

## **Five steps get them off welfare**

Noel Pearson

*The Weekend Australian*

9-10 August 2008

Prime Minister Kevin Rudd and Andrew Forrest from the Fortescue Metal Group are committed to hammering out the details of the plan for 50,000 indigenous jobs within 100 days of its announcement last weekend.

Forrest's response to Mark Colvin on the ABC's PM radio program on Monday said much about the entrepreneur's approach: "Well, I have to admit to you that my original target was a little higher ... We settled the target of 50,000 because we believe that, while the target was very seriously outside all our comfort zones, we believe – because of the expression of great will and wonderful heart, the generosity of Australian spirit, which we've seen in the corporate and the national employment sector(s) – that 50,000 is achievable now." He said if the target was achieved within two years, or even longer, "we would have changed, as an Australian nation of employers, the course of social history for our indigenous brothers and sisters". That this target is "seriously outside all our comfort zones" is part of Forrest's method. Unless we stretch our ambitions, we are not going to make the kind of breakthrough that is needed with two fundamental things in the psyche of Australians when it comes to indigenous policy.

The first is the low level of ambition in the Australian private sector about integrating indigenous people into their workforces. Many large companies can hardly count an indigenous employee on their books. For too many indigenous people, the Australian private sector is an unwelcoming place. The normalisation of indigenous Australians in private-sector workplaces is a necessary breakthrough.

The second is the mindset of indigenous people. In order to get our people off welfare and to start the process of recovery and strengthening as a people, we need to believe that the doors leading to opportunity are open. The best future for our young people lies in them moving into real employment. These are my proposals.

I suggest the Australian work opportunity covenant, the plan for moving our people into private-sector jobs, comprise five elements, representing five stages in the process of moving off welfare and into the real economy. The five stages correspond with the metaphor we refer to in our policy thinking in Cape York Peninsula: the staircase of opportunity.

Passive welfare has built a pedestal alongside the first step of the staircase. Our people remain on this pedestal because it is higher than the first step and immediately more attractive, but in order to begin climbing the staircase of opportunity we need to step down off the pedestal. Too many of our young people live permanently in a comfort zone of low income and low expectation.

Life is mean on the pedestal, and life prospects never change. But welfare-dependent people are trapped there because moving off welfare involves moving out of the comfort zone, down to the first step of the staircase of opportunity.

Step one involves indigenous individuals signing up for welfare reform. We already have federal legislation enabling welfare reform for four communities in the Cape York Peninsula. The entire communities of Hope Vale, Mossman Gorge, Aurukun and Coen have opted for welfare reform. This is what we might call place-based welfare reform.

I propose that there be federal legislation that enables welfare reform for individuals. Individuals, whether they live in the vast suburbs of underclass struggle or the outback towns, should be able to sign up to welfare reform.

Those who take the first step and sign up for individual welfare reform would then be provided with the four other steps of opportunity by government and the private sector.

Instead of passive welfare, these individuals would first be entitled to all necessary assistance to undertake training for a job. Key to this will be the need to make fundamental reforms to the Community Development Employment Projects. The Cape York Institute has proposed to Indigenous

Affairs Minister Jenny Macklin some fundamental reforms to CDEP, aimed at maximising the pressure on community members to move into all available employment. It is understood that reforms to CDEP will not be introduced until July 2009.

This is far too much delay. Reforms must be introduced sooner or our 50,000 jobs goal will suffer. One of the simplest reforms would be to make the scheme portable so that people can take their CDEP with them when they go off to training.

Step two involves the individual entering a training program tailored to their employment preference. This is where the three tiers of government must commit to providing the training funds and facilities. Forrest believes an unequivocal commitment from government to the training phase is imperative: if government will come to the party on training, Forrest believes he will get the job pledges.

Those who sign up to training will need other supports. Indigenous leader Brad Foster at the Century Mine in the Gulf of Carpentaria told me recently that medical checks and attention to problems – eye care and dental care, for example – are an essential part of the process of supporting people into work. The opportunity covenant should also include assistance with relocation costs for workers who will need to move to where the training and jobs are.

Individuals will need access to budgeting and income management services, so that they can manage their domestic lives. They will need bank accounts and the capacity to manage their money, including the ability to sequester savings away from humbugging from relatives and from their own temptations.

State and territory governments should also establish procedures to support indigenous people with outstanding fines and driver's licence problems. Many young people are caught in a vicious cycle of traffic offending and non-payment of fines. They need to be supported to get out of the cycle, pay their obligations, get a job and get back their licences.

