

Chapter Four
Atypical labour markets require atypical policy solutions
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Introduction

The Federal Government set out an ambition to address the socio-economic divide between Indigenous and non-Indigenous communities in its 2009 *Closing the gap on Indigenous disadvantage: the challenge for Australia* report (Australian Government, 2009a). The report identifies six areas of concern and sets goals to address them:

1. Close the life expectancy gap within a generation;
2. Halve the gap in mortality rates for Indigenous children under five within a decade;
3. Ensure access to early childhood education for all Indigenous four years olds in remote communities within five years;
4. Halve the gap in reading, writing and numeracy achievements for children within a decade;
5. Halve the gap for Indigenous students in year 12 attainment or equivalent attainment rates by 2020, and;
6. Halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade.

This chapter focuses on the sixth goal and will concentrate on the northern Australian Indigenous labour market. Although I focus on the last goal, I wish to stress that these six goals are interrelated. Improving labour market outcomes will require success in at least goals three to five as well.

Biddle *et al.* (2009) show that about 117,000 jobs must be created for Indigenous people by 2016 to meet the *Closing the Gap* employment goal. Australian Government (2009b) shows that 28 per cent of all Indigenous Australians live in northern Australia, which implies that success in that part of the labour market is crucial to the Federal Government to achieve its overall national goals.

To achieve its Indigenous labour market goal, the Federal Government has redeveloped two existing programs—the Community Development Employment Projects (CDEP) and the Indigenous Employment Program (IEP)—which will be rolled out in close conjunction with the UES (Universal Employment Services (UES)).

This chapter intends to assess the likelihood that the proposed policy mix will have the scope and scale to meaningfully reduce unemployment in the northern Australian Indigenous labour market. This will be necessary for the government to achieve its goal of halving the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade.

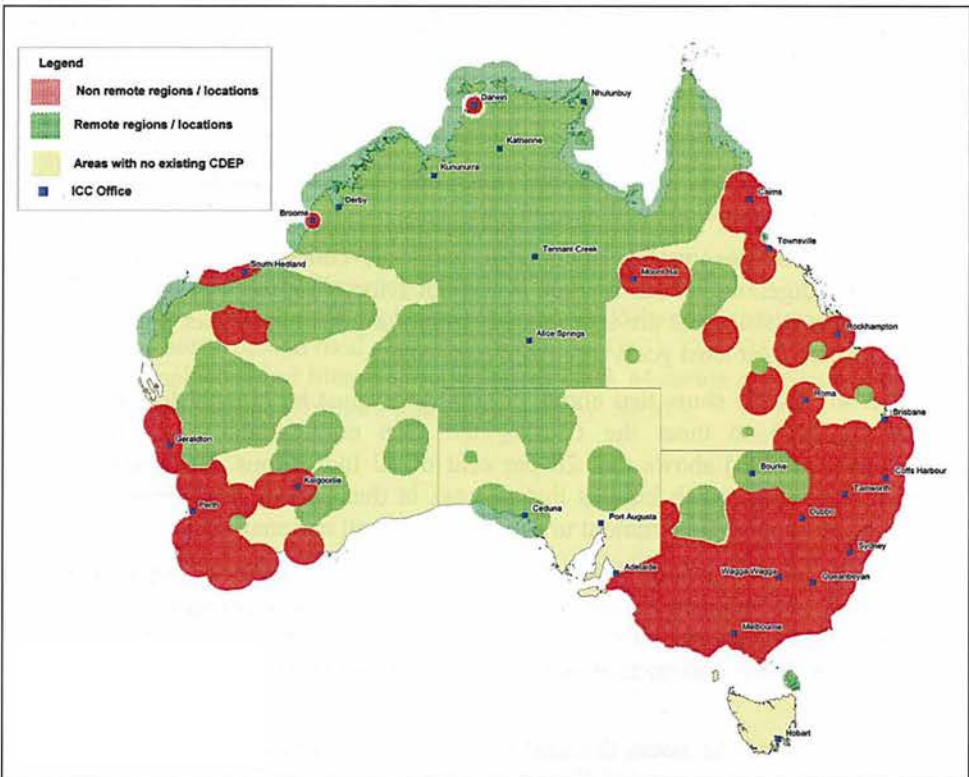
The next section will describe that northern Australian Indigenous labour market and picture the current state of affairs, which provides an insight into the challenges

ahead. The subsequent presents the suit of labour market policies that the Australian Government employs to achieve its goal of ‘halving the gap’ and assesses the adequacy of this policy mix to be successful. The following section will discuss policy alternatives, while Section 5 provides conclusions and recommendations.

