The CDEP scheme in a new policy environment: options for change?

J.C. Altman

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Summary

The Community Development Employment Projects (CDEP) scheme was first introduced in 1976-77, by the Fraser Coalition Government. It is currently being reviewed by a team appointed by the Howard Government. The paper discusses the genesis of the scheme, its nature, past reviews and its survival and expansion.

The major achievements of the CDEP scheme include:
- its undiminished popularity;
- its sheer survival;
- its ability to create a mechanism to facilitate productive activity in many contexts; and
- its ability (and potential) to supplement low cash incomes that would otherwise hit a very low welfare ceiling, especially in remote, relatively underdeveloped, regions.

Limitations of the CDEP scheme include:
- the lack of tangible and convincing evidence of success, be it in income supplementation, employment creation, community development or enterprise creation;
- its inability to provide training to scheme participants and participating organisations;
- the absence of well-defined exit options; and
- ongoing administrative problems, especially in maintaining accurate participant schedules.

This paper suggests that the future survival of the CDEP scheme may be dependent on:
- a concerted government focus on the resolution of a number of marginal eligibility issues;
- the relative performance of the mainstream work-for-the-dole scheme as a benchmark that may highlight the efficiency or inefficiency of the CDEP scheme;
- significant rearrangement so that the employment creation and income supplementation objectives can be clearly differentiated from the income support and community development (welfare substitution) objectives; and
- clearly distinguishing scheme participants that work from non-working participants who are usually spouses of workers.

Addressing these major issues may require some reduction in the current independence afforded participating communities in deciding how CDEP scheme
funding allocations are divided. While such community autonomy is a major strength of the scheme from the indigenous perspective, it is also resulting in a wide diversity in outcomes that is making rigorous evaluation and associated allocation of discretionary resources extremely problematic.

Acknowledgments

This paper has evolved sequentially, initially influenced by a short presentation to the Community Development Employment Projects Review Team; then by a seminar given at the Department of Social Security (DSS) in September and finally by another seminar given at the Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University, in November.

A version of this paper is to appear in the Social Security Journal of December 1997; thanks to the Department of Social Security for allowing publication here. Thanks are due also to John Taylor and Will Sanders for comments; to Francette Stefek, CDEP Finance Subsection, and the Budget Management Section of the Aboriginal and Torres Strait Islander Commission for assistance with statistics; to participants at seminars at DSS and CAEPR, especially Peter Hamburger from the Department of Finance and Administration who acted as seminar discussant; to Hilary Bek for research assistance; and to Jennifer Braid for layout.
Introduction

The Community Development Employment Projects (CDEP) scheme was first introduced in 1976-77, by the Fraser Coalition Government. It is not often that an academic commentator has the opportunity to assess the achievements and limitations of a government program after some 20 years of relatively unchanged operation.

While this discussion paper is ostensibly an assessment of the past, it is also very much about the future. This is partly because the CDEP scheme is currently (late 1997) being reviewed by a team appointed by the Howard Government. The paper begins with a somewhat lengthy contextualising discussion about the genesis of the scheme, its nature, past reviews and its survival and expansion. Under the broad rubric of achievements and limitations, four issues are then examined: the scheme's popularity, the multiple objectives of the scheme, the various components of the scheme and the administration of the scheme. In looking at the important challenges for the future, those that are unavoidable are differentiated from the avoidable.

Contextualising the CDEP scheme: a brief overview

To begin, it is important to attempt to explain what the CDEP scheme is, and how it might have changed over its first 20 years. At one level, with reference to inputs of dollars and outputs of participants these questions can be relatively easily answered. At another level, though, with reference to outcomes, these question prove to be extremely problematic.

The CDEP scheme started in 1977 on a pilot basis at the remote Aboriginal community of Bamyili (now Wugularr) in the Northern Territory; in 1977-78 its coverage was extended to several Pitjantjatjara communities in South Australia and Western Australia. The scheme evolved as a direct consequence of the introduction of award wages at remote Aboriginal communities by the Whitlam Labor Government. Previously, Aboriginal people had been employed on below award 'training allowances'; with the introduction of award wages, primarily for a limited number of town management jobs, unemployment was created.

