

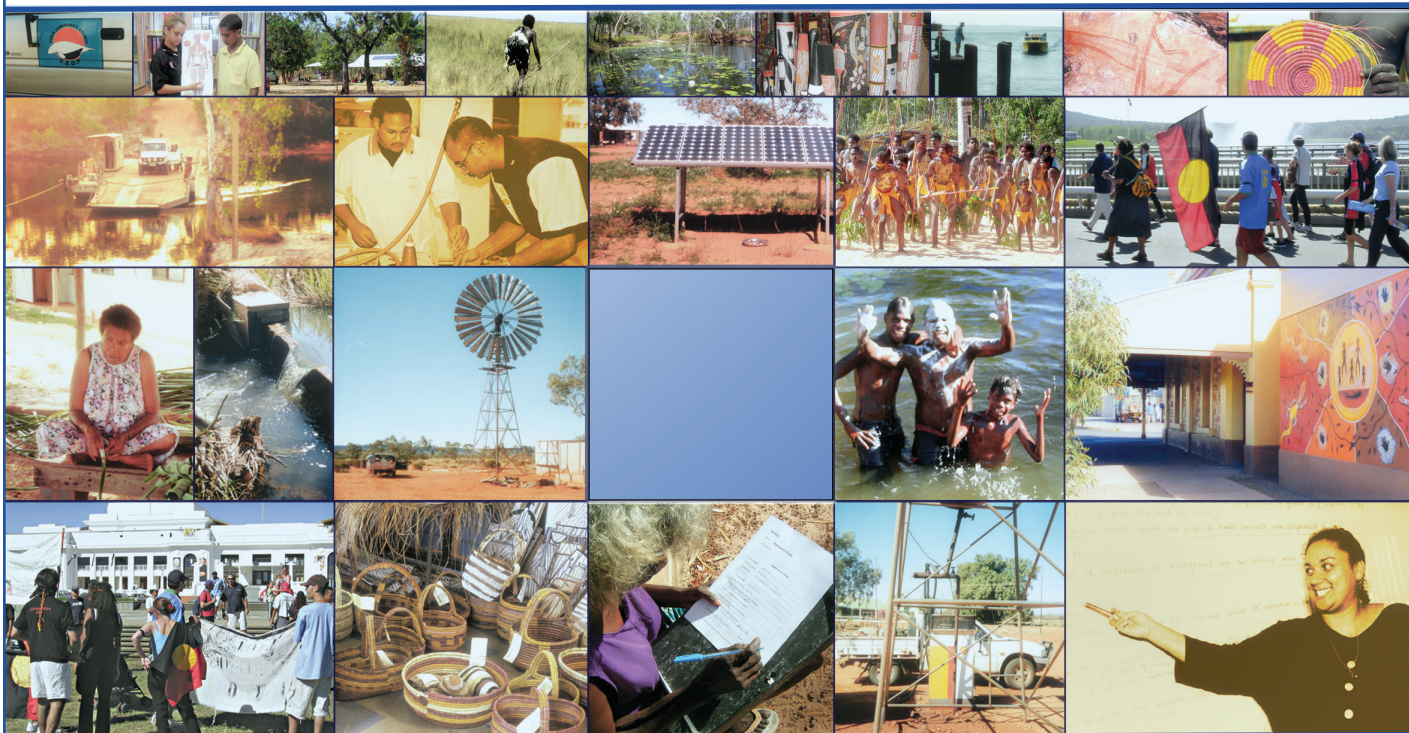
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# The Australian Employment Covenant: A Research Update

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# The Australian Employment Covenant: A research update

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**M**ining entrepreneur Andrew Forrest is currently talking up the achievements of the Australian Employment Covenant (AEC), the scheme originally billed as seeking to create 50,000 jobs for Indigenous Australians within two years.

In October 2010—two years after the AEC was officially launched—myself and Dante Mavec [examined the outcomes](#) the scheme had achieved in that period.<sup>1</sup> We were concerned about the lack of data available to assess the AEC's merits, as well as the lack of transparency about the amount of public funds committed to the scheme.

More information has since come to light. According to the AEC website, employers have so far pledged around 55,000 jobs under the scheme, and the target of 50,000 job promises had been met when the funding agreement with the Commonwealth Government expired at the end of June.<sup>2</sup>

But getting 55,000 job promises from employers is very different from getting 55,000 Indigenous people in jobs. The AEC says the goalposts have not been shifted. It says the scheme was always premised on a three way agreement, with the AEC aiming to build employer demand, employers committing the jobs, and the Commonwealth Government training the Indigenous people to fill them.

