REFORMING INDIGENOUS WELFARE POLICY: SALUTARY LESSONS AND FUTURE CHALLENGES FOR AUSTRALIA FROM THE US EXPERIENCE

by

ANNE DALY and DIANE E. SMITH

1 Introduction

As countries across the world seek to reform their social security systems, the situation of indigenous populations within the changing welfare state is beginning to receive greater scrutiny. In both the USA and Australia, indigenous people are still disproportionately represented among welfare recipients and people in poverty. Both countries have welfare systems that have tended historically to treat indigenous welfare issues within the context of mainstream, national policy frameworks, albeit with adjustments by way of indigenous-specific components. Recently, however, significant changes, explicitly directed (in part) at Native Americans, have occurred in the USA. In light of the intractable problems of entrenched indigenous economic marginalisation in both the USA and Australia, there may be salutary lessons—both positive and negative—to be learnt by Australia from the US experiment.

In Australia, the Coalition government has emphasised the need for welfare reform. Prominent Indigenous leaders are also challenging their own people to take greater responsibility for economic outcomes and for their high level of dependence on public transfers (see Ah Kit 2002; Pearson 2000).

Several reviews have highlighted the implications for Australia of the USA’s experiment in welfare reform (see Burtless 2002; Ellwood 2002; Gray & Stanton 2002; McClure 2000a). Welfare reform in the USA began in the late 1980s and accelerated with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. However none of the reviews have explored the more specific welfare initiatives that have been undertaken with Native American Indians, and the possible implications of those for Australian welfare reform focusing on indigenous populations (hereafter ‘Indigenous Australians’). This paper addresses that specific objective.

2 The Australian social security system and the direction of reform

There are important differences between the social security systems operating in Australia and the USA. The key comparative features are set out in Table 1. While both countries have a federalised system of government, Australia has established a highly
centralised, single national social security system. There is negligible devolution of welfare jurisdiction to Australian State governments, and none to Indigenous community or regional governing bodies, although some decentralisation of welfare service delivery is occurring (Smith 2000).

**TABLE 1**

*A COMPARISON OF AUSTRALIAN AND US SOCIAL SECURITY SYSTEMS*

<table>
<thead>
<tr>
<th>Feature of system</th>
<th>Australia</th>
<th>USA</th>
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<tbody>
<tr>
<td><strong>Scope and structure</strong></td>
<td>Universal system, national coverage; centralised system with minimal State government involvement.</td>
<td>State-based system, Federal support depends on States meeting minimum standards; decentralised system with maximum State government involvement.</td>
</tr>
<tr>
<td><strong>Nature of payments</strong></td>
<td>Social security payments means-tested and made on a categorical basis (e.g. old age pension, unemployed, sole parent). Made at a flat rate with no time limits, just eligibility requirements.</td>
<td>Unemployment benefits paid out of social insurance. Social security payments focused on families with children. Means tested. Level of payments varies between States. To be eligible for Federal government funds, benefits are limited to one spell of two years and a five-year lifetime limit.</td>
</tr>
<tr>
<td><strong>Tax relief</strong></td>
<td>No system of tax credits for low income earners.</td>
<td>Earned Income Tax Credit (EITC)—refundable tax credit for low-income earners when annual tax is filed.</td>
</tr>
<tr>
<td><strong>Health care</strong></td>
<td>Universal health coverage through Medicare. Health care card for low-income people.</td>
<td>Medicaid for welfare recipients but no universal system of health care cover for low-income workers.</td>
</tr>
<tr>
<td><strong>Additional support</strong></td>
<td>Additional support for welfare recipients, e.g. rent assistance and public transport subsidies.</td>
<td>Additional support for TANF recipients, e.g. child care and transport. Food stamps available to low-income recipients.</td>
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Australian welfare reform has proceeded on a more limited scale than that undertaken in the USA. A major component of the Australian framework, emphasised in the most recent government policy statement, *Australians Working Together*
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(Commonwealth of Australia (CA) 2001) is the concept of a social contract based on a ‘mutual obligation’ existing between government and welfare recipients. Under mutual obligation, recipients are expected to undertake ‘reasonable requirements’ such as work experience, training or community work to prepare them for paid employment in return for their income support (CA 2001: 8). A financial penalty, or ‘breaching’, is applied for non-compliance.