Concerned by the possibility that a combination of inactivity and access to unemployment benefits might create social problems (Department of Aboriginal Affairs (DAA) 1977), a decision was made to pilot a 'work-for-the-dole' scheme at remote Aboriginal communities. Communities that initially participated in the scheme had not been in receipt of unemployment benefits (as Newstart Allowance (NSA) was then called). The basis of the scheme is for residents of participating communities to forego their entitlements to unemployment benefits. An amount roughly equivalent to the value of these entitlements is then paid to each community quarterly; participating organisations (or community councils) then either pay wages out of this resources pool for part-time employment or provide
income support to non-working participants. Initially, the scheme also provided an additional 10 per cent (of the lump sum) to cover administrative and capital on-costs.

The history of the growth of the scheme is complex and this paper will not focus in any great detail on this 20-year history (see Sanders 1988; Altman and Sanders 1991a; Sanders 1993; and Sanders 1997a for periodic updates). Over the years the fundamentals of the scheme have changed little: on-costs increased from 10 per cent to 20 per cent in the early 1980s; a new capital support component equivalent to up to another 20 per cent was introduced as part of the Hawke Government’s Aboriginal Employment Development Policy (AEDP) initiative in 1987; and the scheme has been increasingly introduced to urban, non-discrete communities from the late 1980s. Four key features of the scheme are noteworthy:

- it is largely funded from the notional NSA (and in some cases supporting parent pension) entitlements of participants;
- participation in the scheme does not necessarily mean employment (or unemployment) in official statistical collections; some participants are recorded as employed, some as unemployed or as 'not-in-the-labour-force': such distinctions are largely the decision of participating communities or data collectors;
- there are differences between rural and remote discrete communities, where participation in the scheme means that NSA is not available to community members as an alternative source of income support, and major urban and other urban communities where the scheme is run on a project basis and NSA is available to non-participants; and finally
- the scheme is more generous in terms of income testing than either NSA or pensions: the average per participant rate of about $170 at present can be doubled again (that is, $510 per week can be earned) before eligibility to participate in the scheme ceases. (However, there are no administrative data estimating individual incomes or identifying any participants being deemed ineligible because they earn too much.)

On the outcomes side, the scheme is far more difficult to define, primarily because it has multiple objectives that can be variably interpreted both by participating communities and administering bureaucrats. Possible interpretations include the following:

- the CDEP scheme is Australia’s longest running relatively unaltered labour market program. As data presented below will show, its sheer scale, especially in the overall indigenous affairs context, is impressive. If job creation is the goal then outcomes need to be measured by the number of participants exiting the scheme to employment. This information has never been systematically collected and there are no examples of communities proactively exiting the scheme;
it is Australia's most generous minimum income support program. If this were the case then it is important to demonstrate the scheme's effectiveness, either in providing income support (for non-working participants) or as a means to facilitate income generation (for working participants);

- it is an enterprise development program. If so, case outcomes should demonstrate the extent to which the scheme has assisted the establishment of viable enterprises; and

- it is a community development program, in which case outcomes should indicate the positive social impacts of the scheme on participating communities compared to others.

Over the years the scheme has been variably interpreted and it is increasingly recognised as having multiple objectives. It is able to do this in part because as Sanders (1988, 1993, 1997a) has noted it sits, at times somewhat uncomfortably, across the great divide in Australian social policy between welfare (income support) and workfare (employment creation). The scheme's growth in recent years has been very rapid, reflecting its popularity among both Aboriginal communities (often as Hobson's choice—the CDEP scheme, NSA or not much else) and politicians of all persuasions.

The growth in CDEP scheme participation has occurred despite numerous reviews that have cautioned against expansion until a number of administrative and policy issues are resolved. Just three illustrative examples will suffice:

- in 1986, a national review by the DAA (DAA 1986) noted that the scheme was tailor-made for particular circumstances at a particular point in time and recommended emphatically that the scheme's geographic coverage should not extend to urban communities. In the late 1980s, it did just that;

- in 1990, an interdepartmental review (CDEP Working Party 1990: vi) focusing on the nexus between welfare entitlements and CDEP scheme entitlements recommended an immediate slow down in the scheme's expansion 'to allow numerous policy and administrative issues to be resolved', but to no avail; and

- in 1993, an Aboriginal and Torres Strait Islander Commission (ATSIC) commissioned consultancy report titled No Reverse Gear (Deloitte Touche Tohmatsu 1993) recommended, again to no avail, a slow down in the scheme's expansion and a focus on clearly defining its multiple objectives.

