

COMMONWEALTH GRANTS COMMISSION

INDIGENOUS FUNDING INQUIRY

FINAL SUBMISSION

**From: Centre for Aboriginal Economic Policy Research
(CAEPR)**

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Dear Bob

You wrote to me on 9 October 2000 (your reference 2000/0353) seeking submission on the CGC's Draft Report of the Indigenous Funding Inquiry released on 20 October 2000. Subsequently I was invited by Ken Tallis, Assistant Statistician, Analysis Branch, ABS to attend a workshop on 'Experimental Indigenous socioeconomic disadvantage indexes' on 30 October and then by Mr M. Nicholas, Assistant Secretary, CGC (your reference 2000/0369) to a meeting on 1-2 November to discuss the draft report with Commissioners and staff.

Unfortunately, despite my very best intentions, I was unable to attend any of these sessions, primarily because I was caught up in organising CAEPR's major conference 'The Indigenous Welfare Economy and the CDEP Scheme' convened 7-9 November at the ANU. However, a number of CAEPR staff did attend these workshops including Tim Rowse and Kate Ross on 30 October and Bill Arthur, Elaine Thacker and Boyd Hunter on 1-2 November. I am sure that they provided the CGC with some feedback on the peer review process for the index development work and on the CGC's draft report.

The CGC's Inquiry is, in my view, extremely potentially important and could be very influential in this government's Indigenous public policy formulation. And the CGC is clearly keen to have feedback on its work to date. Taking at face value the Chairman's comments on 16 October that the Commissioners '... remain very open minded' and given my inability to attend earlier meetings, I convened an in-house workshop at CAEPR on 5 December 2000 to discuss the draft report and experimental index. Participants at that workshop included the following CAEPR staff: John Taylor, Diane Smith, Will Sanders, Tim Rowse, Elaine Thacker, Boyd Hunter, Bill Arthur, Robert Levitus and myself. Others participating included John Deeble and Bev Sibthorpe (National Centre for Epidemiology and Population Health (NCEPH), ANU), Maggie Brady (Australian Institute of Aboriginal and Torres Strait Islander Studies), Jerry Schwab (CAEPR, but on secondment to the Department of Education, Training and Youth Affairs as a DETYA Research Fellow) and Roger Jones (consultant and Centre Associate).

A number of the workshop participants were asked to review particular chapters of the draft report and some of their detailed comments are provided in the attachment to this letter. Criteria for review were not foreshadowed, but my impression is that the following were the primary yardsticks used to assess the value of the CGC's work to date: accuracy of assertions, compliance with terms of reference, coherence and logic of arguments and

frameworks, empirical validity and, most importantly, public policy value. With the benefit of hindsight, it might have been useful to have had CGC involvement at our workshop, at least to record the discussion during the day. But some participants felt that an in-house exercise might encourage more frank and robust debate among a select group of experts.

The challenge for me as convener of the workshop is to attempt to succinctly summarise its key findings. In doing so, I make a few qualifying observations. First, the workshop was broadly positive about the CGC's early efforts, especially in its frank identification of practical issues such as those summarised in the conclusion at p. 43 and its focus on important issues such as lack of data availability (transparency), issues of substitution and cost shifting, etc. However, it was recognised that the information presented, especially on Commonwealth mainstream and State mainstream and special program expenditures on Indigenous people, was far from complete. Similarly, there was only one illustrative example provided (with respect to education) about cost differentials in service provision associated with location and it was recognised that a great deal more information is likely to be produced here. Second, there was quite a diversity of views expressed by workshop participants, varying from those who were fairly positive about the chapter(s) they reviewed to those who highlighted what they regarded as crucial deficiencies in the draft report like poor referencing of ideas used and lack of explanation of how calculations were made. It is my view that this diversity largely reflected variability in the quality of individual chapters in the draft report.

In this submission, I attempt to summarise what could be termed a broad workshop consensus about the draft report. However, I do so with the usual proviso in all CAEPR research that there is no corporate CAEPR view and what follows is my interpretation that some of my staff may challenge. I provide my summary under the following broad headings: 1. Context; 2. Some major issues; and 3. Some minor issues. I then provide a brief precis of issues chapter-by-chapter, where workshop participants had comment to make, often by using illustrative examples only. More detailed comment on individual chapters is provided in the attachment which attributes comments to particular individuals. Please note that I do not provide any detailed comment on Chapter 6 (Health) because this is the subject of a separate submission from NCEPH. In making this submission, I am keen to strike the right balance between highlighting on the one hand what participants at the CAEPR workshop regarded as significant potential shortcomings in the CGC's work to date and on the other hand providing criticism that is constructive and assists the Commission complete a high quality final report.

Context

The CGC is asked in its terms of reference to develop measures of relative disadvantage that could be used to target resources more effectively towards those groups within the Indigenous population that are in the greatest need. Such a statement immediately suggests that there is a perception within government that this is not occurring. So it will be incumbent on the CGC in its final report to begin with an accurate mapping of where financial resources actually flow.

A related issue is that there is an anecdotal view, that is getting considerable political and media attention, that according to standard social indicators Indigenous people are not as well off as they should be given the extent of government expenditure. But to really appraise such a proposition rigorously would require diachronic (long-term) statistical analysis that measures not only changes in well-being, but also progress that is possible

given socioeconomic status differentials that can be attributed to historical legacy and exclusion. Unfortunately, almost all the discussion in the draft report is limited to synchronic (one point in time) analysis, generally using data from the 1996 Census.

It is somewhat surprising that the CGC draft report does not discuss two important policy reform contexts that have been very prominent during the current calendar year. The first is the social policy reform debate generated in large measure by the Final Report of the Reference Group on Welfare Reform (The McClure Committee) 'Participation Support or a More Equitable Society' available since July. Paralleling this debate in the Indigenous domain has been the writings of Noel Pearson in *Our Right to Take Responsibility*. The second context is that associated with Reconciliation and debates about Indigenous citizenship and special rights. While *Reconciliation Australia's Challenge: Final Report of the Council for Aboriginal Reconciliation to the Prime Minister and the Commonwealth Parliament* was only released in December 2000, other documents have been available since Corroboree 2000 in May and could have been used, particularly given the Council's long-standing interest in benchmarking.

The political rhetoric, if not policy landscape, is changing rapidly at present on the issue of appropriate measures needed to address Indigenous disadvantage relative to Australian norms. Foremost among these changes is the COAG agreement of 3 November 2000. It might be appropriate for the CGC's terms of reference to, at the very least, be placed in a historical perspective in the final report.