The North Australian Indigenous Labour Market

Demarcating the northern Australian labour market is no easy exercise. Environmental boundaries (like river catchments) often provide natural boundaries to local economic activity. Since we are interested in local labour markets, which are closely related to local economic activity, we will adopt a demarcation strategy which explicitly takes natural boundaries into account. However, natural boundaries need not (and do not) necessarily line up well with demarcations employed by the Australian Bureau of Statistics (ABS), which is the prime information source for labour market data. Since this chapter intends to provide a macro overview of the northern Australian Indigenous labour market and not a spatially data-sensitive micro overview, we can still use ABS data to picture the macro environment of that particular labour market.

Figure 4.1 Availability of CDEP funding as of 2009



Source: Australian Government (2008)

I will follow the demarcations employed by the Cooperative Research Centre (CRC) Tropical Savannas, which are based on the Interim Biogeographic Regionalisation for Australia (IBRA) (Australian Government, 2010). The IBRA demarcate regions based on vegetation communities and land systems. The CRC Tropical Savannas aggregates the IBRA bioregions in the North to end up with eight regions: Kimberly,

Victoria River District (VRD), Sturt, Darwin Kakadu, Arnhem Land, Gulf country, Cape York, Mitchell Grasslands, and North-East Queensland.

I am interested in the effectiveness of two Australian Indigenous labour market policies, the IEP and the CDEP. CDEP entitlement is space dependent. Figure 4.1 shows the regions which are CDEP entitled as of 2009. The yellow areas have never had CDEP; the red non-remote areas no longer have access to CDEP. Only the regions which are classified as remote (green) continue to be CDEP entitled. This means that six regional labour markets have no CDEP entitlement:

- in the entire North-East Queensland region;
- in the Mount Isa region in the Gulf country;
- south-east to Mount Isa in the Mitchell Grasslands;
- in Broome in the Kimberly region;
- in Darwin in the Darwin-Kakadu region.

Established economies in Northern Australia

The regions that are not CDEP entitled are considered to have established economies, notably Broome, Darwin, Mount Isa and Townsville. Indigenous people who reside in these established economies will have to rely on IEP and UES to gain and or retain employment.

Table 4.1 below presents some key labour market outcomes for Indigenous people residing in these established economies, based on the ABS 2006 Census—see Hunter (2009) for the impact of the global financial crisis on Indigenous employment. The similarities across the four economies are striking. Unemployment rates hovered around the four per cent mark in 2006, with Indigenous unemployment rates some 10 percentage points higher. The higher Indigenous unemployment rate also led to a lower labour force participation rate for Indigenous people. That is, low employment prospects discourage (Indigenous) people to search for work, which means they are officially not in the labour force and subsequently not part of the unemployment statistic—see the next section for a more extensive discussion of this point.

Table 4.1 Labour market outcomes for Indigenous people in established economies, 2006

	Population (Indigenous)	Unemployment rate (Indigenous)	Labour force participation (Indigenous)
Broome	11,547 (2,337)	4.1 (14.7)	79.2 (54.5)
Darwin	105,991 (10,259)	3.5 (13.5)	80.9 (55.0)
Mount Isa	19,663 (3,268)	3.9 (14.7)	81.5 (58.7)
Townsville	143,328 (8,224)	4.5 (17.3)	78.5 (56.2)

Source: ABS Census, 2006

Clearly, the labour market outcomes of Indigenous people residing in established economies are relatively poor. Since the labour markets of established economies are competitive markets, credentials determine your position in the job queue. Arguably the most important credential is educational attainment. Table 4.2

compares the educational attainment of Indigenous compared with non-Indigenous people in established economies. The educational disadvantage of Indigenous people is significant, which is likely to drive many of the results found in Table 4.1.