When this discussion paper was being written the scheme was again the subject of a major review being conducted by an inter-agency task force chaired by the Council for Aboriginal Reconciliation's Ian Spicer. This review is driven, according to its terms of reference, by a combination of the following:

- a government concern that people are not exiting the scheme to the private sector, to training, to education or to joint ventures;

- industrial relations issues;
the costs of administering the scheme, often in monopolistic organisational environments;

the need to assess the scheme's operations now that ATSIC regional councils have assumed the key role in distributing discretionary scheme-linked resources (that is, the capital or CDEP Support component of the scheme);

issues associated with management training and support to participating organisations;

the absence of monitoring and evaluation mechanisms; and

the issue of whether CDEP scheme participants and Department of Social Security (DSS) beneficiaries are treated equally.

Historically, the scheme has been able to expand in different contexts, at different times, because it has received important endorsement, surprisingly often with reservations, from influential reviews with particular focuses. For example:

- the major review of Aboriginal employment and training programs in 1985 (Miller 1985) highlighted the great potential of the scheme to underwrite enterprise development, especially in rural and remote communities where there are few commercial opportunities;

- the policy response to the Miller Report was the AEDP officially launched in 1987 (Australian Government 1987). It provided a five-year funding commitment to the expansion of the scheme as an important means to support the AEDP's goal of employment equality between indigenous and other Australians. By 1991, it was clear that CDEP scheme growth was far exceeding AEDP targets (Altman and Sanders 1991b: 13);

- the House of Representatives Standing Committee on Aboriginal Affairs in its homelands inquiry Return to Country (Commonwealth of Australia 1987) highlighted both the positive impact of the CDEP scheme on outstation development and the absence of alternate employment at these remote communities; and

- the Royal Commission into Aboriginal Deaths in Custody (Commonwealth of Australia 1991) endorsed the role that the scheme played in community development and social cohesion by providing options for people to partake in productive activity. This was seen as a very cost-effective way to keep people outside the criminal justice system.

At the same time, while all this expansion has been going on, there has been concern expressed, especially at the macro-policy level, about the scheme. This has emanated primarily from academic commentators and consultants. Some illustrative examples include:

- in 1990, when participating in an interdepartmental review of the scheme, concerns were raised about the lack of rigorous scheme performance evaluation (Altman 1990). Without such assessment it was impossible to assess if scheme expenditure represented the best use of scarce Aboriginal affairs dollars;
• in 1993, *No Reverse Gear* (Deloitte Touche Tohmatsu 1993) undertook research and collected important primary data at 21 CDEP scheme communities. The review highlighted problems with the multiple objectives of the scheme and also noted that the scheme's community development role, particularly in the areas of housing and infrastructure provision, may have allowed governments to renege on their funding responsibilities;¹ and

• research at the Centre for Aboriginal Economic Policy Research (CAEPR) since 1990 has continually raised concerns that while the scheme might be assisting government policy objectives by providing part-time employment, it was also locking participants into poverty (Altman and Sanders 1991b; Altman and Smith 1994; Altman and Hunter 1997). Concern has also been expressed about participants' vulnerability to policy change, budget cuts or capping of expansion (Altman and Daly 1992; Hunter and Taylor 1996).²

In 1993, after analysing past reviews and unresolved administrative and policy issues, Sanders (1993) wrote a discussion paper titled 'The rise and rise of the CDEP scheme' about the scheme's inevitable growth. It will be interesting to see if, in the aftermath of this latest review, we will again see another 'rise' without major change in the scheme's structure or operations.

**Achievements and limitations**

Achievements and limitations of the scheme under four broad headings are now examined. Owing to the absence of incontestable and quantitative performance indicators for the scheme, assessments are somewhat interpretative and the choice of key issues is certainly highly subjective.

**The scheme's popularity**

Perhaps the greatest achievement of the scheme has been its longevity and its growth. This is clearly illustrated in Table 1 where information is provided for 20 years on the number of participating communities, scheme participants, expenditure (in current not real dollars) and the proportion of total specific expenditure in indigenous affairs on the scheme. This growth reflects the scheme's undeniable popularity: it is an indicator of 'success'.

The political popularity of the scheme, at all levels, can be readily explained. Indigenous community leaders like the scheme because it provides them with control over considerably more discretionary resources than would be available under a welfare regime. It also affords Aboriginal community politicians a rare opportunity to take the high moral ground: 'we work for our dole in contrast to other Australians' (see Altman and Sanders 1991a; Deloitte Touche Tohmatsu 1993).³
Table 1. CDEP scheme participant numbers and expenditure, 1976-96