Step three follows the completion of the training course. What is revolutionary about the Forrest scheme is that he wants the corporate employers to guarantee a full-time job at the completion of training. It is this guarantee that he believes will motivate indigenous people to sign up to opportunity, and it will also drive more rigour in the provision of training. The introduction of indigenous employees into workplaces that have few or no indigenous people will be a challenge. Companies will need to learn from organisations that have succeeded in this challenge, such as Forrest's Fortescue and Danny Lester's Sydney-based Aboriginal Employment Strategy, which placed 1500 indigenous people into work last year.

The work of social entrepreneur Milton James in getting our young people from remote communities into the meat-processing industry in Victoria has proved that illiteracy, innumeracy and the need for mobility are not insuperable barriers. The work placement scheme developed by James now needs to grow from the success of several dozen into hundreds of work placements.

The meat-processing industry is crying out for workers and increasingly relying on guest workers. James is now in the process of developing a national scheme for this particularly important segment: young people who have left school with virtually no life skills and no work skills.

Meanwhile, Foster at the Century Mine has solved the indigenous employment riddle in the context of a mining operation. South of Mount Isa, another innovator, Colin Saltmere, has developed methods for training indigenous workers in civil works in preparation for working in construction and mining. A young man from Cape York, Donnie de Busch, runs a company specialising in getting indigenous people into facilities management: cleaning services, building and grounds maintenance and so on. Another Cape Yorker, Lani Blanco in Sydney, is drawing on her experience in helping indigenous people into jobs with her former employer, Qantas, to support indigenous employment in other sectors.

The fourth step towards opportunity involves employees contributing to what I provisionally call individual development accounts. These are long-term savings accounts that accumulate funds to be used for three purposes: for education or training, for purchasing a home, or for starting a business. I believe that federal legislation – akin to the legislation that governs the prudential management and tax treatment of superannuation – will be needed to establish and manage these accounts. This legislation should govern the management and investment of communal funds generated from mining royalties

and other sources of revenue to which indigenous groups have access. Such a scheme should also establish a relationship between these communal wealth funds and individual benefit. Individuals could receive dividends from communal funds into IDAs, based on matching contribution formulas related to their savings. The aim is for IDAs to enable indigenous employees to build assets.

Step five is really the most basic form of asset accumulation: home ownership. Once the employee has reached appropriate milestones, saved a deposit and established a savings record with their IDAs, then they would be entitled to home loans enabling them to own homes in places of their choosing. They can buy their home at the place of work or they can build a home back on their traditional homeland base. This is the opportunity package that should match the decision of indigenous individuals to opt into welfare reform.

I believe that Forrest will get the 50,000 job pledges within two years. The challenge will be to get the 50,000 indigenous takers. Maximum success will necessitate federal legislation to enable individuals to opt into welfare reform and urgent reform to CDEP.

Governments will need to follow fast with the solutions needed to support training and other supports for indigenous people who put their hands up for opportunity.

Work opportunity covenants should be extended down into secondary school. Parents, and their children in high school should be eligible to provisionally sign up to covenants, without the need to specify what work direction they want to undertake, until they have completed their education. Parents and their children could pledge school attendance and completion conditions, and be offered opportunities for work experience and school-based traineeships. Every young indigenous person in high school, and their parents, should have no doubt that if they enter into a covenant, they will be guaranteed access to opportunity on completion of school, if they hold up their side of the bargain.

State and territory governments should also work with the Forrest scheme to create pathways for indigenous people caught up in the juvenile detention and criminal justice systems. Schemes for parole and diversion should involve work opportunity.

As Forrest is wont to say, this is a momentum game and this freedom train needs everybody of goodwill on board.

*Noel Pearson is Director of the Cape York Institute for Policy and Leadership.*

## THE PROPOSED STAIRCASE OF OPPORTUNITY

1. Opt out of standard welfare: Individual indigenous Australians, wherever they live, choose personal welfare reform by signing a work opportunity covenant. This commits them to welfare reform undertakings, including training and work opportunities.
2. Off to training: The individual is linked with a training opportunity within their chosen industry and provided with relocation costs. The person undertakes a cram training course with a suitable provider.
3. Guaranteed a full-time, full-pay job: On successful completion of step two, the individual is guaranteed a full-time, full-paying job by a participating company.
4. Savings accumulation in individual development accounts: The individual starts to save money in an IDA. Personal savings in an IDA can be matched by income from other sources, such as entitlement to a share of royalty streams.
5. Access to home loans: The individual is provided access to home loans programs to buy their own home, either back in their home community or in the mainstream where they are working.