Some major issues

Relative versus absolute need

A fundamental problem in the CGC's terms of reference is a requirement that The Indigenous Funding Inquiry focus on relative need within the Indigenous domain. This shortcoming is recognised by the CGC but not explicitly challenged. In CAEPR workshop discussions, a 2 x 2 schematic matrix drawn by Tim Rowse was used as a template for discussions. The CGC Inquiry is limited to only one cell (A) in this 2 x 2 matrix, but this cell is arguably the least important of the four possible avenues (A–D) for inquiry. As the CGC notes in the draft report, Indigenous representations were generally more concerned about issues in cells B–D, absolute Indigenous need (B), relative Indigenous need when compared to non-Indigenous Australians (C) and absolute Indigenous need compared to absolute non-Indigenous need (D).

	Relative need	Absolute need
Intra-Indigenous domain	A	B
Indigenous/non-Indigenous	C	D

Empirically and sociologically, the demarcation of an Indigenous domain (or population) as required for an analysis in cell A is problematic because the rate of Indigenous/non-Indigenous inter-marriage and the existence of mixed households is increasing. From a public policy perspective such a focus is problematic. As much of John Taylor's research over the last decade has demonstrated, the majority of the Indigenous population lives in metropolitan and urban settings where the quantum of need is greatest despite relative need being lowest (according to standard social indicators). Similarly, from a public policy perspective, in most functional areas it is only Indigenous/non-Indigenous relative

and absolute measures that are meaningful. For example, it makes far more sense to gauge Indigenous employment performance vis-à-vis the national unemployment rate (cell C) rather than vis-à-vis the average Indigenous unemployment rate (cell A) because an implicit assumption in the latter is that the Indigenous average is an acceptable standard to aim for, when it is not. Similarly, using the principle of applying the same health resources to address same health conditions, it is absolute health expenditure on Indigenous people versus the rest of the population (cell D) that is of crucial policy significance, as demonstrated in the work of John Deeble and others.

An index of Indigenous socioeconomic disadvantage

There are numerous problems associated with attempts to develop such an ‘experimental’ index, especially if it is to influence future resource flows in the absence of comprehensive information about current resource flows. The ABS notes at p.29 (para 115) of its paper to the CGC that ‘Such an index shows the pattern of disadvantage rankings. It does not show absolute or relative levels of disadvantage and therefore cannot be used to determine funding relativities ...’ (their underlining). The development of the index is devoid of context. It does not make a clear case for the appropriateness of social indicators used (much debated in the literature), it appears to use some indicators erroneously (e.g. CDEP employment that has incomplete 1996 Census coverage) and it treats the Indigenous population as a statistical artefact (the discrete Indigenous population sub-file from the 1996 Census) rather than as a lived social reality – heterogeneous Indigenous households and families throughout Australia. Both the CGC and the ABS make strong riders about the usefulness of the index, but neither seem willing to dismiss its applicability outright.

The colour map at p.16 of the draft report does not seem to differentiate most disadvantaged from more disadvantaged and does not match the map at p.21 of the ABS paper. The map at Figure 2.3 is meaningless unless juxtaposed against a population distribution map as at Figure 2.1.

Targeting dollars to needs generates outcomes

A combination of the first two major issues highlight the futility in the third, an implicit view that targeting dollars (on the basis of relative need) might somehow generate equalising outcomes. The CGC draft report is equivocal here because there is a recognition that generating outcomes may be contingent on capacity to deliver in any particular context. It is also contingent on many other factors including locational circumstances, historical legacy and cultural or political preferences. The entire rationale for funding Indigenous development here seems to be based on a version of the public investment model that assumes that public funds can make a substantial contribution to socioeconomic improvement. However, there is growing evidence (based on an initial concern about the public investment model first raised by the economist Fred Fisk in the *Aboriginal Economy in Town and Country*, Allen and Unwin, Sydney, 1985) that specific allocations and targeting are needed to enhance the likelihood of a positive correlation between funding and improved socioeconomic status. Hence some of the positive outcomes under ATSIC’s targeted programs referred to in the CGC’s draft report in the areas of housing and infrastructure.

Cultural and locational diversity

There is considerable reference throughout the draft report to Indigenous cultural and locational diversity, but very little discussion of potential cost implications in service delivery. Discussion is largely limited to a recognition that diseconomies of small scale,

especially for outstation communities with populations under 50, will make provision of services relatively expensive. It can be readily argued that the most relatively disadvantaged regions (according to standard social indicators) are those where large families, crowded living, low English language usage and low labour mobility are all cultural preferences. What tradeoff should be made according to the CGC between equalising relative perceived socioeconomic disadvantage and cultural robustness? And what are some of the problems that might be associated in highlighting the costs of such cultural continuity for outcomes in the functional areas that the CGC is focusing on, in contrast to benefits (public and private) in other areas (e.g. preservation of cultural heritage, land management, artistic production, etc.).

The issues of substitution and cost shifting

The related issue of possible substitution and cost shifting identified in the draft report is potentially very important, but is not new. Indeed it is very difficult to see how the CGC will substantiate this probability empirically without comprehensive expenditure data. Of course, a benchmark for such practices occurring must be the citizenship entitlements of Indigenous people which immediately takes one into the realm of Indigenous/non Indigenous relativities (cell C above) that the CGC Inquiry in adhering to its restricted terms of reference is keen to avoid. This is an important issue though especially in relation to ATSIC's CDEP scheme. (No mention is made in the draft report that the Australian National Audit Office is also reporting on this matter in relation to CDEP scheme labour being used to provide municipal services.).

Having made observations about possible substitution and cost shifting between levels of government, the draft report provides little guidance about how such inequitable practices might be stopped. Indeed at p.19, paras 13 and 14, the CGC draft report provides a poorly argued case for viewing mining royalty equivalents as mineral rent (rather than compensation) in a way that would exacerbate the substitution funding it criticises. Interestingly, one of the very few cases in Australia where substitution has been quantitatively documented to have been prevalent in relation to outstation development in the 1990s occurred because of such an inequitable treatment of such payments (see Jon Altman 'A National Review of Outstation Resource Agencies: Three Case Studies in the Kakadu-West Arnhem Region', CAEPR, ANU, 1998).

It would be interesting if the CGC was able to provide some modelling in its final report about the net financial effects of substitution, both on the relative socioeconomic disadvantage of Indigenous people (some of which might be explained by substitution) and on proposed funding flows. For example, if a high level of regional substitution funding (say at the ATSIC regional level) could be demonstrated, does this make a case for enhanced fiscal flow to the region (hence providing a signal to perpetuate such practice) or a diminished fiscal flow (hence potentially exacerbating marginality). The issue that the CGC final report must address is how the Commonwealth might act to ensure a decline in such practices, both within its own agencies and between levels of government.