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of communities participating</th>
<th>Number of participants</th>
<th>CDEP expenditure ($ million)</th>
<th>CDEP as % of portfolio expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976/77</td>
<td>1</td>
<td>100</td>
<td>0.1</td>
<td>&lt;1</td>
</tr>
<tr>
<td>1977/78</td>
<td>10</td>
<td>500</td>
<td>2.0</td>
<td>2</td>
</tr>
<tr>
<td>1978/79</td>
<td>12</td>
<td>800</td>
<td>2.9</td>
<td>2</td>
</tr>
<tr>
<td>1979/80</td>
<td>17</td>
<td>700</td>
<td>3.8</td>
<td>3</td>
</tr>
<tr>
<td>1980/81</td>
<td>18</td>
<td>1,300</td>
<td>6.9</td>
<td>4</td>
</tr>
<tr>
<td>1981/82</td>
<td>18</td>
<td>1,300</td>
<td>7.0</td>
<td>4</td>
</tr>
<tr>
<td>1982/83</td>
<td>18</td>
<td>1,300</td>
<td>7.4</td>
<td>4</td>
</tr>
<tr>
<td>1983/84</td>
<td>32</td>
<td>1,700</td>
<td>14.2</td>
<td>6</td>
</tr>
<tr>
<td>1984/85</td>
<td>33</td>
<td>2,900</td>
<td>23.5</td>
<td>8</td>
</tr>
<tr>
<td>1985/86</td>
<td>38</td>
<td>4,000</td>
<td>27.2</td>
<td>9</td>
</tr>
<tr>
<td>1986/87</td>
<td>63</td>
<td>6,000</td>
<td>39.5</td>
<td>12</td>
</tr>
<tr>
<td>1987/88</td>
<td>92</td>
<td>7,600</td>
<td>65.5</td>
<td>17</td>
</tr>
<tr>
<td>1988/89</td>
<td>130</td>
<td>10,800</td>
<td>98.8</td>
<td>22</td>
</tr>
<tr>
<td>1989/90</td>
<td>166</td>
<td>13,800</td>
<td>133.2</td>
<td>25</td>
</tr>
<tr>
<td>1990/91</td>
<td>168</td>
<td>18,100</td>
<td>193.1</td>
<td>34</td>
</tr>
<tr>
<td>1991/92</td>
<td>185</td>
<td>20,100</td>
<td>204.5</td>
<td>32</td>
</tr>
<tr>
<td>1992/93</td>
<td>186</td>
<td>19,900</td>
<td>234.4</td>
<td>28</td>
</tr>
<tr>
<td>1993/94</td>
<td>222</td>
<td>24,100</td>
<td>251.9</td>
<td>27</td>
</tr>
<tr>
<td>1994/95</td>
<td>252</td>
<td>27,000</td>
<td>278.3</td>
<td>29</td>
</tr>
<tr>
<td>1995/96</td>
<td>274</td>
<td>28,400</td>
<td>326.6</td>
<td>32</td>
</tr>
<tr>
<td>1996/97</td>
<td>268</td>
<td>30,000</td>
<td>345.3</td>
<td>35</td>
</tr>
</tbody>
</table>

Note: a. Data are divided by ATSIC between Torres Strait Regional Authority allocations and the rest of the nation; these two components are aggregated here. Rounded-off approximations only.

Source: Sanders (1997a); ATSIC (1997b)

State and local government politicians like the scheme because it provides Commonwealth financial resourcing to partially underwrite Aboriginal community development, especially at very remote and very small communities like outstations. Federal politicians like the scheme because, as will be illustrated below, it ameliorates extraordinarily high rates of indigenous unemployment.

The popularity-linked success of the scheme at these political levels is hardly surprising, but some research also suggests that there are rumblings from participants, especially long-term participants who may have participated in the scheme for up to 20 years for intractably low part-time wages or non-working participants who may be receiving less under the scheme than under welfare (Smith, Adams and Burgen 1990; Deloitte Touche Tohmatsu 1993; Sanders 1997a).

More substantively, available case study research invariably indicates that if the scheme is well administered it can actually make a difference to the quality of life at participating communities (see Deloitte Touche Tohmatsu 1993; Smith 1994, 1995, 1996). This is a major achievement.
Multiple objectives

It is difficult to assess whether the multiple objectives of the scheme are an achievement or a limitation depending on whether each objective is separately assessed or whether this feature of the scheme is globally assessed. Let me begin with three (among many) individual components.