2.1 Welfare reform for Indigenous Australians

The position of Indigenous Australians in relation to the Australian social security system has changed from exclusion up to the 1960s, followed by a rapid transition to inclusion and a steady movement to greater levels of reliance on the welfare system over the last 30 years (Altman & Sanders 1995). In the mid 1990s it was estimated that 55 per cent of Indigenous adults received some form of social security payment as their main source of income. Among the wider Australian population, in contrast, 13 per cent of households received their primary income from social security payments (Altman & Hunter 1998; Daly 1999). The factors underlying the increase in Indigenous welfare dependence include a rapid increase in the Indigenous working-age population, a youthful Indigenous demographic profile with high dependency ratios, and the continued failure of employment opportunities to keep pace with Indigenous population growth.

The process and outcomes of Indigenous incorporation into the social security system have been hotly debated from the 1970s onwards. The debilitating socioeconomic and cultural impacts of the high rate of Indigenous welfare dependence have been extensively commented on (Pearson 2000; Smith 2000, 2001). But on the other hand, welfare payments have also provided Indigenous people with a valuable base-level of income, a degree of economic independence which they did not enjoy 20 years earlier, and access to other resources from governments (Altman & Sanders 1995).

A major government initiative in the mid 1970s was the creation of the Community Development Employment Projects (CDEP) scheme to divert Indigenous people, initially those living in remote communities, away from entrenched reliance on welfare income and into community work projects. Under this scheme, Indigenous communities receive funding based on their welfare entitlements, with an additional payment toward capital costs in order to undertake community-based employment projects. Participants are expected to work part-time for their welfare entitlements (for a fuller discussion of the CDEP scheme see Morphy & Sanders 2001). Today one-quarter of the Indigenous working-age population in remote, rural and urban communities is engaged in working on CDEP schemes.

There has been limited progress in the introduction of specific programs for welfare reform in Indigenous communities. One major ‘income management’ demonstration project, initiated by Indigenous leader Noel Pearson, has been significantly funded by the public and private sectors. It is currently being piloted with families at four Indigenous communities in Cape York Peninsula, north Queensland. This pilot project actively targets local service delivery, regional economic development, and the income management by families and communities. In Australia, there is nothing comparable to
the statutory framework in the USA which seeks to devolve responsibility for welfare services and administration to Native American communities and their governing bodies (see below).

3 The US social security system and the direction of reform

In contrast to the universalist approach of the Australian welfare state, the American approach is more fragmented. It draws on personal contributions via social insurance schemes and provides employment-conditional benefits, including Earned Income Tax Credit (EITC); food stamps, and health care for some of the poor through the Medicaid program.

In comparison to Australia, the USA has a long tradition of State governments exercising significant discretion in some elements of welfare programs. As a consequence, there has always been considerable variation in welfare benefit levels and eligibility criteria between the American States. While US Federal and State governments had begun welfare reform in the 1980s, the most significant changes took place in response to the introduction of two Federal laws: the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) passed in 1996, and the Balanced Budget Act passed in 1997. Under PRWORA, the US government’s commitment to welfare as an entitlement ended. The emphasis on the temporary nature of safety net assistance was apparent in the new name for welfare—‘Temporary Assistance for Needy Families’ (TANF). Assistance is available to one and two-parent families with children under the age of 18 years, or students under the age of 19 years, who pass a means test.

The aims of the PRWORA are both economic and social. They include reducing welfare dependency, especially lengthy spells on welfare, reducing ex-nuptial births particularly among teenagers, encouraging the formation of two-parent families, and achieving greater work participation by welfare recipients, especially single mothers (Committee of Ways and Means 1996). The law was reviewed in 2002, and with policy proposals put forward by the President, further emphasised the promotion of conservative family values.