Audiences for the final report

The CGC Inquiry has been commissioned by the Minister of Finance and the issues it addresses are by their very nature extremely complex. The draft report is not written in a very accessible manner and yet, as outlined above there are even more complex issues that need to be addressed in the final report. It is difficult to see how the CGC can make the report more accessible to Indigenous people to ensure appropriate engagement. This

is especially important because the draft report at least makes suggestions that could have significant ramifications for Indigenous regional interests and forms of governance. This is not just an issue of style: there are clearly some chapters that appear to primarily address the Commonwealth (e.g. Chapter 9 on Education) and other chapters, especially Chapter 5 on Inter-Governmental Issues, that primarily addresses Indigenous constituencies. Early consideration should be given for the development of an appropriate communications strategy to widely disseminate the findings and recommendations of the final report, including the use of multi-media CD-Rom.

Some minor issues

Scholarship

From an academic perspective, the draft report has far too much assertion of viewpoints without the appropriate canvassing of various points of view. Two illustrative examples are as follows:

- At p.14, para 21 it is stated ‘Data items to be included in the index were selected according to socioeconomic theories and the views of experts in Indigenous statistics ...’. Which socioeconomic theories and which experts? (see comments on referencing below).
- At p.14, para 22 it is stated ‘Hence it is not possible to directly use the index in any formula-based allocation of resources. However, it can be used to guide judgement’. Why can it be used to guide judgement? Isn’t this highly contestable? Compare this with the ABS view that ‘it should provide useful information for scene setting and checking relativities’ (my emphasis, para 115, p.29, Experimental index paper).
- At p.19, para 13 it is stated with respect to mining royalties: ‘In general, we think these funds are similar to personal income and other income received by non-Indigenous people and should be treated as such in any needs analysis’. This assertion is very debatable especially in most situations where there are statutory barriers to treating such moneys as personal income. There is a significant literature on this issue.

Transparency

At times, it is unclear how calculations have been made. For example, in Chapter 11 on Employment it is far from clear how the ‘Income support rate’ (Table 10.5, p.148) has been calculated and whether this is a legitimate proxy for the unemployment rate given that it combines Centrelink administrative data with census data. To suggest that the CDEP participation rate can be used as a proxy for unemployment is also very contestable (see more detail on Chapter 11 below).

Referencing

The very poor referencing throughout the draft report is not just as a matter of appropriate attribution of intellectual property, but it is also essential to allow the tracking of arguments and to allow checking with original sources. Take for example, the statement at para 12 (iv) that ‘the Centre for Aboriginal Economic Policy Research (CAEPR) has predicted that the employment status of Indigenous people will become worse’. First, this is the view of John Taylor and Boyd Hunter as your footnote indicates (CAEPR does not have a corporate view as noted above). Second, checking with the original source indicates that the authors’ predictions were based on a stated assumption that CDEP scheme participation is employment which needs to be stated. There are other places

where such tracking back to original sources to check author assumptions would not be possible.

There are also a number of standard references in this area that should be referred to. One that comes to mind is the CAR/CAEPR edited volume *Towards a Benchmarking Framework for Service Delivery to Indigenous Australians* (1998) to which the CGC made a contribution.

Accuracy

It is important that all data presented, especially when copied directly from publications is accurate. Two illustrative examples:

- Table 7.5 should be titled ‘Indigenous Improvised Dwellings and people in Hostels etc’. That is, the first row of the table refers to the numbers of improvised dwellings, not the numbers of people in improvised dwellings. (See Table 2.1 in R. Jones ‘Indigenous Housing 1996 Census analysis’, Consultancy Report prepared for ATSIC, Canberra).
- In Table 7.6, Indigenous households for NT should be 6,241 rather than 14,014, and Bedrooms Required for NSW should be 4,492 not 4,570 (See Tables 3.4 and 4.1 respectively in R. Jones, 1999). Need to also correct the totals and %s.

Chapter-by-chapter commentary

Chapter 2

The setting the scene chapter is inadequate (see detailed comments later) because no rationale is given for the limited range of statistics provided. At the very least some link has to be made between the demographic features and geographic distribution of the Indigenous population and the issue of relative funding need that is the subject of the CGC Inquiry.

The experimental index of Indigenous socioeconomic disadvantage is inadequate and inappropriate as a guide to actual levels of need. It sets out to examine relative disadvantage with inadequate available statistics, without any explicit recognition that the Indigenous population sub-file does not constitute Indigenous lived reality especially in relation to mixed households predominant in many situations.

On Torres Strait Islanders, the chapter (and draft report) has not really noted or tried to include the ‘specialness’ of the Torres Strait region, though this was flagged in submission by Bill Arthur to the GCG. The report should more explicitly state that it is impossible to measure the needs of mainlanders as a separate group using available data.

Chapter 3

The conceptual chapter is of crucial importance to the CGC Inquiry, but as detailed comment in the attachment indicates the draft report lacks clear definition of the meaning of ‘need’ and this is problematic. The draft report appears to develop a framework for measuring need which operates along continuum starting with: an index/formula approach – then acknowledging the limitations of any formula – then stating that the way to address that limitation is to add supplementary indicators – then add on a requirement to involve Indigenous people in decision-making and to incorporate local knowledge. The spectrum ranges from an initial focus on ‘hard’ quantitative data to final qualification

with 'soft' qualitative region- or community-specific data. This has many similarities with the status quo for making funding decisions.

Chapter 4

This chapter raises many important practical issues. However, it is unfortunately unable to provide any best practice empirical examples of situations where these practical issues have been addressed and need has been reduced. Such material would be very welcome in the final report.

Chapter 5

This chapter contains the draft report's most radical recommendation for the establishment of new intergovernmental and Indigenous controlled bodies at the State/Territory level. It is unclear how differently these will operate from ATSIC's existing SACs? Why is another institutional layer required and how empowered will it be to ensure adequate allocation of mainstream resources to Indigenous people on the basis of need? Unless such new bodies are empowered with respect to mainstream resources as well as special program dollars they will not be very productive, especially in situations where Commonwealth funds represent a relatively small proportion of total funds.

The crucial para 69 does not really get developed anywhere and in many ways it goes in a different direction to other parts of the draft report. For example, para 71 in Chapter 5 suggests that the joint indigenous housing authorities in NSW and NT are 'working examples' of what is envisaged in para 69. But they do not represent 'Commonwealth and State and ... local government'. They represent Commonwealth and State government agencies in the appropriate functional area and ATSIC.

The likely political tension between Indigenous aspirations for absolute Indigenous need to be met and the CGC's recommendation in para 69 that these new institutions will only be empowered to address relative need (owing to CGC's limited terms of reference) is highlighted in more detailed comments in the attachment.

Chapter 7

The housing chapter has taken on board the multi-measure approach advocated by Jones, Neutze and Sanders (2000) and the associated rationale – including the difficulties and limits of using need as a principle for public funding allocation. The housing bilateral allocation procedures get a positive endorsement in paras 59 and 60 of the housing chapter (and the NAHS allocation procedure gets support in paras 26-32 of Chapter 8). The Chapter's attempt to pay attention to measures of need, while also noting their limits, is supported. However, it should be highlighted that any temptation to develop one index that measures both overcrowding and affordability should be avoided.