Table 4.2 Educational attainment in established economies, Indigenous versus non-Indigenous, 2006

	Broome		Darwin		Mount Isa		Townsville	
	Ind.	non-Ind.	Ind.	non-Ind.	Ind.	non-Ind.	Ind.	non-Ind.
Degree	3.0	11.6	3.7	12.2	1.4	8.7	4.4	11.7
Diploma	3.6	6.0	3.7	5.5	2.1	3.6	3.1	4.6
Certificate	13.7	17.2	12.9	15.4	11.3	18.3	12.5	14.3
School	79.7	65.3	79.7	66.8	85.1	69.4	80.1	69.3

Source: ABS Census, 2006

It seems clear that educational disadvantage is the key problem that Indigenous people in established economies face. If the government intends to halve the employment gap, it will have to adopt policies that succeed in upgrading the educational attainments of Indigenous people towards non-Indigenous levels. The IEP and UES are the available policy tools to achieve that outcome in established economies. The next section will discuss the likelihood that the IEP and UES are adequate policy tools to achieve the government's Indigenous employment goal.

Emerging / Limited economies in Northern Australia

The remaining regions in Northern Australia are classified as emerging or limited economies, which are CDEP, IEP and UES entitled. Emerging economies are regions with a significant Indigenous population and emerging (private) sector development. Limited economies are regions with a significant Indigenous population and limited private sector presence. The difference between the two types of economies is not clearly delineated. In the description of emerging/limited economies I therefore employ my own demarcation.

I focus on regions with a minimum score of 0.70 for the Indigenous to total population ratio, which I define as being a significant Indigenous population.¹ Data availability (and if present reliability) concerns urge us to apply a second criterion: localities must have at least 750 inhabitants. Besides data concerns, localities of less than 750 inhabitants are unlikely to have meaningful labour markets and would surely be classified as limited economies.

Table 4.3 presents the 11 localities that meet the criteria that I set out above.² Five out of eight CRC Tropical Savannas regions are represented. The remaining regions (a) do not have large enough towns—with more than 750 inhabitants (VRD Sturt), (b) have large enough towns but only low Indigenous representation (Mitchell Grasslands), or (c) are not considered remote and are hence not CDEP entitled (North-East Queensland).

We see that all 11 communities share three characteristics: small towns, domination of Indigenous people and a median age far below the Australian average.

Table 4.3 Selected Indigenous local labour markets in Northern Australia, 2006

Locality (region)	Population	Indigenous to non-Indigenous population ratio	Median age
Angurugu (Arnhem Land)	813	0.96	21
Milingimbi (Arnhem Land)	999	0.95	27
Ngukurr (Gulf Country)	915	0.94	20
Hope Vale (Cape York)	781	0.93	26
Doomadgee (Gulf Country)	1,082	0.93	19
Maningrida (Arnhem Land)	2,067	0.92	20
Wadeye (Darwin–Kakadu)	1,627	0.92	19
Aurukun (Cape York)	1,043	0.92	24
Bamaga (Cape York)	784	0.88	19
Borrooloola (Gulf Country)	773	0.75	21
Halls Creek (Kimberley)	1,211	0.70	24
Australia	19,855,288	0.02	37

Source: ABS Census 2006

Although the 11 localities share some characteristics, they also differ substantially in terms of labour market performance. Table 4.4 presents some key labour market characteristics. All figures in this table refer to Indigenous people in the local labour market. Unemployment rates are typically above the Australian nationwide average, but differences between communities are substantial. Halls Creek in the Kimberley and Milingimbi in Arnhem Land experienced unemployment rates above 20 per cent in 2006, while Angurugu in Arnhem Land and Hope Vale in Cape York experienced below nationwide average unemployment rates.

Table 4.4 Labour market outcomes (Indigenous persons only), 2006

Locality (region)	Unemployment rate	Labour force participation rate	Share of fulltime in total employment	Median weekly earnings (AUS\$)
Angurugu (Arnhem Land)	4.8	17.2	45.2	208
Milingimbi (Arnhem Land)	23.3	13.8	25.0	171
Ngukurr (Gulf Country)	10.0	53.7	17.8	216
Hope Vale (Cape York)	5.0	75.8	5.5	222
Doomadgee (Gulf Country)	8.0	55.7	12.7	218
Maningrida (Arnhem Land)	16.4	36.0	12.8	209
Wadeye (Darwin–Kakadu)	8.9	16.7	21.1	176
Aurukun (Cape York)	9.9	47.4	15.0	210
Bamaga (Cape York)	6.7	72.6	34.9	352
Borrooloola (Gulf Country)	7.9	56.3	12.3	228
Halls Creek (Kimberley)	22.0	51.7	33.1	224
Australia	5.2	75.0	69.0	460

Source: ABS Census 2006

However, unemployment rates alone are not a reliable indicator of the state of the labour market, especially in underdeveloped labour markets. I suspect that, similarly to Indigenous communities in established economies, the discouraged worker effect

will be substantial in Indigenous communities in emerging / limited economies. Data about the size of the group of discouraged workers are unavailable for these labour markets. Nevertheless, the labour force participation rate is indicative of the presence of discouraged workers—see column 2 in Table 4.4. Again we observe large fluctuations, but in general it is below or far below (notably in Arnhem Land) the nationwide average, suggesting that the official unemployment rate is only a conservative estimate of the unemployment reality that these communities face.