Historically, the scheme began largely as an alternative means to provide income support to participants in remote communities. Its effectiveness in meeting this objective is highly variable. Available information suggests that between 60 per cent (Deloitte Touche Tohmatsu 1993) and 71 per cent (ABS/CAEPR 1996) of CDEP participants work part-time for wages. Analysis by ATSIC (1996: 59-61) of the activities undertaken by CDEP scheme workers indicates that many undertake similar activities (like art and craft production, subsistence, and so on) that they might have under a welfare regime. A key issue is whether non-working participants receive the equivalent of their welfare entitlements when the community in which they reside participates in the scheme. This is an issue that is examined in greater detail in by Sanders (1997b); suffice to say that it is possible that non-working scheme participants are more vulnerable to receive less than their welfare entitlements because there is a degree of community discretion about how block grants are expended. This is a potential, and important, limitation of the scheme.

More recently, the scheme has increasingly been regarded as a labour market program: in the context of the AEDP, the scheme's rapid expansion since 1987-88 has largely been predicated on its employment creation potential. In a statistical sense, the CDEP scheme has been very successful in meeting this objective. In Table 2, estimates are provided about the impact of the CDEP scheme on official estimates of indigenous employment since 1986. It is calculated that between 1986 and 1991 indigenous employment expanded by some 14,900; of this 64 per cent was created by expansion in CDEP scheme employment and only 36 per cent by other 'real' job growth. In short, CDEP employment increased at 2,000 per annum or twice the non-CDEP growth of 1,000 jobs per annum. Between 1986 and 1991, CDEP scheme employment expanded from 7.5 per cent of all indigenous employment to 21.4 per cent. More recently, it is estimated that CDEP employment accounts for over 23 per cent of indigenous employment. While statistically this is an achievement, it is important to recall that most of this employment is part-time and for relatively low wages. It is also employment that is dependent on annual appropriations; its vulnerability was demonstrated by budget cuts introduced by the Howard Government in 1996 (Hunter and Taylor 1996).

A constant criticism of the scheme in recent years (see Johnston 1991), and one of its key limitations, is its inability to provide training both to scheme participants and participating organisations. There is no ready mechanism available to allow employed participants to move on and off training programs, although as Smith's (1994, 1996) case studies indicate some particular CDEP organisations have creatively found means to provide some training to
participants. Similarly, a fundamental weakness of the scheme is its inability to assist managers and administrators to use the scheme creatively or to find means to access training programs for 'employed' participants. This difficulty is largely due to interagency program demarcations, that the AEDP was meant to straddle; it may also be due to an unwillingness or financial inability for CDEP organisations to buy-in expertise.

Table 2. CDEP scheme participation and impact on indigenous employment, 1986-96

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CDEP participants</td>
<td>5,000</td>
<td>18,500</td>
<td>24,000</td>
<td>26,228</td>
</tr>
<tr>
<td>CDEP employed</td>
<td>3,500</td>
<td>13,200</td>
<td>17,000</td>
<td>18,622</td>
</tr>
<tr>
<td>Employed (E)</td>
<td>46,900</td>
<td>61,800</td>
<td>66,600</td>
<td>82,000</td>
</tr>
<tr>
<td>Non-CDEP E</td>
<td>43,400</td>
<td>48,600</td>
<td>49,600</td>
<td>63,378</td>
</tr>
<tr>
<td>CDEP share of E</td>
<td>7.5%</td>
<td>21.4%</td>
<td>25.5%</td>
<td>22.7%</td>
</tr>
</tbody>
</table>

Source: Altman (1997)

Overall, though, the multiple objectives of the scheme and the discretion given to participating communities to define work and to independently decide on allocation of funds, within certain parameters, is one of the scheme's great advantages. In situations where there are often very limited mainstream labour market opportunities, participation in the scheme is convenient (there is no constant scrutiny by DSS, no fortnightly work test and no need for diaries) and the fact that participating communities are allowed the dignity to define what constitutes 'work' allows for culturally and locationally appropriate definitions of employment.

Components of the CDEP scheme

While the total cost of the scheme now exceeds $300 million per annum, one of ATSIC's important achievements has been an ability to maintain a link between an estimated 63 per cent of this expenditure and their notional welfare entitlements from DSS. The key achievement here is largely political and explains to some extent the longevity of the scheme: over 60 per cent of the cost of the scheme, and arguably a proportion more, is a sunken cost for government that would need to be paid, via NSA, anyway. Indeed, there are some arguments that there are other net savings to government because, as low-paid employed people, CDEP participants miss out on some benefits that they would have received as welfare recipients (Sanders 1997b).