Greater effort should be made to establish the level of homelessness in urban areas.

Chapter 8

The infrastructure chapter is sound, but is largely limited to analysis of CHINS 1999 and its 1992 predecessor, which seems fine for discrete communities but obviously overlooks potential need elsewhere. It is possible that there are infrastructure needs beyond these communities – especially in metropolitan and urban contexts, but data are unavailable to assess infrastructure needs in such situations. The assumption is made that mainstream services will be provided equitably in such situations.

There is some discussion of the problems of infrastructure provision at small outstation communities, but surprisingly little on the potential role of outstation resource agencies (see Altman, J.C., Gillespie, D., and Palmer K. *National Review of Resource Agencies Servicing Indigenous Communities, 1998*, ATSIC, Canberra).

Chapter 9

The education chapter has major shortcomings outlined in the attachment. There is very little effort to actually substantiate findings with evidence and a number of observations are wrong. The chapter appears to overlook the very significant role of the Commonwealth in Indigenous education.

Chapter 10

The employment chapter is very poor. It uses highly contestable (and largely unexplained) measures of unemployment as proxies for employment need. It fails to acknowledge adequately that there is a demand side as well as a supply side to the labour market: hence there is little discussion about the need to develop an economic base as a means to generate employment, an issue dealt with in some detail in the Miller Report on the Review of Aboriginal Employment and Training Programs (AGPS, Canberra, 1985). Consequently, the chapter makes some meaningless recommendations e.g. for the funding of enhanced employment services in areas of high unemployment where mainstream jobs may be totally absent! The chapter's treatment of the CDEP scheme as a labour market program is inadequate and results in a circularity in logic that is explained in the attachment.

I trust that these comments and those of more detail in the attachment will be of some assistance to the CGC as it prepares its final report. I would be happy to discuss any with you, but please note that I will be on leave for most of January 2001. There is no doubt that the CGC's final report will be influential, particularly as noted above, given the recommendations in *Reconciliation Australia's Challenge: Final Report of the Council for Aboriginal Reconciliation to the Prime Minister and the Commonwealth Parliament* released last week and the forthcoming Social Justice Report 2000 to be released early next year by the Human Rights and equal Opportunity Commission. The CAEPR workshop was of the view that your report could be greatly strengthened if its quality was more even and if the constructive criticisms offered here could be addressed.

Yours sincerely

Professor Jon Altman
Director, CAEPR

18 December 2000

Attachment: Specific comments by individuals on particular chapters.

Attachment: Specific comments by individuals on particular chapters

The written comments by various participants at the CAEPR workshop of 5 December 2000 are presented here for CGC purposes only. These comments reflect, by and large, presentations made to the workshop and have only been minimally sub-edited by Jon Altman to provide some consistency in presentation.

Chapter 2 Setting the Scene (Comments by John Taylor)

1. Table 2.1 (p.7) should use 1996–based 1991 estimates which are available in the second referenced catalogue (ABS Cat. No. 3231.0)
2. Para 7, p.7: It is unclear why the map of spatial population distribution is presented in Fig 2.1, especially given that the Experimental Index discussion makes no reference to population size and distribution.
3. Para 8, p.7, last sentence. Need to outline in what way these points about population distribution have implications for services.
4. The use of income medians in para 11, p.8 is unhelpful and misleading. It would be far more meaningful to indicate how many Indigenous people in each jurisdiction have incomes below the national Australian median. Better still why not express income distribution for each State and Territory in a table in quintiles.
5. It is not clear why household size (para 12, p.20) is included.
6. Para 14, p.10 is not clear. Presumably the last sentence refers to the ABS estimates of the Torres Strait Islander population which are now available, but these are not consistent with data for the total Indigenous population as noted since ABS double counted by including people who identified as both Aboriginal and Torres Strait Islander. There is some hint here that these estimates will provide the basis for generating comparable characteristics data for Torres Strait Islanders but they will not.
7. Para 18, p.13: could go on to state clearly that because of this there is no purpose in pursuing an assessment of mainland TSI needs from census data.

Experimental Index (pps 14-16)

1. The use of the term ‘experimental’ by the ABS is too equivocal in this context. The ABS should say whether they consider the analysis and model robust enough for the purposes of establishing Indigenous needs. Paras 20 and 21 imply that such validation has been done but no detail is provided to assess this.

2. Para 19 indicates that the index will be used to check other indicators: it is unclear how this will be done? Same issue at the end of para 22.
3. The main issue with the index is the use of relative instead of absolute measures. As it stands the map is entirely predictable given the methodology (as Matthew Gray had already demonstrated to the CGC Workshop convened by CAEPR on 14 April 2000). This will under-represent disadvantage in non-remote, especially metropolitan, areas where the quantum of need is greatest despite relative need being lowest. For example, 80% of the unemployed reside in non-remote ATSIC regions. 82% of households with a housing affordability deficit similarly reside in non-remote ATSIC regions but you would never know this using the relative index.
4. One thing the map represents very poorly because of the scale used is the distribution of index scores across the large number of metropolitan Indigenous Areas that exist (the basic unit employed). If ATSIC regions are to be the unit of inquiry, why not simply produce a table of census indicators by ATSIC region showing the number of individuals in each who fall below some defined benchmark (such as national levels of employment, housing adequacy. etc.). Even if such an exercise were undertaken, this section would also need to say something about the applicability of standard social indicators in different contexts. For example, being unemployed in Arnhem Land assumes a quite different meaning with different consequences compared to being unemployed in western Sydney or north Adelaide. In the latter cases, people are actively seeking work but in neighbourhoods where unemployment is generally very high and potential employers have a large skilled labour pool to draw on leading to competition for jobs. As it stands the development of this index is devoid of any context.

Chapter 2 – Torres Strait Islanders (Comments by Bill Arthur)

1. Term of reference 2 (ii) seeks that a distinction be made between Aborigines and Torres Strait Islanders, both within the Torres Strait region and on the mainland. The report found that the needs of Homelanders (those residing in the Torres Strait) can be considered separately, but those of Mainlanders cannot (p.4, Main Findings).
2. Homelanders number around 5,741. Having said that their needs can be considered separately, the draft report appears to deal with them in the same way as any other region. Is this correct? I suggest maybe not for the following reasons:
 - The Strait is an archipelago of small islands: As an archipelago of small and dispersed islands the Torres Strait has special issues which include: a shortage of water; shortage of land and attendant population pressure; special problems with waste and effluent; special problems generating electric power; increased costs due to transport by sea.
 - It is on the international border with PNG: Being on the open border with the much poorer PNG raises special issues with regard to: increased demand on health and education services by PNG visitors; the risk of introduction of exotic diseases and

pests; issues to do with illegal entry and immigration from PNG and further north; and similar issues with regard to cross-border security.