Turning to the Indigenous people who do have work, we observe another problem. Column 3 of Table 4.4 shows that workers in these regions are far less likely to hold full time employment (40 hours a week or more) than the average worker in Australia. This results in median weekly earnings which are roughly half of the Australian average. The high incidence of part time employment hints at another form of hidden unemployment: involuntary part time employment. Again, data on involuntary part time employment are unavailable. I will come back to this form of hidden unemployment in the next section below.

The poor labour market outcomes are likely to be a result of an ill-equipped labour market structure. Table 4.5 shows some statistics to substantiate that claim. The first column of Table 4.5 shows the share of public sector employment in total employment. While that is 30 per cent nationwide, it is above 75 per cent in all communities but Milingimbi. The second column shows the employment share of the largest private industry sector. These statistics show that employment in the 11 localities is predominantly provided by the public sector; private sector activity is negligible. Consequently, with the possible exception of Milingimbi in Arnhem Land, all identified economies in this section are limited economies. Smaller Indigenous townships in remote northern Australia are unlikely to be emerging economies, given their limited size. Consequently, given our cut-offs, I conclude that Northern Australia does not have any emerging economies.³

Table 4.5 Labour market structure (Indigenous persons only), 2006

Locality (region)	Public sector employment	Second most important employment sector	Year 12 or less education
Angurugu (Arnhem Land)	100.0	-	99.1
Milingimbi (Arnhem Land)	52.6	Retail (28.9)	95.5
Ngukurr (Gulf Country)	77.5	Construction (8.8)	92.0
Hope Vale (Cape York)	93.8	Mining (2.6)	93.0
Doomadgee (Gulf Country)	86.9	Mining (6.1)	94.0
Maningrida (Arnhem Land)	91.3	Retail (2.3)	93.9
Wadeye (Darwin–Kakadu)	90.4	Communication (4.4)	97.2
Aurukun (Cape York)	95.0	Retail (1.3)	98.2
Bamaga (Cape York)	78.7	Retail (4.7)	77.1
Borroloola (Gulf Country)	85.0	Agriculture (7.2)	94.7
Halls Creek (Kimberley)	81.6	Mining (5.0)	91.5
Australia	30.8	Retail (11.7)	68.6

Source: ABS Census 2006

The final column shows educational attainments in the 11 localities. It appears that hardly any Indigenous persons in the selected locations hold post-school qualifications, except in Bamaga in Cape York. These statistics demonstrate the lack

of human capital infrastructure, which partly explains why there is hardly any private sector activity in these communities (For a more detailed, micro analysis of the functioning of such limited Indigenous economies see Chapter 7 by Stoeckl, this volume). In addition, Indigenous educational attainment in limited economies is lower than in established economies.

If the Federal Government treats its goal to halve the employment gap between Indigenous and non-Indigenous people as a purely numerical exercise it could decide to focus on Indigenous communities in established economies (that is where the numbers are). However, I assume that the Federal Government also takes the spatial divide into consideration and subsequently intends to halve the gap across the nation. In the latter case the Government provides CDEP, IEP and UES to support these limited economies. The next section will discuss the likelihood that these policies can make the required difference.

Australian (Indigenous) Labour Market Policies

To understand Australian Indigenous labour market policies, we first have to discuss general Australian labour market policies. Though Indigenous labour market policies have specific contingencies to suit Indigenous labour market problems, conceptually they are no different to general labour market policies employed across Australia.

Labour market policies in Australia (and more generally in OECD countries) start from the assumption that there are employment opportunities available in the labour market. Unemployment is explained as mismatches in the labour market which prevent job seekers from finding such job openings. Such mismatches could be educational, occupational or spatial in nature. So a crucial assumption underlying these 'employability' or 'job readiness' induced labour market policies is that there is no shortage of jobs in the labour market; unemployment is a matter of mismatch or unwillingness to accept jobs on the part of the unemployed. Operating upon that assumption, strict compliance measures have been put in place by the Federal agencies.