Exactly how many jobs have been filled is difficult to know. The AEC suggests that it's around 4,300, but because of complex difficulties with reporting, only a smaller number of these can be individually verified. Questioning in Senate Estimates revealed that in February 2011 this number was [just under 1,800](#).<sup>3</sup>

1. Jordan, K. and Mavec, D. 2010. 'Corporate initiatives in Indigenous employment: The Australian Employment Covenant two years on', *CAEPR Working Paper No. 74*, available at <<http://caepr.anu.edu.au/Publications/WP/2010WP74.php>>.
2. 'Aborigines have 55,000 offers, no training', *The Australian*, July 01, 2011, available at <<http://www.theaustralian.com.au/news/nation/aborigines-have-55000-offers-no-training/story-e6frg6nf-1226085174200>>, and 'Forrest confident about indigenous jobs', *The Sydney Morning Herald*, June 22, 2011, available at <<http://news.smh.com.au/breaking-news-national/forrest-confident-about-indigenous-jobs-20110622-1gelw.html>>.
3. DEEWR Question No. EW0978\_11, Questions On Notice - Additional Estimates 2010-2011, Senate Standing Committee on Education Employment and Workplace Relations, available at <[http://www.aph.gov.au/senate/committee/eet\\_ctte/estimates/add\\_1011/answers/EW0978\\_11.pdf](http://www.aph.gov.au/senate/committee/eet_ctte/estimates/add_1011/answers/EW0978_11.pdf)>.

Understanding how many of these jobs have been filled as a direct result of the AEC is even more difficult. Some employers who are participating in the scheme had already developed Reconciliation Action Plans or been involved in Corporate Leaders for Indigenous Employment Projects. These schemes—which predate the AEC—encouraged employers to develop and implement strategies to increase Indigenous participation in their workforce. So it is quite possible that they would have employed more Indigenous people irrespective of their engagement with the AEC.

If the needs of Indigenous job-seekers are now being better met, knowing which scheme contributed to that outcome may not be important. But isolating the effects of the AEC is useful if we want to know whether it is an approach that should be extended. It is also important if we want to assess the value for money of public investment.

**Senate Estimates** has helped us there too.<sup>4</sup> The funding provided to the AEC by the Commonwealth Government has included a grant of just over \$4 million to help establish the organisation. But the agreement also allows for outcome payments to the AEC on the basis of three things: job promises, job placements and job retention to 26 weeks.

Because not all of the 4,300 job placements identified by the AEC are individually verifiable, the organisation has only been able to claim outcome payments on a subset of these. A rough calculation on the basis of the figures revealed in Senate estimates suggests the AEC would have been able to claim a total of around \$290,000 for the 1,761 job placements and \$31,000 for the 286 job-seekers who had remained in employment to 26 weeks. Additional outcome payments for job promises and placements secured prior to July 2011—and for retention of those jobs to 26 weeks—can be claimed until March 2012.

Interestingly, though, the AEC has been able to claim much more on job promises. Again, making a rough calculation on the basis of job promises listed on the AEC website, the organisation would so far have been able to claim around \$3 million in outcome payments for these pledges. Andrew Forrest's concerted last minute efforts to boost the number of job promises prior to the funding agreement's expiration has substantially increased the outcome payments the AEC is able to claim.

This ability to claim payments for job promises is somewhat unusual in labour market terms, particularly because the AEC acknowledges that they may never know how many of these promises turn into actual job offers, let alone jobs for Indigenous people.

The number of jobs currently listed as available on the AEC online Jobs Board is around 900, with 5,000 more forecast to become available in the next 12 months. That leaves perhaps 45,000 jobs that employers presumably plan to offer in subsequent years. But, employers even with the best of intentions may have pledged to take on a certain number of Indigenous job-seekers only to find that a change in their circumstances means the expected vacancies do not arise.

Clearly there is a need for on-going monitoring of the conversion rate from promises to placements to retention in order to assess the effectiveness of raising labour demand in this way.

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4. DEEWR Question No. EW0972\_11, Questions On Notice – Additional Estimates 2010–2011, Senate Standing Committee on Education Employment and Workplace Relations, available at <[http://www.aph.gov.au/senate/committee/eet\\_ctte/estimates/add\\_1011/answers/EW0978\\_11.pdf](http://www.aph.gov.au/senate/committee/eet_ctte/estimates/add_1011/answers/EW0978_11.pdf)>.