Community Development Program (CDP)
Review of methodology to determine Regional Employment Targets (RETs)

Overview

The RET is the number of 26 week employment outcomes a CDP provider is expected to achieve in each CDP region. The RET is one component of a CDP provider's performance assessment. The National Indigenous Australians Agency (NIAA) assesses CDP providers against RETs as part of formal Provider Performance Reviews every six months. A provider will achieve an employment outcome when a job seeker remains in employment for 26 weeks (with allowable breaks for illness, cultural activities and holidays). Each CDP region has a different RET.

The former Department of the Prime Minister and Cabinet (PMC) administered CDP prior to July 2019. PMC engaged SGS Economics and Planning (SGS) in 2017 and again in 2018 to develop a methodology to determine fair and consistent RETs across the program. The result of this work was communicated to CDP providers and has informed the methodology used by NIAA to calculate RETs.

SGS Economics and Planning first report (2017)

The first model developed by SGS was based on the estimated supply and demand for labour in each region. It was informed by contextual factors which influence remote and very remote labour markets, such as unique characteristics of Indigenous employment, including the impact of cultural requirements, high rates of health conditions and disability, historic discrimination and the propensity for Indigenous people to work locally rather than moving away; and regional barriers to employment such as the lack of labour demand, limited employment and education opportunities, geographic barriers, telecommunications and transport barriers.

In determining which data to include in the model, SGS analysed a range of data sources and identified some limitations:

- data was not always available at a small regional level
- census data could be unreliable due to difficulties surveying populations in remote areas
- industry and occupation data from the 2016 census was not available in time for this report.

In response to these limitations, SGS excluded a number of data sources and developed a base data set using the 2016 and 2011 census, the ABS Labour Force survey, and specific regional characteristics provided by PMC. The following table summarises how the base data set fits into the supply and demand model for calculating RETs.

Labour demand *The availability of jobs in the area that CDP participants could perform.*	Labour supply *The proportion of CDP participants that are suited for those jobs.*
• total employment numbers • any recent labour market shocks • the proportion of low skilled jobs in the area • the likely turnover in employment	• the number of CDP participants working during the period • high school completion rates • number of Indigenous CDP participants • the size of the CDP region • seasonal factors, such as weather, tourism and agriculture

SGS tested the model by comparing the new RETs against employment outcomes in previous performance periods, to ensure the model produced challenging yet reasonable targets. In order to mitigate any risks associated with this approach, SGS recommended sense checking the targets with CDP providers and making adjustments if necessary.

Second report (2018)

In 2018, PMC again engaged SGS to review the proposed model and consider incorporating past performance against previous RETs and including an aspirational element into the new targets. SGS followed a similar process to develop the model, considering the characteristics of remote and very remote labour markets and analysing various data sources.

The main differences between the first and second model were:

- rather than supply and demand, the main variables in the second model were previous RETs and the number of employment outcomes they achieved (past performance) and employment growth in each region;
- the updated model contained 'stretch targets' to challenge high performing providers, balanced by 'maximum RETs' to ensure that challenging targets were also fair and realistic.

While past performance is a useful predictor of the number of placements a provider is likely to achieve in the next six month period, SGS acknowledged that incorporating past performance into a new RET may dis-incentivise providers from supporting job seekers into employment (since achieving or exceeding their RET would increase future RETs).

The second model mitigated this risk by considering performance outcomes from at least two previous performance periods in order to reduce the risk of one off events (i.e. boosts or reductions in employment caused by floods, construction projects) and seasonal work patterns disproportionately influencing the RET. It introduced a 'maximum RET', or a cap to prevent one-off strong performances creating excessively high RETs. This model drew on the most up-to-date ABS labour force data to calculate growth in employment based on total employment and total population in each region.

SGS reviewed the model against previous approaches to ensure the targets successfully predicted outcomes, were challenging, were reasonable, and responded to changes in the ease of placing job seekers in to employment, without rewarding underperformance or punishing over performance.

Agency's response

SGS' principle of incorporating past performance and employment growth into future targets was largely adopted. Adjustments were made to the model to stabilise the targets and reduce instances of excessively high or low RETs.