- It is moving towards regional autonomy: The move to autonomy raises special issues with regard to funding and to the division of regional powers and responsibilities.
- Has a special culture (Ailan Kastom): Ailan Kastom has implications for some dealings with government regarding the widespread practice of traditional adoptions.

These issues of special need were not considered in the draft report.

3. Moving on to the Mainlanders. There are an estimated 24,341 of these living mostly in urban centres on the coast. The draft report says their needs cannot be considered separately or in any special way. This position seems based mainly on the argument there are no good data on Mainlanders. The data certainly are poor and this position may continue for some time, in part because of the small populations in each ATSI region. For example, populations range from 3,484 in the Cairns region to 12 in the Tennant Creek and Kununurra regions. Torres Strait Islanders are also a very small proportion of all Indigenous people in many areas. Figures range from 24% in Cairns to less than 1% in some regions of the NT and WA. They are therefore largely invisible to policy makers and it is too hard to make special arrangements for them.
4. Earlier work shows that there is little evidence that they experience problems of access (see Arthur submission to CGC). However, they are not acknowledged as a group by State governments outside Queensland and they feel they have problems accessing ATSI. They have been negotiating for several years to have traditional adoption recognised in legislation in Queensland. So, generally there are not the data to assess if Mainlanders have special needs. The data could be improved and there are apparently moves to have them included in State administrative data sets. Possibly their access to ATSI could be improved by giving them their own chunk of ATSI funding for some things (see Arthur submission to CGC).

Chapter 3 Conceptual Issues in the Inquiry (Comments by Diane Smith)

1. The CGC uses a set of terms throughout the draft report which require more critical evaluation including: 'needs', 'equality', 'equity', 'capacity', 'efficiency', 'partnership', 'community control' and 'community standards'.
2. Needs are variously referred to in the draft report in terms of 'absolute needs', 'relative needs', 'equal needs', 'total needs', 'priority, needs and aspirations', and 'needs indicators'.
3. The term 'need' is perhaps *the* critical concept used throughout the draft report – the central focus of which is on trying to deliver a 'needs-based allocation' model. The concept of 'need' appears to be reduced to an equivalence with 'outcomes'; with the draft report

favouring an approach in which the pursuit of 'equity' will be best met by allocating resources to those with 'greatest needs'.

4. There is very little clarity about the definition of the term 'need' and this is a major conceptual weakness. The closest the report comes to defining this key term is when it states that 'People have needs if their circumstances are below some acceptable standard'. Thus, 'need' is inherently a relative concept' (p 20).
5. The terms of reference place an emphasis on the relativity of needs, and the draft report acknowledges that there must be an 'acceptable standard' or benchmark by which to assess that relative relationship. The report then undertakes the task of deciding on what would constitute an 'appropriate standard' of need, i.e. to measure it. It rejects the objective of looking at 'absolute' or 'total needs' i.e. 'the total resources required to remove Indigenous disadvantage', as beyond its terms of reference; and takes a strict reading to mean it will look only at 'relative need' within the Indigenous population.
6. Nevertheless, it would appear that the final CGC will use a national average Australian standard as the benchmark for 'some acceptable standard' from which to establish relative ranking of Indigenous need.
7. That 'standard' appears to become equated with a national statistical indicator for the total population – though this is not entirely clear in subsequent chapters where both national indicators for the total population, and indicators for the Indigenous population only, are used. National standard indicators then become a benchmark for measuring Indigenous relative indicators against (for example, relative rates of Indigenous employment against national employment rate)
8. 'Needs' very quickly become defined and measurable as 'outcomes'. An 'outcome' seems to be primarily regarded as meaning a service outcome in a functional area (such as health, education, employment, etc) - as measured via statistical indicators. By this process the term 'need' becomes conceptually equated with 'indicators of outcome' for particular service areas. Via this logic, 'equality' and 'equity' are in turn equated with, and to be measured by, 'equality of outcomes' – equality and equity seem to be reduced to 'statistical equality' with the Australian national average.
9. This results in a simplistic correlation – a statistical indicator (e.g. the rate of Indigenous unemployment), is taken to indicate a 'need' (e.g. for employment services), and *ipso facto*, a higher rate of a particular indicator (e.g. high rate of unemployment) is taken to reveal a greater need (e.g. for employment services); similarly, lower health status or educational outcomes indicate greater need for health and education services.
10. Such a correlation can lack validity when used in a cross-cultural context. A key issue is how this will be used to address remote/rural/urban differences beyond a simple index. For example, there appears to be little consideration of issues to do with cultural preference, values, choice, motivation and politics; how these might differ regionally; and how these

might influence the correlation between needs and indicators. For example, high rates of unemployment might not indicate a need for employment services, but a preference not to work, a need for education, a lack of employment opportunity, lack of access to child-care, discrimination etc. The analytical and cultural fallacies of this reductionist approach were critiqued in CAEPR's Monograph No. 2 *Aboriginal Employment Equity by the Year 2000* (see Jon Altman and Will Sander's discussion of lifestyle and cultural choice rendering the pursuit of statistical equality inappropriate in Chapter 1 'Government initiatives for Aboriginal employment: equity, equality and policy realism' and Jon Altman in Conclusion; and Jon Altman in CAEPR Discussion Paper No. 193, 2000).

11. Importantly, the limitations of an 'indicator of outcomes' approach is acknowledged and the draft report suggests that in order 'to assist in targeting funds' (i.e. making relative funding allocations on the basis of 'greater' or 'lesser need'), it will most likely recommend that supplementary statistical indicators are used, with additional sets of indicators about 3 key matters: level of actual/potential demand for services; access (i.e. population) to services; and locational cost differences.
12. It is likely that the CGC will pursue an approach to measuring 'relative need' which links it to an allocative funding model based on a formula/index – but then attempt to address the limitations of such an approach by pointing to the need for 'partnership', 'community control' and flexibility to include 'local knowledge'. These are all the factors that currently erratically influence funding decisions.
13. The CGC report appears to develop a framework for measuring need which operates along continuum starting with: a index/formulae approach – then acknowledging the limitations of the formulae, it states that the way to address that limitation is to add supplementary indicators – then it adds in the further requirement to involve and consult with Indigenous people in the funding decision-making process, and to incorporate local knowledge. In effect, the continuum goes from a consideration of 'hard' data in an extremely constrained way (the index), through to 'soft' data (in the form of a very vague inclusion of Indigenous priorities and knowledge).

Chapter 4 Practical Issues in Targeting (Jon Altman)

1. Para 19, p.34. It is unclear why Indigenous people need to have decision-making authority beyond that available via existing institutional arrangements. In many discrete communities such arrangements are already in place with Indigenous political control of service provider institutions, but there is no empirical evidence of better outcomes or reduced needs (or worse outcomes or enhanced needs!). In mixed communities the political wisdom of such separation needs to be questioned especially in situations where local governance might provide important forums for reconciliation.
2. Para 31(viii), p.37. CAEPR is undertaking this analysis for AIHW and there are doubts about when this work will be completed and whether the health expenditure data for Indigenous people will be statistically robust.

