

FINDING THE TRUTH IN THE EMPLOYMENT GAP

During the first week or two of the new parliamentary sitting calendar the Prime Minister reports annually on progress in Closing the Gap between Indigenous and other Australians. This year will be different, for the first time since this new institution was established by Kevin Rudd in 2008, comparative census information will be available.

Last year I suggested that ‘judgment day will come, perhaps in February 2013 when the fifth Prime Minister’s Report will be available with access to 2011 Census data, and assuming the same government is still in power’. At least my assumption proved correct.

I also noted that it could be a case of fifth time lucky in terms of gaining an accurate perspective on relative statistical progress between Indigenous and other Australians, which is what gap closing is all about. I pondered what spin might be mobilised if gaps do not close?

The gap that is probably easiest to measure with any certainty is the employment gap.

The aim here, to remind readers, is to reduce the difference in the employment to population ratio of those aged 15 to 64 years (the number employed as a percentage of those of working age) by 50 per cent in 10 years. In other words, the closing the employment gap target seeks to half close the gap between 2008 and 2018.

While labour force statistics are available annually these are based on an Australian Bureau of Statistics (ABS) survey rather than a more all-encompassing census and so are dismissed by some as potentially unreliable. So the 10 year time frame for closing the gap needs to be 2006 to 2016 if more reliable five-yearly census data are to be used.

Employment data from the 2011 Census were released on 31 October 2012.

Between 2006 and 2011 the Indigenous employment/population ratio for those aged 15–64 declined from 48.0 to 46.3, a decline that covers a five-year period that included both the Global Financial Crisis and Australia’s mining boom.

What is especially concerning is that the ratio Indigenous to non-Indigenous has also declined from 0.67 to 0.64 instead of tracking upwards towards 1.0 when the statistical gap will be closed according to the census.

Other measures of employment outcome have also been disappointing: the Indigenous unemployment rate (calculated as the per cent of the labour force who are unemployed) has increased from 15.6 per cent to 17.1 per cent—

imagine such an outcome for the general population!

And the labour force participation rate has declined from 54.5 per cent to 53.3 per cent.

By all three measures gaps at the national level between Indigenous and non-Indigenous Australians have grown, not declined.

Given these official statistics it was surprising to see a lead story on the front page of *The Australian* last month declaring that 'Indigenous work rises: Private sector closing jobs gap'. How could this be if the employment gap is growing, even as private sector jobs are increasing?

The purported answer I discovered is contained in a CAEPR Topical Issue 'Indigenous employment: A story of continuing growth' authored by three of my university colleagues Matthew Gray, Boyd Hunter and Monica Howlett provided to *The Australian*.

In this topical issue, the authors use a definition of employment that they term 'non-CDEP employment'.

This is a term that I too have used in the past to refer to mainstream employment, but it can be misleading when CDEP participants work full-time so I stopped using it. But here the term is used differently as employment minus CDEP participation.

In other words, at the national level administrative data on Indigenous participation in the Community Development Employment Program have been deducted from employment figures in the census making the assumption that CDEP participation is not 'real' or 'proper' employment.

Why do these reputable labour economists take this step? Mainly because in their view a failure to focus on 'non-CDEP employment leads to very misleading conclusions about employment growth and the effectiveness of government policy aimed at increasing non-CDEP employment'.

To partly justify the focus on 'non CDEP employed' Gray, Hunter and Howlett adopt an erroneous ABS definition of CDEP as 'an Indigenous-specific program that enables an Indigenous community or organisation to pool the unemployment benefit entitlements of individuals into direct wages for those people who choose to participate in local employment in various community development or organisation programs as an alternative to receiving individual income support payments'.

However, since CDEP began in 1977 unemployment benefit entitlements have never been pooled.

Instead CDEP has always received a budgetary allocation that has included wages, administrative and project allocations; the only direct link with welfare is that those participating in CDEP cannot get welfare because CDEP participation is regarded as employment, including by the ABS.

Indeed the focus on ‘non-CDEP employment’ also contradicts the International Labor Organisation’s definition of employment as ‘Persons in employment comprise all persons above a specified age who during a specified brief period, either one week or one day, were in the following categories: paid employment and/or self-employment’.

And by suggesting CDEP is directly linked to welfare Gray and others buy into an emerging populist notion—that CDEP is welfare—that is divorced from reality. Indeed in an earlier CAEPR paper published just last year ‘Continuity and change in the CDEP scheme’ Hunter and Gray show that CDEP participants are quite different from the unemployed: they work more hours, earn more income, participate in more non-market production, and are more enabled to meet cultural obligations—something that I have emphasised often.

To suggest to CDEP workers that their efforts are different because of a different form of funding makes little sense in my opinion.

Part of the story reported by Gray and others becomes just a statistical artefact because 32,800 CDEP participants are deducted from 2006 estimates of the employed but only 10,692 from 2011 employed owing to the dramatic shrinkage in the popular CDEP program.

If you exclude CDEP employment in 2006 and 2011 then the movement of some CDEP employees in 2006 to mainstream employment in 2011 will automatically lead to an apparent improvement in the rate of ‘non-CDEP employment’.

But by cutting CDEP from the equation the authors arguably overlook a most significant shift in Indigenous labour market activity over the reportage period, the dramatic shrinkage of CDEP.

The authors do not question how much of this growth is dependent on government funding in the private (e.g. Australian Employment Covenant and Generation One) and public (e.g. part-time government-funded jobs to replace part-time CDEP jobs) sectors.

Their approach renders over 10,000 CDEP participants invisible, they are neither employed nor unemployed, and so get a little lost in a statistical void. While it is true that CDEP numbers are not determined by the free market, but by policy arbitrariness, it is this selective arbitrariness that should be called to question in policy debates.

Importantly when Gray and others look at Indigenous employment rates at the subnational level they find 13 areas where Indigenous employment (now including CDEP) has declined by between 20 per cent and 47 per cent—it appears that local labour markets have collapsed alongside ‘reform of CDEP’ in remote places.

Given that welfare dependency and inactivity are a major problem especially for remote Indigenous communities, this is an extremely worrying outcome—clearly declining CDEP participation has only been partially replaced by employment opportunity and take-up.

There are a growing number of views emerging on the Indigenous employment situation nationally and regionally.

One view favoured by Gray and others is that the long boom is continuing and Indigenous employment, especially in the private sector, is growing and closing the jobs gap. This view is strengthened by a definition of Indigenous employment as ‘non CDEP employment’.

Another interpretation that I favour is that if we take the government’s stated employment goal seriously, then since 2008 there is no evidence, either in the five-yearly census or annual labour force surveys that the employment gap is closing. This is especially the case in remote areas because CDEP employment is being cut in places where there are no alternate forms of formal employment.

It is increasingly common for governments to utilise competing views from different sources to justify a particular policy position for political advantage. What is a little unusual in this case is that the different interpretations come from within the same research organisation; some might see this as a sign of a healthy diversity of academic views.

It will be interesting to see which (if either) of these interpretations the Government favours; and whether the Opposition makes any effort to hold the Government to account for what, in my view, are abysmal efforts, both in CDEP reform that has condemned thousands of Indigenous people mainly in regional and remote regions to enhanced welfare dependence and diminished livelihood; and in meeting its own techno-bureaucratic statistical targets.

‘Seek truth from facts’ is an ancient Han expression promoted by the late Deng Xiaoping and applied to modern Chinese economic and political reforms.

Evidently though, seeking Indigenous employment truths from official facts is open to multiple interpretations with potentially dire policy consequences.

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