

September 2018

## Aboriginal Peak Organisations NT

### Submission to Senate Community Affairs Committee Social Security Legislation Amendment (Community Development Program) Bill 2018 (the CDP Bill).

#### Supplementary information

#### Fair Work and Strong Communities Alliance survey of employers

An on-line survey was conducted over ten days from 7<sup>th</sup> September to 17<sup>th</sup> September. It was distributed through Fair Work and Strong Communities Alliance networks.

The objective of the survey was to gather evidence to assist the Senate Community Affairs Committee in its assessment of the likely value of the job creation measures being proposed by the Government, and, in particular, its claim that the proposed employment subsidies will be of assistance to local Indigenous community organisations to create jobs in their area.

This supplementary paper provides an overview of results.

#### 1 Assessing alternative forms of job creation assistance

Survey respondents were asked to consider three options in turn. The first reflected the current Indigenous wage subsidy arrangements in non-remote areas (Option A). The second reflected the Government's current wage subsidy proposal for CDP areas (Option B). The third reflected the direct wage package that has been put forward by the Fair Work and Strong Communities Alliance (Option C). The source of each option was not identified in the survey, and only responses that assessed all three options were included in results. 67 usable responses were received.

After assessing the likelihood that they would create jobs, respondents were asked to identify how many jobs they would be likely to create.

The results are set out in the following table:

Option	Likelihood of creating jobs	Number of jobs likely to be created (by those employers stating they are likely to create jobs)
A. Wage subsidy of \$10,000 for jobs of at least 20 hours per week, paid over six months. (jobactive wage subsidy model)	Very likely 34.33% Likely 26.87% <b>TOTAL= 61.2%</b>	Very likely = 102 Likely = 82 <b>TOTAL= 184</b>
B. Wage subsidy of \$21,034 over two years for full time job. (CDP subsidised job proposal)	Very likely 14.93% Likely 28.36% <b>TOTAL = 43.29%</b>	Very likely = 33 Likely = 65 <b>TOTAL = 98</b>
C. Wages and on-costs for jobs of 20 hours per week. Should offer skills development. (Fair Work & Strong Communities proposal)	Very likely 56.72% Likely 31.34% <b>TOTAL = 88.06%</b>	Very likely = 405 Likely = 62 <b>TOTAL = 467</b>

Option C (the FW&SC model) emerged as most likely to generate employment by a significant margin. Option C clearly represents the most generous subsidy, but the comments from employers also show that it is the nature of the constrained and uncertain operating environment that affects their ability to create work. For some, any commitment to additional jobs without funding certainty presents a risk to the organisation. Comments made by respondents about these options included:

- We already spent about 60% of our income on wages, and do not have the funds to top-up options A & B, or provide ongoing employment after subsidy ends. Under option C we could expand all of our community services.
- Unfortunately, my answers are inhibited by uncertainty of Government contracts which makes Option B untenable. All options look attractive.
- Option A and B are just a drain on our resources. It doesn't cover much more than 400 hours at minimum wage and that doesn't include admin, insurances etc. We would be going backwards as the unemployed people on our community are unskilled and would require constant supervision and on the job training. Option C is getting there. Wages and admin-insurance needs to be covered. We could employ considerably more staff if these were covered. The best option for us would be if wages and insurances-admin were covered for new employees and for the supervisors required to look after them.
- Partial Wage subsidies are only worth while if the entity that employs has the capacity to pay the balance. Remote community enterprises are not always able to do that

Perhaps a more surprising result was the general preference for Option A over Option B even though the latter appears more generous. One of the reasons given by employers for preferring Option A was it allowed for the possibility of creating part-time jobs for those who preferred them. Comments included:

- Part time employment is a more realistic option for us. Retention is a big issue for full time jobs. I find part time options suit more local people - helps keep a balance with home and family life.
- FULL TIME IS NOT WHAT PEOPLE WANT

But not all agreed:

Option A is attractive but limits capacity to make change in community when individuals are only working 20 hours. There will not be much of a social impact to individuals, family and community. Option B would be difficult to retain staff for up to 2 years with the proposed allocation of subsidy and outcomes. Option C would be the most attractive to create ongoing employment placements and creation and would be the option that I would choose. BUT all options create additional administration and management which needs to be taken into account especially if organisations are paying these individuals simply because the costs of insurance increases with additional employee's, the costs of payroll increases, liabilities increase and management responsibility. It also impacts operational costs such as vehicles usage, utilities, software and IT licences, leave liabilities etc.

## **2. Usefulness of wage subsidies and incentives**

The majority of respondents reported that, in the past, wage subsidies or incentives have been at least somewhat influential in their hiring.