3. Para 44, p.39. It is noteworthy that in many situations historically this has been a Hobson's choice for ATSIC (and before that DAA) because Aboriginal communities would form, sometimes on land with contested title, and State and local governments would refuse to service them at all. An example of such a community is Turkey Creek (Warmun) in the East Kimberley re-occupied by Aboriginal people in the early 1980s, with all municipal services funded by DAA.
4. Para 45, p.40. It is important that information on cost shifting is quantified for the final report, even if only on a case study basis.
5. Paras 46-54, pp 42-3. Many of the comments made here are strongly supported by CAEPR case study research. There is a need for multi-year funding if planning is to be effective (para 47), all too often ATSIC-funded organisations especially CDEP organisations, are expected to administer the programs of other agencies, there is need for better data and there is urgent need for resources to be provided for community capacity building.

Chapter 5 Inter-Government Issues (Tim Rowse)

1. Chapter 5 presents an outline of structures that would improve Australia's pattern of federal governance. In the current pattern, the CGC argues, the Commonwealth has only a very limited capacity to influence the way State/Territory and local governments service Indigenous Australians. While making some proposals about how the Commonwealth could better attune its own expenditures to Indigenous need, the CGC's more far-reaching suggestions are about changing the ways that the other two levels of government respond to Indigenous citizens. These suggestions are:
 - More rigorous enforcement, by the Commonwealth, of the conditions of Special Purpose Payments (p.58, par 63).
 - Setting up new Indigenous-controlled bodies, at the State/Territory and regional levels, to decide how to spend all Commonwealth and State funds that were allocated to Indigenous-specific programs in that State/Territory or region.

Both suggestions are very welcome.

2. However, there are three issues raised by the second that could be the subject of further discussion in the final report. First, the draft report says little about the composition of these new Indigenous-controlled bodies, only that they are to be 'Indigenous-controlled' and that they would include representatives of all three levels of government.
3. Second, the draft report does not say how such bodies would be related to ATSIC, though it would seem that ATSIC's program funds would form part of the mass of funds to be directed by these new bodies. When discussing the possibility of regional Indigenous bodies, the report says that they might be built on the present ATSIC structure (p.61).

4. Third, the scope of these proposed bodies is limited to allocating those funds that have been allocated to Indigenous-specific programs. This might be a large or small amount of money, depending on the Commonwealth's and States'/Territories' judgment. The proposed bodies remain, to a significant extent, dependent on governments' willingness to service Indigenous people through Indigenous-specific programs. Should the proposed bodies become problematic from the point of view of governments, their wings could be easily clipped. A more far-reaching reform would be to give the proposed bodies control over a portion of all money that is notionally dedicated to the servicing of Indigenous people in the State/Territory or region. The proposed bodies could then release that money to mainstream services when they were satisfied that those services were meeting Indigenous needs.
5. In addition, it would be useful if Chapters 6–11 would point out what proportion of program funding in each functional area are Indigenous-specific. That would make clear, in respect of each functional area, the significance of the new forums of decision-making proposed above.
6. When the CGC envisages Indigenous Australians having the power to allocate program money, it faces the issue of how much it should prescribe or recommend to such forums any particular rational principle of distribution. The CGC has been required by the government to find 'a method that can be used to determine the needs of groups of Indigenous Australians relative to one another' (Term of Reference 1, p.iv, my emphasis). However, Indigenous and other Australians told the CGC inquiry that Indigenous need should be assessed on an 'absolute', not a relative, basis. 'The general theme was that given the high absolute needs, redistribution of existing levels of funding on the basis of relative Indigenous needs was of limited relevance' (p.xii, par 8). What these submissions and witnesses meant by 'absolute' need was that governments should gauge Indigenous need by comparing their circumstances with those of non-Indigenous Australians (p.20). It is clear that in the course of its inquiry the CGC has uncovered an important difference of perspective between the government and the Indigenous constituency about how 'need' should be understood.
7. So whose notion of needs-based distribution is to be applied in the recommended forums of Indigenous Australians? Is the CGC stipulating that Indigenous Australians should be encouraged to adopt the Government's notion of need (relative needs among Indigenous Australians), or should they be allowed to continue to regard 'absolute' need as the factor to be taken into account?
8. The CGC draft report is not clear in answering this question. On the one hand, it advocates the principle that 'Indigenous people or their representative organisations directly influence as many aspects of needs identification, prioritisation and service delivery as possible' (p.54, my emphasis). On the other hand, it wants the Commonwealth to 'insert needs based regional allocation requirements into Indigenous specific SPPs' (p.58). Presumably, the Commonwealth will do so using the notion of 'relative' needs mentioned in the first term of reference, enabled by the technical work of this inquiry. Presumably, the governments represented on the State or regional forums would expect and require the Indigenous representatives to do likewise. Otherwise the recommended forums would lack a common frame of reference for their needs-based allocation of Indigenous specific program funds. These forums of empowerment are actually forums of re-education that would require the

Indigenous participants to de-emphasise the arguments of ‘absolute’ need (comparing Indigenous with non-Indigenous) that they have articulated to the CGC inquiry and to give more prominence to a notion of relative need (comparing Indigenous with Indigenous) produced by that inquiry. The final report should frankly acknowledge the possibility of Indigenous resistance to the program of political socialisation that is implied by the above observations.

Chapter 7 Housing (Roger Jones)

1. Para 21 states bluntly that ‘Data on homelessness is limited to that in the Census’. While there are undoubtedly problems with the SAP data, it surely should also be considered, particularly in urban areas. And the CHINS also identifies numbers of temporary dwellings and persons living in them. The report by Chris Chamberlain titled ‘Counting the Homeless: Implications for Policy Development’ published as an ABS Occasional Paper is a very useful reference on this issue.
2. Para 24 identifies the Census and CHINS as the main data sources for needs assessment, and footnote 2 indicates some of their limitations. The main difficulties, at least with the 1996 Census and the 1999 CHINS, arise from the very different results obtained for the community housing sector, with the CHINS giving twice the number of households identified in the Census. There is also considerable variation between the number of temporary dwellings identified in the CHINS and the number of improvised dwellings shown in the Census. These differences are most significant in the regions with the highest levels of overcrowding and homelessness, namely the most remote regions, where community housing is the predominant tenure. These problems should be greatly reduced when the 2001 CHINS is conducted in the lead up to the 2001 Census.
3. Re footnote 2, the CHINS does include some questions addressing the functionality of housing, identifying the numbers of permanent dwellings without water connections, without electricity connections, with various types of sewerage systems, affected by sewerage overflows or leakages, affected by ponding, affected by flooding, and without their own cooking, washing or laundry facilities. What it does not do, however, is identify whether these same dwellings are occupied or not, and the extent to which they overlap with those identified as in need of major repairs or replacement, with the possibility that needs will be double counted under housing condition and functionality.
4. Paras 29 and 30 briefly discuss indicators of overcrowding and homelessness, and note that homelessness can be included with overcrowding. Indeed, in remote areas at least, homelessness and overcrowding as identified in the Census and CHINS may be somewhat interchangeable, with people choosing to live in temporary/improvised dwellings at some times rather than in overcrowded permanent dwellings. It may then be appropriate to consider under-utilisation of dwellings in these indicators, and at least to consider vacant dwellings. The CHINS, for example, identifies some 2,000 vacant permanent dwellings, although again their condition cannot be identified. Nevertheless, if funds are allocated to repair dwellings, it

may be appropriate to consider some reduction of the overcrowding and homelessness needs indicators, although the location of the vacant dwellings and the overcrowding are clearly important.