The scheme's funding is divided into three components comprising participants' wages; recurrent on-costs that are used to administer the scheme and to meet statutorily required costs like workers compensation insurance premiums; and capital costs. The division between these three categories is shown for the last two financial years in Table 3. As a general rule, recurrent on-
costs are calculated as an additional 20 per cent on the wages component and capital is estimated as about 15 per cent on wages. On a percentage basis, wages account for 74 per cent, recurrent to 15 per cent and capital for 11 per cent. Actual allocations in 1995-96 and 1996-97 are close to these proportions.

Table 3. CDEP scheme expenditure by broad components, 1995-96 and 1996-97

<table>
<thead>
<tr>
<th>Yearb</th>
<th>Wages component</th>
<th>Recurrent on-costs</th>
<th>Capital</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>Per cent</td>
<td>$m</td>
<td>Per cent</td>
</tr>
<tr>
<td>1995-96</td>
<td>239.4</td>
<td>74.0</td>
<td>46.3</td>
<td>37.8</td>
</tr>
<tr>
<td>(allocated)</td>
<td>74.0</td>
<td>14.3</td>
<td>11.7</td>
<td>100.0</td>
</tr>
<tr>
<td>1995-96</td>
<td>242.4</td>
<td>65.7</td>
<td>20.1</td>
<td>5.6</td>
</tr>
<tr>
<td>(released)</td>
<td>74.3</td>
<td>19.8</td>
<td>19.5</td>
<td>5.7</td>
</tr>
<tr>
<td>1996-97</td>
<td>257.4</td>
<td>49.3</td>
<td>39.3</td>
<td>346.0</td>
</tr>
<tr>
<td>(allocated)</td>
<td>74.4</td>
<td>14.2</td>
<td>11.4</td>
<td>100.0</td>
</tr>
<tr>
<td>1996-97</td>
<td>257.3</td>
<td>68.4</td>
<td>19.5</td>
<td>345.2</td>
</tr>
<tr>
<td>(released)</td>
<td>74.5</td>
<td>19.8</td>
<td>5.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes: a. Data are divided by ATSIC between Torres Strait Regional Authority allocations and the rest of the nation; these two components are aggregated here.

b. A distinction is made between annual allocations and annual releases. Since 1994, ATSIC regional councils have been empowered to allocate the non-wages components and to shift allocations between the recurrent and capital line items.

Source: CDEP Finance Sub-Section, ATSIC, Canberra

A problem with the on-costs component is that there are marked interstate variations in these, especially workers' compensation insurance. A problem with capital allocations, which is a severe limitation, is that there is no evidence that these payments are tied to enterprise (or any other) performance; all too often, it appears, these resources are distributed equally rather than equitably.

Administration of the CDEP scheme

One of the issues that has bedevilled the scheme since its establishment and remains a major limitation is actual, or perceived, mal-administration. Because all payments are notionally linked to participant numbers there is a need to maintain accurate participant schedules. However, these only need to be adjusted quarterly. This may explain the gap between participant numbers and NATSIS estimates of CDEP employed. Structurally, because the scheme makes payments to communities (via ATSIC) rather than to individuals (via Centrelink) it is complex. It is unclear, for example, how much of additional income generated by the scheme is just the result of strict application of 'no-work no-pay' rules (that some communities use), or the result of mobility to other localities that generates 'salary savings', or the consequence of genuine income-generating activity.
This complexity may have been exacerbated to some extent by the continual pressures to decentralise decision making within ATSIC. Since 1994, while the wages component of the scheme remains a national program, ATSIC regional councils have been empowered to make annual allocations of recurrent on-costs and capital components. Furthermore, regional councils have been allowed to shift resources between these two categories, while participating communities have been able to use any receipts (including enterprise earnings) for wages. This development may explain some recent evidence (see below) that CDEP scheme participants enjoy higher median incomes than welfare beneficiaries. It is unclear, to date, how allocative decisions are being made by regional councils and whether decentralisation has improved or detracted from the scheme's efficacy. What is clear in Table 3 is that actual capital expenditure is well below allocations; this suggests that either recurrent costs are consistently higher than anticipated or that there is limited demand for capital.

The potential for mal-administration and periodic problems at the individual community level has been termed by Rowse (1992) 'administrative anxiety'; it remains the major factor that has driven ongoing audit reviews of the scheme over the years (see Auditor-General 1990, 1992, 1997; Australian National Audit Office 1995, 1997; Commonwealth of Australia 1996). It is a potential limitation that will need to be addressed.

Challenges for the future

In looking to the future, unavoidable challenges that are facing indigenous affairs generally, and the CDEP scheme in particular, are differentiated from the avoidable. Some key challenges for the current (1997) review of the scheme are also briefly highlighted.