In conjunction with the tighter eligibility requirements, new ‘Welfare to Work’ (WtW) programs were established under the Balanced Budget Act 1997. The aim of these programs is to provide job opportunities and employment preparation and retention services for welfare recipients. The emphasis is on getting people into work rather than helping them to undertake additional training or education, which was a focus of the earlier Job Opportunities and Basic Skills Training (JOBS) program. Further incentives to undertake paid employment are offered under an expansion of the EITC scheme.

These reforms have fundamentally reshaped the American safety net, certainly in a more radical fashion than any yet envisaged in Australia. Between January 1993 and June 2000 the number of recipients fell from 14.1 million to 5.8 million, a drop of 59 per cent (Department of Health and Human Services (DHHS) 2000). Welfare caseloads in general have fallen by at least 50 per cent in 29 States, and by at least 20 per cent in all States (Cornell et al. 2001). This dramatic decline in the number of people on the US
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welfare rolls following the welfare reforms of the mid 1990s is well known and is discussed in more detail below.

3.1 Welfare reform for Native Americans

In the USA, the self-determination policy as articulated in the *Indian Self-Determination and Education Assistance Act 1975* and subsequent amendments and legislation, makes it possible for Indian Tribes to contract with the Federal government to directly manage Federal programs. This process has expanded to include the devolution of welfare programs to Tribal authorities.

The Federal government can redirect to the Tribe an amount equal to that which would have been provided to the State for welfare services to all Indian families residing in a proposed service area. Tribes can enter into partnerships with State governments to contract them to provide support services to Native American families. Federal funding was also appropriated to the Native Employment Works (NEW) program to promote Tribal work activities and develop reservation employment opportunities.

Approval is based on the development of a detailed Tribal TANF Plan, covering a 3 to 4 year period. It must identify its proposed service area and population, welfare policies and objectives, program guidelines and penalty regimes, and the welfare services to be provided, and present an economic development plan to support access to employment. Each Tribal TANF Plan goes through a Federal assessment process, and must obtain Federal government approval. To secure final approval, a Tribe has to have a governing body and capacity to administer the program, and a mandate from its constituents.

Tribes have authority to use Federal welfare funds in any manner that is reasonably calculated to accomplish the overall welfare agenda. A Tribal governing body can deliver the program or outsource it, and determine policy, program and eligibility criteria in order to respond to local concerns and circumstances. It can decide what form of benefits in either cash or kind are appropriate for its population based on locally relevant knowledge and what constitutes acceptable work: for example, it may include activities in the customary economy, job search, subsidised employment, community service, vocational training and education. Tribes may also define their own relevant concept of ‘family’ and ‘needy family’ (which may take account of extended-family formations, and shared parenting arrangements). Tribal approaches to these matters must be laid out in their initial plan (DHHS 1999a, 1999b, 2000, 2002).

At the end of 2001, 34 tribal entities had taken over devolved responsibility for their own TANF programs. They assisted a total of 17,000 Native American families per month out of a total of approximately 40,000 families; that is, at least one-third (probably more) of all Native American families. TANF programs now cover more than 170 Tribes in 15 States (out of 330 federally-recognised Tribes and 12 Alaskan Regional Associations designated as eligible to administer the Tribal TANF program.) (Brown et al. 2001).
4 Key comparative characteristics: Native Americans and Indigenous Australians

In order to explore possible lessons and relevant insights from this American welfare experiment, it is important to keep in mind the distinctive characteristics of the two indigenous populations, both relative to each other and in terms of the wider societies that encapsulate them.

The population census in each country is a key source of data. In the US Census, people are asked to identify the race to which they belong, including the options ‘Native American’ or ‘Alaskan’. Until the most recent US Census in 2000, people were limited to one choice, but in the 2000 Census they could select more than one race. In the Australian censuses since 1971, respondents have been asked to identify themselves as ‘Aboriginal’ or ‘Torres Strait Islander’ and, since 1996, have been able to choose the option ‘both’. This self-identification complicates any comparisons over time and the matching of data from different sources.