Figure 4.2 presents the employment gap (per 1,000 persons) between February 1978 and January 2010 for Australia as a whole. The employment gap is the difference between the labour force (labour supply) and employment (labour demand). In essence, it is the unemployment rate expressed in volumes (persons). The graph shows that the employment gap has hovered between 400,000 and 900,000 in the past thirty year period and currently amounts to 612,000 persons. That margin is arguably too big to be explained by labour market mismatch and seems to suggest that the Australian economy does not produce enough jobs to absorb labour supply, which is a clear violation of the main assumption underlying labour market policies focusing on 'job readiness'.

There are two further reasons—which are especially relevant to the Northern Australian Indigenous labour market—as to why the employment gap as, depicted in Figure 4.2, is an underestimate of the real employment problem. The first reason is the discouraged worker effect, which we discussed earlier. If labour market prospects are dire, many unemployed who would like to have a job stop searching for a job and hence drop out of the labour force (and subsequently out of the official unemployment rate statistic). Figure 4.3 introduces the discouraged workers to the

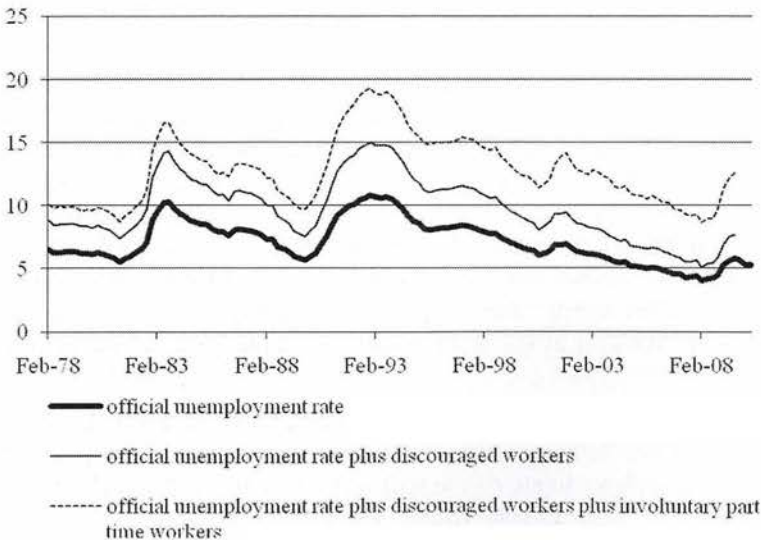
official unemployment rate (the thin line). I will make two observations. Firstly, the group of discouraged workers is a sizeable group. Secondly, the size of that group correlates positively with the level of the unemployment rate, i.e. if the unemployment rate is high (and job prospects low), the size of the group of discouraged workers increases. Tables 4.1 and 4.4 demonstrate that the discouraged worker effect is likely to be a serious problem in the northern Australian Indigenous labour market, given that market's low participation rates.

Figure 4.2 Employment gap persons (x 1,000), 1978 to 2010



Source: ABS Labour Force Survey

Figure 4.3 Unemployment, Discouraged workers and Involuntary part time workers: 1978 to 2009



Source: Centre of Full Employment and Equity Labour market indicators (CLMI)

The second reason refers to part time workers who would like to work more hours but cannot find extra work (i.e. involuntary part time workers). Since they have work, they are not included in the official unemployment statistic. But clearly, they constitute an unmet labour supply. The dotted line in Figure 4.3 includes the involuntary part time workers in the unemployment measure, which increases even further the true calculation of underutilisation in the Australian labour market. Table 4.4 shows the low share of fulltime Indigenous workers, which hints at a high incidence of involuntary part time workers in the northern Australian Indigenous labour market.

In summary, contemporary Australian labour market policies can only be effective once an economy is reasonably close to full employment. The above discussion demonstrates that the Australian economy has not been close to that level of employment in the last 30 years. This explains why it is unsurprising that Cook *et al.* (2008) find strong evidence that the Job Network has failed to deliver significant benefits to the economy. Forcing the unemployed to find jobs that do not exist cannot be and has never been a successful strategy. The effects of this mis-specification of labour market policy is likely to be more pronounced in the northern Australian Indigenous labour market, where underutilisation is likely to be much higher than official unemployment statistics suggest.