Chapter 9 Education (Jerry Schwab)

1. Though there are many important issues addressed in the CGC's Indigenous Funding Inquiry, I will confine my remarks to matters bearing on education. I will focus on a handful of key issues that emerge from the findings and conclusions in Chapter 9. I think there are many assumptions embedded in the draft that need close examination. Many of these 'findings' appear to me to be unlinked to any evidence and others are simply wrong.
2. Much of Chapter 9 (and Attachment D) of the report involves an examination of published data and an attempt to introduce some measure of relative need. The data are problematic in that many of the tables do not actually specify who is being described. For example, is Table D-9 portraying all Indigenous people in 1996? Those who left school in 1996? And what exactly does the 'Weighted Average' and 'Indicator' mean? There is no discussion of what these mean or what the implications of different averages or indicators might be. Consequently, I don't feel there is any value in my commenting on it. Another part of Chapter 9 deals with specific detail of Commonwealth Indigenous education programs and I am certainly not the person best qualified to comment on the accuracy of those details; I presume DETYA will do that. I do, however, want to comment on some of the chapter's Findings and Conclusions and challenge some of the underlying assumptions.
3. The failure of 'the education system' (para 45): The first point ('Indigenous education outcomes are generally poor') is an over-simplification of a complex issue which needs much more careful explication. While the first part of the chapter provides a cataloging of Commonwealth education grants, programs and services (e.g. Indigenous Education Strategic Initiatives Program (IESIP), ABSTUDY, etc.), there is no attempt made to assess the outcomes achieved by these programs. While it is indeed the case that in many places education outcomes are poor, there is no attempt to explain how or if existing programs make a difference – it just seems to be assumed they don't! I would suggest that there is abundant evidence to show that positive outcomes can be and are being achieved by various Commonwealth programs in many places. If that's not true it is incumbent on the Inquiry to demonstrate – not just assert – this to be the case.
4. The second part of the finding in para 45 ('education needs and compounded by health and housing needs ...') appears to refer to the fact that educational outcomes are associated with and intertwined with a range of other important variables. I would agree strongly with that

proposition: successful educational outcomes are certainly influenced by health and housing and there is abundant evidence to show that social and economic disadvantage is associated with lower levels of educational engagement and performance. Yet it is extremely important that any inquiry consider the fact that ‘the education system’ (whatever that means) is not solely responsible for delivering improved outcomes. While Governments, education departments and teachers are charged with developing and providing educationally sound policies and programs that facilitate learning, improved outcomes are not boxed lunches to be ‘delivered’. Educational outcomes are far more complicated than this. Education is a socio-cultural process within which individuals choose to engage and/or disengage and those choices are often historical, personal and political.

5. The Commonwealth’s influence on education outcomes (para 46): One of the implications of this finding is that the Commonwealth has little influence on programs and their outcomes. Also, the finding suggests it provides only a national policy perspective. This is not the case. Since 1997 the Commonwealth has tied annual IESIP funding to negotiated performance indicators. In addition, the National Indigenous English Literacy and Numeracy Strategy requires States and Territories to draw up implementation plans focused not only on improving literacy and numeracy levels but school attendance, parental and community involvement, health and nutrition and a range of other outcomes. The Commonwealth has indicated funds will not be released to States or Territories unless their individual implementation plans fit with the overall Strategy. The amount of funding provided by the Commonwealth is significant by any measure. In the next five years, the Commonwealth will provide nearly \$2 billion to States and Territories in these and other supplementary funding programs.
6. The ‘need to go further’ in delivering outcomes (para 50): ‘Mainstream systems need to go further’ in these areas? Which mainstream systems? How much further? How far have they gone? How effective have they been so far? Though I’m not the person to provide specific details of all non-Government sector, State, Territory or Commonwealth programs, many of these issues are being directly addressed through Commonwealth policies and programs! For example, alternative modes of service delivery, removing cultural barriers, employing Indigenous staff in schools, and various options to improve attendance have all been addressed by various National Indigenous Education policies and agreed to by the Ministerial Council on Employment, Education, Training and Youth Affairs. How useful is a finding that systems ‘need to go further’? Not very, I would suggest.
7. The value of ASSPA (Aboriginal Student Support and Parent Awareness program) (paras 55 and 57): I am puzzled by the last comment (‘left to a small part of the Indigenous parent community’) and would like to see the data on which this finding is based. In my experience, school committees (ASSPA committees included) are very effective in some schools and less so in others. Individuals who are particularly committed are the ones who elect to involve themselves in such representative bodies. Sometimes their contributions are enormously valuable, other times they are not. The value of their contribution is not a function of the number of different individuals who choose to participate. It seems unreasonable to me to expect that Indigenous people should exercise their democratic options in ways different than those of other Australians.
8. Indigenous people have little impact in decision making in education (para 59): Like many of the recommendations and conclusions, this appears to have no basis in evidence. Indeed,

I would very much like to see the evidence for this. Indigenous people are involved in decision making at the family, school, community and regional levels. In addition, Indigenous consultative bodies exist in each State and Territory. Indigenous Officers hold senior levels in each State and Territory education department. Indigenous people have historically and continue to have enormous influence on national education policy formulation going back over 30 years. It is difficult to see how it can be argued that Indigenous people have had little impact in decision making.