Table 2 presents some summary statistics for Native American and Indigenous Australian families compared with the rest of the national population for 2000 (USA) and 2001 (Australia). In each case they represent a small share of the total population, at between 1 and 2 per cent. Compared with families in the population as a whole, a much higher proportion of Indigenous families—about one-third in each country—were not couple families. They were also more likely to be receiving welfare payments in the form of TANF or Tribal TANF in America, or Parenting Payment Single (PPS) in Australia. The Census definitions of ‘family’ and ‘household’ are different in Australia and the USA, so caution is needed in making cross-national comparisons.

The discussion here of Indigenous welfare participation during the 1990s will focus on families on ADFC/TANF in America, and SPP/PPS in Australia, although this is just a partial picture of those receiving public assistance of various sorts. The question of interest is, what happened to participation in these programs over the 1990s given the reforms that took place? Fig. 1 presents data on the numbers receiving welfare support by race for the USA and for all Australians. Index numbers have been used to compare the groups because of the large differences in the absolute number of people involved. The three groups distinguished in America show a common pattern of rising numbers of ADFC recipients between 1990 and 1994 followed by a sharp decline. The number of Native American families receiving ADFC fell by 30 per cent. By 2000 there were an estimated 36,304 Native American families on welfare compared with 51,688 in 1990. Importantly, these figures do not include those on Tribal TANF which covered 4,480 families in February 2000. If the Tribal TANF figures are included, the reduction in the overall number of Native American families receiving welfare between 1990 and 2000 fell from 30 per cent to 21 per cent.
<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Australia</th>
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<tbody>
<tr>
<td></td>
<td>Non-Native Americans (1)</td>
<td>Indigenous Australians (7)</td>
</tr>
<tr>
<td>Individuals (No.)</td>
<td>278.9m</td>
<td>410,003</td>
</tr>
<tr>
<td>Families: No.</td>
<td>71.2m</td>
<td>103,094</td>
</tr>
<tr>
<td>Couples (%)</td>
<td>75.9</td>
<td>83.1</td>
</tr>
<tr>
<td>Sole parents, other familiesb (%)</td>
<td>24.1</td>
<td>16.9</td>
</tr>
<tr>
<td>Families on TANF or PPS (no.)</td>
<td>2.2m</td>
<td>387,544*</td>
</tr>
<tr>
<td>Share of all families on TANFc</td>
<td>3.2</td>
<td>23,145*</td>
</tr>
<tr>
<td>Average monthly assistanced ($/m)</td>
<td>$US323.</td>
<td>$A773.8</td>
</tr>
<tr>
<td>(Standard dev)</td>
<td>($124)</td>
<td>0$</td>
</tr>
</tbody>
</table>

Notes:

a. In US 2000 Census, people were offered the opportunity for the first time to identify more than one race. The figures in column 2 relate to those who identified themselves as being American Indian or Alaskan Native. The figures in column 3 relate to those who identified themselves as being American Indian or Alaskan Native alone, or in combination with another race. These figures cannot easily be compared, therefore, with earlier Census data on Native Americans.

b. These percentages include the Australian category 'other family of related individuals', for example a brother and sister living together. In Australia this category accounted for 1.8% of non-Indigenous families and 2.5% of Indigenous families. In the USA these would be classified as ‘Female no husband’ or ‘Male no wife’ families depending on who was identified as the householder.

c. These figures include the approximately 17,000 families on Tribal TANF.

d. This is the unweighted average of the average monthly assistance presented for each State in the TANF Annual Report 2002. The standard deviation therefore refers to States not to individuals.

e. This figure is for 2000.

f. This is the maximum entitlement. Figures were not readily available for the average payment received by recipients of PPS (McClure 2000b).

The results for Native Americans are in sharp contrast to the Australian picture. Over the period 1990–2000, the number of families receiving SPP/PPS in Australia increased by 57 per cent. Figures for Indigenous Australians are only available for selected years for special tabulations provided by DFACS and its predecessor, the Department of Social Security. These show that over the period 1992–99, the number of Indigenous people receiving SPP/PPS increased by 72 per cent. This large increase probably reflects rapid population growth and the added emphasis placed by DFACS on identifying Indigenous Australians in their records. It may also reflect the additional departmental effort that has been made to ensure that Indigenous Australians in remote locations are receiving their welfare entitlements.