Current Australian Indigenous Labour Market Policies

To achieve its revised Indigenous employment target, the Federal Government also has a revised Indigenous labour market policy (see Australian Government, 2008). That new policy mix consists of three integrated pillars:

1. The Universal Employment Services (UES);
2. The Indigenous Employment Program (IEP), and;
3. The Community Development Employment Projects (CDEP).

Though all three pillars have separate goals and responsibilities, they should constitute an integrated policy that brings the three ingredients of labour market success together: firstly, equip Indigenous workers with the right skills (labour supply); secondly encourage employers to recruit Indigenous workers (labour demand), and, finally facilitate the matching process by providing job search training and mentoring to Indigenous workers.

The UES—which are the successor of the Job Network agencies—focus on the matching process and are available in established, emerging (if any) as well as limited economies. The IEP focuses on labour demand, that is it intends to encourage employers to tap into the Indigenous worker resource to fill hard-to-fill vacancies and provide employer mentoring if these workers decide to do so. Also the IEP is available throughout northern Australia. The CDEP aims to prepare Indigenous workers for work by providing short term on-the-job work experience through community development projects which address local Indigenous needs. The CEDP are only available in emerging and limited economies in Northern Australia.

I will discuss these labour market programs separately to better appreciate their intended effects and their potential contribution to the Indigenous employment problem.

Universal Employment Services

The Universal Employment Services are provided nationwide and do not have specific contingencies in Indigenous communities. The UES focus on smoothing the matching process between the unemployed and employers in need of personnel. In the above section we have outlined that such policies are unlikely to make a significant contribution to reducing unemployment in non-Indigenous Australia, let alone in Indigenous labour markets.

In the previous section, I showed that Indigenous labour markets in established economies are fairly tight, which may indicate that the UES may play a role. However, the main reason why the Indigenous community in such labour markets does not benefit from the provided opportunities is the significant skills deficiency—see Table 4.2, above, in which I showed that Indigenous labour markets in remote economies are malfunctioning. Skills deficiencies and the lack of private sector employment are the main reasons for poor outcomes in that part of the Indigenous labour market. Therefore the UES cannot make a meaningful contribution to the northern Australian Indigenous labour market. On the contrary, if strict compliance measures—which are part of the UES—are implemented in Indigenous communities where there is little hope of finding employment, the Indigenous communities might lose confidence in the Australian Government's intentions.

The Indigenous Employment Program

The IEP will be continued and where necessary fine-tuned. The program largely focuses on the business sector and its potential contribution to alleviating the labour market crisis in Indigenous areas. The program aims to assist in areas such as:

- mentoring for employers and cross-cultural training for workplaces, which should elevate the recruitment and retention rates of Indigenous workers;
- locating regional skills shortages which can be addressed by Indigenous workers who move towards such regions; and
- providing assistance to Indigenous persons to build their own private businesses.

The IEP will be of limited use in remote Indigenous communities in Northern Australia. The lack of a meaningful private sector implies that mentoring of employees cannot be applied. Employer mentoring / cross-cultural training can be useful in established economies, but we should note that significant skills deficiencies, not mismatch, are likely to be the main contributor towards disadvantaged labour market outcomes for Indigenous workers in established economies.

Moving Indigenous workers from remote to established economies in the north is an option, but unlikely to be a substantive solution. We have seen that skills deficiencies of Indigenous people in established economies are sizeable, which hampers their job finding probabilities. Indigenous people in remote economies have even lower educational attainments than Indigenous people in established economies—as we see when we compare Tables 4.2 and 4.5. This implies that migration is unlikely to be a substantive contributor to the unemployment problem in remote economies. Relocating the Indigenous unemployed away from established

economies towards limited economies would make no sense, since job opportunities arise only in established economies.

The third programmatic component is business start ups for the unemployed. Empirical evidence of active labour market policy throughout the world shows that business start ups only ever constitute a small contribution to solving the problem that the unemployed face (for example, see Dar & Tzannatos, 1999). Success rates are typically low as considerable entrepreneurial skills on the part of the unemployed are needed. It is unlikely that the Indigenous unemployed in remote, and to a lesser degree in established economies, have the necessary educational background to be successful as an entrepreneur. Moreover, for a business to be successful there has to be demand for its products. The lack of a meaningful economy in remote areas further reduces the likelihood of success of business start ups; established economies would be a better place for such activities.

In summary, the IEP seems to be of limited use to Indigenous labour markets in northern Australia. The key problem in these labour markets is skills deficiencies. The IEP does not aim at alleviating skills deficiencies.