9. Broadband payments to local decision makers (para 66): Again, the draft report does not specify which programs are being referred to. Which short term programs are fragmented and inflexible? Broadbanding payments and giving local decision maker the ability to use funds as best suits their needs is difficult to argue against, but it raises some very important questions: Who are the local decision makers? Which national level programs are discontinued in order to fund local ones? Who is responsible for ensuring the funds yield measurable outcomes? Who is responsible for evaluating the potentially thousands of local initiatives? These are all critically important questions that need to be answered before a recommendation such as this can be seriously considered.
10. Commonwealth capacity to improve outcomes (para 68): Again, I think this conclusion is simply wrong. As part of its IESIP funding, the Commonwealth has monitored performance by the States and Territories (and the non-government sectors) since 1997 and there is tangible proof of improved outcomes, within current funding arrangements, in several key performance areas. In addition, the report implies a lack of Indigenous involvement in education decision making, a finding not supported by evidence. In 1999, for example, there were nearly 4000 school-based Indigenous parent committees funded through the Aboriginal Student Support and Parent Awareness program. In 2000-2001 that program will be funded to nearly \$20 million.
11. *Community involvement in decision making and community control (Main findings: xiii): This begs several questions:*
 - to what degree can it be demonstrated that Indigenous people do not have authority to make decisions?
 - What does 'control over the funds' actually mean?
 - What does 'community control' actually mean?
12. These are not unproblematic issues and they appear to be treated as such in the draft report. If people are asked if they want to have authority over decisions that affect their lives and if they as members of communities want control over programs and resources in their communities, the vast majority of people will enthusiastically answer 'yes'. It is almost impossible to imagine otherwise. Yet this seems to me to add nothing constructive to the analysis of the issues or development of policies to address disadvantage.
13. Community control is both a form of ideology and a means of shaping and managing resources and programs decision making. The two are quite separate and need to be examined carefully. 'Community control' has taken on the status of 'motherhood'

statements in many arenas of Indigenous policy; what policy maker could or would deny communities control over their lives? Self-determination, self-management, empowerment, whatever the term might be, there is a strong ideological position here that often implies Indigenous community consensus where in fact that often does not exist. In education, Indigenous people, like other Australians, exercise choice. And like all other Australians, Indigenous people as a group do not make the same uniform choices. They choose to join ASSPA committees or not; they choose to participate on school councils or not; they choose to send their children to one school rather than another. They differ in opinion, often dramatically, on the value of ‘community control’ of education – while some believe wholeheartedly in the principle, others see it as depriving them of the same rights as enjoyed by other Australians, while still others view community control as control of resources by one faction of the community to the disadvantage of others. To uncritically assume that ‘community control’ (whatever that means) over program funds is ‘the ideal’ could be viewed as patronising or even mischievous! It certainly portrays a significant misunderstanding of the diversity of views among Indigenous people on this issue.

14. *Devolution of Funding to the Regional and Local Levels (main findings xvii item 35): While this approach has enormous ideological appeal in some quarters, it raises many critical questions:*

- Which specific funds? Which existing programs are sacrificed to provide funding to allocate resources to State-level Indigenous-controlled bodies?
- There are known problems in State/Territory level commitment to Indigenous education. How are those to be overcome if responsibility is devolved?
- Who is responsible for resourcing these bodies?
- Who is responsible for ensuring these bodies gain the skills they need?
- Who ensures the designated Indigenous-controlled bodies are representative?
- Who is responsible for ensuring outcomes?
- How is the performance of individual bodies assessed?

Chapter 10 Employment (Boyd Hunter)

1. *The CGC has taken the employment function of government to include programs that create employment opportunities and/or assist the unemployed to be better prepared to join the labour force. However, the CDEP scheme is also a development program providing real services to local community which are not being provided, in the main, by either local businesses or government. Therefore they are in a real sense a substitute for real jobs which are not currently being provided by the mainstream economy. The existence of the CDEP scheme has large effects on Indigenous participation rates in many areas and it is inconsistent to exclude it from the CGC analysis. At the very least, the employment needs indicator should be estimated both with and without the CDEP scheme treated as employment to identify the sensitivity of the patterns of employment need to changes in the treatment of such jobs (urban areas will need greater supplementation of funding if the CDEP scheme is treated as employment).*

2. The draft report documents Indigenous employment disadvantage using CAEPR's research (including an unqualified statement from *the Job Still Ahead* predicting that Indigenous employment will become worse. But the predictions in *the Job Still Ahead* are contingent upon the rate of growth of the CDEP and treatment of CDEP scheme as employment. As the CDEP conference paper by Taylor and Hunter showed the recent expansion of the scheme has arguably lead to a fall in the Indigenous unemployment rate (John Taylor and Boyd Hunter 'Demographic challenges to the future viability of the CDEP Scheme', paper presented to 'The Indigenous Welfare Economy and the CDEP Scheme: Autonomy, Dependence, Self-Determination and Mutual Obligation' Conference held at The Australian National University, Canberra on 9 November.)
3. The CGC's primary needs indicator used is the unemployment rate (calculated by combining Centrelink/ATSIC data on income support with ABS census data). The combination of administration and census data adds unnecessary complexity to the estimates of Indigenous employment need. It is difficult to be confident that the numerator and denominators in the indicator are consistently talking about the same population (given that people may be less willing to identify as Indigenous in the Centrelink data). The proportion of people identifying as Indigenous is even likely to vary substantially over time for data collected from a single administrative source. For example, the field which identifies Indigenous people only became mandatory field for Centrelink staff to complete on 18 September 2000.
4. The draft report also suggested another indicator – numbers moving into mainstream employment from CDEP. It is difficult to know what this is a measure of! This measure is clearly dependent upon the CDEP existing in an area and the cultural preference of participants, especially in non-urban areas, to work with other Indigenous people.
5. With the possible exception of the last measure, indicators ignore the demand side of labour market. In particular, measures of relative employment needs within the Indigenous population are not independent of the total number of jobs available in an area (unless the job market is completely segregated). Hence it can be nonsensical to suggest that high unemployment rates, especially in remote localities, indicate a need for more employment services provision: there will be no link between employment services and reduced unemployment rates in the absence of actual jobs.
6. The draft report should take into account discouraged workers and variations in labour force participation rates which would make urban need more prominent. The ABS may be able to provide estimate of the potential labour force (including discouraged workers) by ATSIC regions using its non-confidentialised unit record file on the NATSIS data.
7. The section on Job Network provides a useful critical analysis. However, it is difficult to verify the success or otherwise of Job Network without independent analysis of DEWRSB data on employment service providers.
8. The draft report recommends new CDEP places should be allocated on the basis of relative Indigenous need for employment (using the ATSIC regional framework). Given that employment need is currently defined by the CGC in terms of the number of CDEP scheme places (as well as the unemployed on Centrelink's books) the logic of this recommendation is circular.

9. The report also recommends that the Commonwealth considers providing funds for CDEP-based training to facilitate movement into mainstream employment and to assist in community development in remote areas. This recommendation resonates with several papers at CAEPR's recent conference on the CDEP scheme (especially, 'Training by doing: pathways through CDEP' paper by Shirley Campbell and Jerry Schwab presented to the 'The Indigenous Welfare Economy and the CDEP Scheme: Autonomy, Dependence, Self-Determination and Mutual Obligation' Conference held at The Australian National University, Canberra on 9 November).