumed that any additional income earned by participants in the CDEP scheme is not income tested. Currently, though, guide-lines seem to differentiate income from non-CDEP wage employment (that is subject to income testing) and income from casual and seasonal employment and informal economic activities that is not income tested. It is unclear whether, in practice, CDEP scheme participants are rigorously income tested. There are suggestions that a move to limit income from other sources is inevitable (Morony 1991). It is of concern that for income generating purposes, both systems appear to provide the wrong signals, especially where productive opportunities exist (Altman and Sanders 1991b).
At the outset of the 1990s the potential for radical restructuring of income support options for Aboriginal Australians appear circumscribed. The UB alternative that was so readily embraced by Aboriginal people in the 1970s has disappeared and was replaced from 1 July 1991 by Job Search Allowance (JSA) for a 12 month period and then by Newstart. Newstart will require the negotiation of an agreement between Aboriginal clients and the Commonwealth Employment Service (CES) which will outline a client's obligations to qualify for continuing income support. While a program such as the Active Employment Strategy may be commendable where employment opportunities exist, it remains unclear how both JSA and Newstart will operate where Aboriginal people have no or limited access to active labour markets. It is conceivable that a very high proportion of Aboriginal people not currently participating in the CDEP scheme and locationally disadvantaged with respect to labour markets will fall into this category. A proposed Department of Social Security information brief specifies that 'activity for activity's sake will not be required'.

One alternative to JSA/Newstart income support that is already a preferred option for many Aboriginal people is to qualify for the range of other pensions that do not require work testing and that will presumably be outside the ambit of the Active Employment Strategy. This option has elements of a discouraged job seekers effect, but again merely raises the issue of the appropriateness of JSA/Newstart as income support for the unemployed when a large proportion of the population is unemployed.

The other alternative to social security is the CDEP scheme, but its expansion is currently severely curtailed. Furthermore, the CDEP scheme faces a range of administrative and policy pressures (Altman and Sanders 1991b). For example, as the scheme is now seen primarily as an employment program and as an integral part of the AEDP, the Federal Government wants to see some employment outcomes in terms of generation of full-time award positions. It seems unlikely that there will be a rapid expansion in this scheme prior to the review of the AEDP in 1992/93.

Equity and social justice may require a different range of income support options for Aboriginal Australians, but in the current economic climate of stringent performance evaluation it is likely that any new scheme will be based on rigorous criteria and accurate scheduling of participants. Two 'radical' possibilities come to mind. One is the Guaranteed Minimum Income for Outstations (GMIO) scheme proposed in 1987 and partly modelled on the James Bay Cree Income Security Program (ISP).
Eligibility for participation in such a scheme could be a required period of residence at an outstation, such as 180 days per annum (Altman and Taylor 1989: 77). Another possibility would be the bifurcation of the CDEP scheme into an employment program and an income support program. The former would be applicable to situations where a labour market existed, the latter to non-labour market situations. Like the existing Enterprise Employment Assistance (EEA) scheme, a distinction could be made between providing funding support for a limited period (in the former situation) or on an on-going basis (in the latter).

Another promising possibility is that JSA and Newstart are modified in situations where there are no active labour markets to operate as de facto guaranteed minimum income schemes. If employment were more widely defined to include traditional and informal activities, then income support could be provided on condition that clients participate in some income generating activity. The issue here will be what income test will be applied to additional earnings.

**Conclusion**

A key issue for the 1990s is the compatibility between the Federal Government's broader goals, especially in this context, of income equality and social justice, and the range of income support options currently available. It has been argued elsewhere that for a range of locational, cultural, structural and other reasons it is highly unlikely that AEDP goals will be realised (Altman and Sanders 1991a). But it is important that, at the very least, change is in the right direction. A move towards income equality and reduced overall welfare dependency will only occur if income support structures are put in place that will provide the right incentives for Aboriginal individuals and families to seek productive income generating work, open up new possibilities in the differing circumstances which exist, and still guarantee Aboriginal people a minimum income.

**Note**

1. This paper was completed just as unemployment benefits (UB) were being replaced by Job Search Allowance (JSA) and Newstart. Hence an attempt is made to use the past tense when referring to UB.
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