The Community Development Employment Program

The CDEP will be available in remote economies in Northern Australia but not in established economies. It can be broken down into two components: work readiness services and community development projects/services.

The work readiness services—in close cooperation with UES—are intended to provide vocational training as well as pre-vocational training (foundation and basic work skills), as well as on-the-job training in the local environment. The community development projects/services provide funding to selected local community projects. Local Indigenous organisations can put forward project proposals.

Consequently, the CDEP aims at increasing educational attainments and the development of employment opportunities, which directly addresses the weaknesses of the northern Australian Indigenous labour market. Table 4.5 illustrates the educational weaknesses of the Indigenous workforce; the agencies that control the CDEP program acknowledge such deficiencies and intend to address them. The possibility of developing employment projects opens the potential to create much needed local infrastructure, which is another weakness in these labour markets. Since CDEP schemes are initiated by local communities, the program may also strengthen relationships between the Indigenous community and largely non-Indigenous service providers.

However, there are a couple of possible threats to the potential of the CDEP. Firstly, the design of the CDEP provides for a \$2,000 fee for every unemployed person who completes accredited training (at least 13 weeks), which should suffice to cover training costs. However, the skills deficiencies are so entrenched and widespread, that a \$2,000 training course will not be enough to lift skill levels to the required labour market level. Will the CDEP (and UES) allow job seekers to be in training for several years? If not, the training component of the CDEP will fall short in any attempt to meaningfully raise Indigenous skill levels. Secondly, to reduce the welfare dependence of Indigenous communities, private sector employment needs to be stimulated. That will be a long term goal. However, if the CDEP does not support projects that initiate appropriate physical infrastructures, which is needed as a

platform on which private sector activity can prosper, welfare dependence will not be reduced. The types of community development projects that can be supported have been restricted, though the exact definition of that restriction is ambiguous. Australian Government (2008: 18) says: “[Community development projects] would exclude functions that should either be supported by other programs or services, including State or local governments or which would displace jobs and business opportunities”. If displacing business opportunities is not allowed, then any private sector activities cannot be supported by CDEP. However, elsewhere on the same page of the report the government says: “Projects may include... activities that may eventually lead to a business, but which generate only marginal income in the start up phase”. The latter quote suggests that the CDEP could be used to initiate private sector employment.

The Australian Government (2008) gives four examples of projects that are fundable under the CDEP:

- improving local amenities;
- documenting local history;
- market gardens, sewing clubs, community laundry; and
- environmental and land resource management activities that would not otherwise be paid jobs.

Such activities align with the first quote above, suggesting that the CDEP should steer away from initiating private sector businesses and/or development, which would be disappointing.

In summary, the CDEP focuses on reducing skills deficiencies (i.e. training) and creating employment opportunities (i.e. community employment projects) in remote economies. Our previous analysis suggested that these are the two key problems in remote economies. Consequently, both focuses are promising. However, the restrictions on the type of employment projects and the proposed length of training opportunities that will be approved, severely limits the long-term benefits from such projects. McRae-Williams (chapter 6 in this volume) also suggests that there are social and administrative tensions in their operation that threatens the effectiveness of the CDEP.

Assessment of the overall policy package

Although some elements of the revamped Indigenous labour market policy are promising, overall this policy is unlikely to make a significant contribution to eradicating poverty and welfare dependence in both remote and established Indigenous labour markets. The absence of a viable private sector and the poorly educated labour force culminate in a malfunctioning labour market. This “market” requires more thorough and longer lasting policy responses than the revamped Indigenous labour market policy on offer.

Alternative policy solutions

Labour markets in established and remote Indigenous economies are atypical and therefore need atypical remedies. The main problem in established economies is usually a skills deficiency (or inappropriate skills) amongst the unemployed. Indigenous people are inevitably out-competed on the labour market because of their

lower educational attainments. That skills shortage needs urgent addressing. But the government's sole policy measure targeted at vocational training (CDEP) is not available in established economies. The training component of CDEP should become available in established economies to assist in closing the skills deficiency gap. Only once that is achieved (which will take many years), may the IEP become useful.

The problems in remote economies are multiple and mutually reinforcing and therefore more complex. There is hardly any private sector development. Townships are small and scattered across space, remote from markets, and educational attainments are very low. To create employment and reduce welfare dependence in remote economies, private sector jobs will have to be created. I envision that that process can be completed in three steps:⁴

Step 1: Establish (in close consultation with local Indigenous communities) what type(s) of private sector development—which should preferably be employment rich—fit the townships and its local Indigenous community best.