The unavoidable: future population growth

Data in indigenous affairs date quickly; in early 1997, Taylor and Altman (1997) used Australian Bureau of Statistics (ABS) projections of the indigenous population at 319,000 in 1996, 357,000 in 2001 and 398,000 in 2006. The subsequent availability of the 1996 Census-based estimated resident population of 372,000 shows that this was a significant underestimate. Even using these underestimates (in the absence of anything else) the indigenous population is projected to grow at a rate of at least 2.6 per cent per annum and the population of working age will be at least 30 per cent higher by 2006. The already dated best-case scenario suggests that between 1996 and 2006 the indigenous official unemployment rate is likely to increase from the current estimated 37 per cent to 40 per cent.

Recently available census data indicate that mainstream indigenous employment totals 82,000 and CDEP employment is 18,622 (bearing in mind that nearly 30 per cent of these participants are estimated to be either not working or
not in the labour force). With CDEP at current levels, the indigenous unemployment rate is 23 per cent; without the CDEP scheme, the unemployment rate would increase to an estimated 40 per cent.

These statistics and potential for growth in the working-age population, especially in rural and remote areas, will create enormous pressure to continue to expand the scheme. Hunter and Taylor (1996) estimated that in the inter-censal period 1986 to 1991, 64 per cent of employment growth was explained by CDEP scheme expansion; in the period 1991-96, a far lower 35 per cent of employment growth is estimated to have been generated by expansion of the scheme (Altman 1997). While the Howard Government's policy seeking urgent improvement in private sector and enterprise employment outcomes for indigenous Australians is laudatory, it still seems likely that in the short to medium terms the CDEP scheme will require expansion just to maintain the already unacceptable status quo (Altman 1997: 8-9; Taylor and Altman 1997: 7). In particular, there may be a need, again in accord with government policy, not to expand the scheme in those geographic areas of fastest population growth (major urban areas), but rather to expand the scheme in regions where mainstream labour markets are least vibrant or, at times, moribund.

The avoidable: policy-linked, program-modification issues

There are a number of potential problems and challenges for the CDEP scheme that are avoidable. Interestingly, though, in these areas there is a lack of conclusive evidence about the performance of the scheme, irrespective of how it is defined. Let us look at two specific issues.

First, there has been concern expressed in the literature over a number of years (see, inter alia, Smith, Adams and Burgen 1990; Altman and Smith 1994) that the scheme is locking participants into poverty. Conversely, there is a lack of conclusive evidence that the scheme is improving individual income levels. This is partly because all available data fails to rigorously differentiate scheme workers from participants. Using 1991 Census data in a select sample of CDEP and non-CDEP communities in the Northern Territory, Altman and Hunter (1996) were unable to find any statistically significant differences in either mean or median adult incomes irrespective of participation. Alternatively, using 1994 National Aboriginal and Torres Strait Islander Survey data, Sanders (1997a) shows that scheme participation improves income outcomes. There is an urgent need for close interrogation of 1996 Census data to assist in resolving such inconsistency, but there are already some concerns that CDEP participants may not have been sufficiently well differentiated to allow such an assessment, at least in non-remote schemes.

Second, there is little evidence, especially in urban contexts, of individuals exiting the scheme to employment, or even to work experience and training. Smith's (1994, 1995, 1996) case studies each at one point in time indicate that scheme workers may increase their employment (and incomes) by supplementing scheme-funded work with other work. But there is little evidence of favourable
employment outcomes. In 1992, a House of Representatives Report *Mainly Urban* (Commonwealth of Australia 1992) recommended that in urban contexts the scheme should have a sunset clause thus providing incentive for participants to seek employment elsewhere. More recently, a survey conducted as part of a report by ATSIC's Office of Evaluation and Audit (ATSIC 1997a) has argued that employment outcomes for the CDEP scheme in urban contexts are positive and are better than for long-term unemployed. This survey, based on post-participation monitoring, is being challenged on statistical grounds by the Department of Education, Employment, Training and Youth Affairs.

The lack of statistical and rigorous evidence of success is making the scheme politically vulnerable. For example, while it can be argued that the loose nexus between most CDEP scheme costs and welfare entitlements makes this financial component of the scheme relatively safe, the recurrent on-costs and capital components of the scheme that now cost nearly $90 million per annum, are vulnerable to budget cuts. This is especially the case if these allocations are just shown to be topping up wages. If there is no evidence that the scheme is meeting its objectives, however defined, then the legitimate question whether the additional cost of the scheme is justified can be raised. Unfortunately, alternatively, if the scheme is shown to be successful, then potential for sunset clauses and for less generous income testing arises. A political problem that may arise in the indigenous domain without future expansion of the scheme is how existing CDEP scheme resources should be allocated. Expansion that is currently built into the scheme is only intended to cope with population growth at currently participating communities; this limits options for the estimated 25,000 potential indigenous participants in the scheme that are currently in receipt of NSA (Hunter and Altman 1996).