Q10. Thinking about when you have hired people in the past, how influential has the availability of wage subsidies or incentives been?	
Answer Choices	Responses
A great deal	16%
A lot	12%
A moderate amount	33%
A little	14%
None at all	26%

N=58

Comments included:

- It takes a lot of training and resources to train staff up to work in our industry, so subsidies and incentives really help the organisation, considering we are a not for profit Aboriginal corporation.
- Incentives are good to offset some expenses however, staff retention is the true savings made by companies. Good staff, staying in jobs for longer is the true economic benefit to the organisation, the employee and community.
- Any incentive or subsidy is welcome but again any incentive and subsidy comes with an additional administrative cost and management burden to reach the requirements for these incentives.

Employers were asked to identify other forms of assistance that had been found to be helpful. They identified as helpful: assistance with providing tickets or licenses, mentoring, support from the CDP provider and mentoring. But several employers were negative about assistance available to them. One said, for example 'its been a long time since anything was helpful'.

### 3. Hiring local Indigenous people into vacancies when they come up

Most respondents to the survey had a strong preference for hiring local Indigenous people:

Which of the following statements best reflects your organisation's approach to employing local Indigenous people in jobs that come up?	
Being Indigenous and local is an essential requirement for our jobs	30.36%
We employ local Indigenous people whenever we can, even if it means extra training and djustment of job expectations	53.57%
We employ local Indigenous people whenever we can, where they can meet job expectations within a short period	12.50%
We prefer to hire local Indigenous people, as long as they have equal skills to others	3.57%
We do not take local Indigenous status into account when we employ people	0.00%

N=56

The most frequently identified barrier to employing local Indigenous people was training, including literacy/numeracy training and more specialised, long term training. Some employers also identified competition from Government employers or private contractors that could offer higher wages as a challenge – it meant that, having invested in training, skilled workers were being poached. Reliability and lack of funding were the next most frequently identified barriers (although substantially behind skills/training). Family pressure and poor living conditions were also identified.

When asked which of a range of types of assistance might influence them to employ local Indigenous people if a vacancy arose, the availability of training and mentors emerged as more significant than other forms of assistance:

Which of the following would make it more likely that your organisation would employ local Indigenous people who are currently unemployed when new vacancies come up?			
	Much more likely	Somewhat more likely	Total more likely
Access to quality work-based training for employee	57%	33%	90%
Access to training account	56%	34%	90%
Access to external mentors / employee support	51%	26%	77%
Incentive payment of \$7,500 after six months	37%	39%	76%
\$10,000 wage subsidy over one year	34%	39%	73%
Access of a pool of labour (for example to cover absences)	48%	24%	72%
\$20,000 wage subsidy over two years	45%	25%	70%

N=52

Comments noted the difficulty and expense of getting people trained and supervising them while in training. Several suggested that funding to employ a senior/skilled person to work with others might be of most assistance.

- To bring in new Indigenous people we need to be able to train them and we don't have the luxury (in terms of resources) to be able to do this adequately.
- Financing a staff member to manage local employment. If we had financial support to engage 1 or more staff who had the capacity and capability to manage indigenous staff we could operate more services which would provide more employment. We are running at maximum capacity with 1 full time staff member we employ 3 local indigenous part time staff members year round and approx 10 casual local indigenous staff in the dry season (5 months). If we had another staff member to manage this we can increase our capacity for local employment.

#### 4 Who completed the survey?

70% of respondents were from the NT. The majority were Indigenous non-profits.

Q21. Which of the following best describes your organisation	
Indigenous non profit	67.92%
Indigenous owned for profit	1.89%
Other non profit organisation	3.77%
Other for profit organisation	11.32%
Government	15.09%

N=53

Respondents employed people across a range of sectors, although the majority were in health and community services, which is also the largest employing sector nationally.

In which of the following sectors do most of your organisation's employees work (tick all that apply)?	Top 15 only
Employment services	40.00%
Other community services	36.36%
Health	23.64%
Education or training	23.64%
Aged care	18.18%
Arts and recreation	18.18%
Other	18.18%
Construction	16.36%
Environmental (eg rangers)	16.36%
Public administration	16.36%
Childcare	14.55%
Disability services	14.55%
Retail	14.55%
Accommodation and hospitality	14.55%
Transport	12.73%

N=55

Survey respondents also ranged in size.

Q17. Roughly how many people does your organisation (or the part you are responding for) employ?	
less than 10	10.91%
10 – 19	18.18%
20- 49	30.91%
50 – 99	16.36%
100-199	7.27%
200 or more	16.36%

N=55

## 5. Comment

It is clear from this survey that many organisations in remote communities need more than partial wage subsidies if they are going to create ongoing, quality work for local Indigenous people. Most current and emerging jobs in remote communities are in sectors that rely (directly or indirectly) on government funding. Their capacity to commit long term, or free up additional funds, is limited. Of the options presented, option C came closest to addressing this concern, but the Government might also consider how its funding arrangements (eg in community services, arts, health) might provide greater certainty.

The survey also highlights that one of the major obstacles to employing local people is lack of access to appropriate, foundation and vocational training options. Lack of external training support and mentoring increases the burden on employers and limits their ability to expand. This is clearly an area that needs more attention.