Step 2: Establish what skills are required for the type(s) of private sector development that is targeted. Indigenous people—who are currently largely untrained—should be trained in areas that would make them employable in the sectors or enterprises identified under Step 1.⁵

Step 3: Immediately provide low skilled jobs that produce the basic infrastructure that is required for the targeted private sector development. Indigenous workers take on these jobs and combine them with vocational training (training in the wet season and working in the dry season).

Such a strategy would provide a clear long-term future for Indigenous communities in remote northern Australian townships. The current lack of such a long-term future is one of the driving factors behind the socio-economic problems that these communities face.

In principle, such a strategy fits within the Indigenous labour market policy that the Federal Government advocates. The CDEP supports training and local development projects, but it is the long-term goal and long-term commitment to make a difference that seems to be missing. Upgrading skills levels in remote Indigenous communities is essential, but Table 4.5 shows that that requires a sustained effort for several years. It is not clear from CDEP's administrative regulation that that type of sustained training will be funded and, if funded, whether it is available in remote regions (for more detail see Larson, this volume, Chapter 1). Furthermore, the identification process of CDEP eligible projects should focus more on longer-term private sector development, but it is not clear that CDEP allows funding of such projects.

Conclusions

This chapter has shown that macroeconomic employment outcomes in Indigenous labour markets in Northern Australia are (far) worse than in non-Indigenous labour markets. The official unemployment figures are unreliable indicators of the true problems. We saw that Indigenous workforce outcomes are worse in established economies, due to Indigenous educational disadvantage, and much worse in limited

economies due to a combination of Indigenous educational disadvantage and lack of private sector presence / development.

We saw that, notwithstanding that Australian Indigenous labour market policies have specific contingencies for Indigenous communities, they are based on contemporary neo-classical labour market ideology. Such policies are at odds with labour market realities and subsequently do not provide enduring solutions to the unemployment problem in non-Indigenous labour market, let alone Indigenous labour markets. The specific measures that the Federal Government provides to Indigenous labour markets either do not address the real problem (the Indigenous Employment Program and the Universal Employment Services) or do not go far enough (the Community Development Employment Program).

Even in the unlikely event that the proposed measures do make a difference, it will not immediately show up in the official unemployment statistics. If the government uses the official unemployment rate as an indicator of its success in halving the employment gap within a decade, then an effective policy would, paradoxically, see the official unemployment rate initially rise, because labour force participation would increase.

To have a genuine long lasting impact on northern Indigenous labour markets—as well as to reduce welfare dependence—policies need to be targeted at the root causes of the problems that these labour markets experience: low educational attainments and—in case of limited economies—very low private sector activity. The educational problem cannot be fixed overnight, but instead needs long term support. The existing CDEP arrangements provide funding for (pre)vocational training but only for short term courses, which will not be enough to upgrade skills to required levels. Moreover, the employment projects that can be initiated under CDEP focus on public sector employment, not on the much needed development of private sector employment.

I recommend that the training component of the CDEP be extended to established economies to assist Indigenous people to become competitive in these particular labour markets. Furthermore, I recommend that the training component of CDEP be expanded in limited economies to allow full curricular training and skills development. Moreover, in limited economies, the employment generation component of the CDEP should be expanded to include employment projects which may lead to the development of stand-alone private sector activity in the longer run, to achieve true welfare independence.

I acknowledge that some remote labour markets in Northern Australia are so small and scattered across space that a well functioning labour market is unlikely to develop in the foreseeable future. In such areas, the continued support of the CDEP is needed.

Endnotes

¹ These cut-offs will be based on the Census 2006 conducted by the Australian Bureau of Statistics.

² All 11 communities are defined by the ABS as 'Indigenous locations'.

³ All this depends on which definition of a 'significant Indigenous population' one wishes to apply. Localities like Charters Towers, Derby, Katherine, Kununura,

Longreach, Nhulunbuy and Weipa may be considered emerging economies, but Indigenous representation in these localities is below or far below 0.5.

⁴ I stress that the above strategy will not be feasible in all remote Indigenous communities in Northern Australia. Some of these communities are simply not big enough (by scale) to be able to support viable economies and hence labour markets.

⁵ The sector choice in Step 1 should be informed by the consequences of that sector choice in Step 2.

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