**Challenges for the current review**

By the time this discussion paper is available the 1997 review of the CDEP scheme will either be completed or close to completion. Partly because this review's terms of reference also require it to have regard to previous reviews of the scheme it faces some unique challenges. In particular it is clear that considerably more research is needed about the actual operations of the scheme. There is a dearth of case study material about the scheme's current operations: those in *No Reverse Gear* (Deloitte Touche Tohmatsu 1993) are now five years old and Smith's (1994, 1995, 1996) three case studies are all urban based. There is an urgent need for the review to devise appropriate performance indicators for the scheme and it is hoped that ATSIC's Central Office has been able to provide statistical analysis of participants and that the ABS has been able to provide some information from the 1996 Census where 12,000 indigenous people residing in remote regions were characterised as CDEP scheme employed.

The key challenges facing the current review is to analyse previous reviews and recommendations and assess why they were not implemented. Two possibilities come to mind. First, there are enormous political and bureaucratic
forces at work that seek to maintain the status quo, including regular expansion. In recent years, as data in Table 1 indicate, the CDEP scheme has not only become ATSIC’s most significant program accounting for over 30 per cent of expenditure, but it has also become its distinguishing cornerstone. Not surprisingly, a degree of institutional protectiveness and possessiveness has built up that can be hard to penetrate. Second, both for ATSIC and for government, the existence of the scheme has become a political convenience. As already noted, given pressures from projected growth of the working-age population, the scheme will need to expand rapidly in the next decade just to maintain the indigenous unemployment rate below 40 per cent. There is a growing realisation that in many situations there are limited options for employment creation beyond the CDEP scheme; unfortunately there is a possibility that the scheme will unwittingly provide both government and ATSIC with a mechanism to avoid addressing the ‘real’ labour market situation of indigenous Australians. Developing a role for the scheme in addressing this complex issue is the most difficult task facing the current review team.

Conclusion

To summarise, looking back over the past 20 years, the major achievements of the CDEP scheme would have to include, in no order of priority: its undiminished popularity; its sheer survival; its ability to create a mechanism to facilitate productive activity in many contexts; and its ability (and potential) to supplement low cash incomes that would otherwise hit a very low welfare ceiling, especially in remote, relatively underdeveloped, regions. Its limitations include the lack of tangible and convincing evidence of success, be it in income supplementation, employment creation, community development or enterprise creation; the absence of well-defined exit options; and ongoing administrative problems, especially in maintaining accurate participant schedules.

The future survival of the CDEP scheme is probably dependent, at least in part, on a concerted government focus on the resolution of a number of marginal eligibility issues (see Sanders 1997b). It may also be dependent on the relative performance of the mainstream work-for-the-dole scheme as a benchmark that may highlight the efficiency or inefficiency of the CDEP scheme. There is little doubt that the scheme may need significant rejigging so that its employment creation and income supplementation objectives can be clearly differentiated from its income support and community development (welfare substitution) objectives.

There may also be growing pressure to clearly distinguish scheme participants that work from non-working participants who are usually spouses of workers. Addressing either of these two major issues may require some reduction in the current independence afforded participating communities to decide how CDEP scheme funding allocations are divided. While such community autonomy is a major strength of the scheme from the indigenous perspective it is also
resulting in a very wide diversity in outcomes that is making rigorous evaluation and associated allocation of discretionary resources extremely problematic.

Notes

1. The enormous body of research about the scheme to 1993 is summarised in an annotated bibliography that is presented as a 25-page Appendix 3 to this report (Deloitte Touche Tohmatsu 1993).

2. Academic research at CAEPR about the scheme since the Centre's establishment in 1990 has been substantial, primarily because it is impossible to write about Aboriginal economic policy or labour market participation without highlighting the role of the CDEP scheme. CAEPR assessments of the scheme have been mixed, with some of the most positive being three, all too rare, case studies by Smith (1994, 1995, 1996) that have examined urban CDEP schemes at Port Lincoln, Redfern and Newcastle.

3. Arguably, since the establishment of the mainstream work-for-the-dole scheme the strength of this argument has dissipated somewhat.

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