Supporters of the US welfare reforms are quick to claim a major role for these reforms in explaining the decline in the number of welfare recipients. In line with this view, it could be argued that the Australian experience has differed so dramatically from that in the USA over the 1990s precisely because the welfare reform measures have not been so far-reaching. While it would be difficult to deny the importance of the reform measures themselves in reducing the size of welfare rolls, there are also other potentially important determinants of these changes. These include changes in the size of the eligible populations, in fertility rates, in the unemployment rate, and in the real value of benefits. Both the indigenous populations are relatively young and have higher fertility rates than the rest of the population and these factors would be expected to raise the number of families on income support well into the future.

Assessments of the US welfare reforms have attributed the decline in the numbers on welfare to the reforms themselves, the strong growth in the American economy until 2001, and the expansion of supporting programs such as the EITC and child-care programs (Sawhill et al. 2002). The apparent success of the American reforms in
encouraging parents back into the workforce is likely to encourage Australian policy makers to look at the US experience as an example to be emulated.

A number of potentially valuable lessons for Australia can be extrapolated from the outcomes (both positive and negative) of US welfare reform and TANF devolution. The object is not to suggest the straight importation of an American welfare model; but rather to derive useful policy insights and highlight pitfalls, for consideration in the design of a more effective policy framework for welfare reform for Indigenous Australians.

5 Lessons and potential future challenges for Australia

5.1 Work or education first?

The hallmark of the TANF program, including Tribal TANF, is the policy of ‘work first’. However, a significant barrier for American welfare recipients in general, in finding employment, has been their relatively low levels of educational attainment. In 1999–2000 about one-third of all adults receiving a welfare income had not completed high school (DHHS 2002). This raised the question of whether it was preferable to focus on education for this group, rather than employment, as a means of getting people off welfare. Numerous studies of this issue have been undertaken in the USA and most of the evidence supports an emphasis on getting welfare recipients into work first, rather than into education or training programs (see Gueron & Hamilton 2002).

For Native Americans, the evidence on the relative advantages of employment over educational programs seems to be less clear cut. In locations where Native American education levels and work experience are low, there appear to have been advantages in adopting an ‘education first’ strategy for identified individuals. Accordingly, many Tribal TANF programs have supplemented their ‘work first’ policy with education, training and supported-work and rehabilitation initiatives, and are adapting welfare program criteria to have these counted as active participation for the purposes of TANF work criteria (Brown 2001; Cornell 2000; Cornell et al. 2001; Hillabrant & Rhoades 2001: 56). A number of Tribal TANF programs are also tagging the receipt of welfare assistance for young adults to their continued participation in schooling and, for other adults, to their undertaking health and rehabilitation programs.

‘Work first’ appears to have had dramatic positive impacts for a number of American welfare recipients, and this suggests that it may be a worthwhile policy objective in Indigenous communities that have viable local labour markets. It is an objective that would need to be targeted in conjunction with ‘on-the-job’ vocational training and education. However, a ‘work first’ objective will require significant additional effort by government, the private sector and Indigenous organisations to develop the paid employment opportunities that would have to be available in local communities.

5.2 Economic development: the paramount issue for welfare reform?

Perhaps the most important lesson to be learned from the US experiment with welfare reform for Native Americans is that economic development and employment growth are a critical part of any welfare strategy (Cornell 2002; Hicks 2002). In the USA this
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has been shown to be particularly important for Native American populations, with their strong residential and cultural ties to particular locations, often where employment opportunities are limited. A similar conclusion holds in Australia.

While the provision of education and training in job skills is an important strategy for Native American welfare recipients, it is a limited one. A ten-year study of poverty, welfare reliance and economic development on one Indian reservation reported job opportunities had not increased at a rate that accommodated the rising number of educated Indians living there. Furthermore, approximately one in five Native American heads of households had at least four years of college, but still remained below the poverty line (Antell et al. 2002). On another reservation, long-term research indicated that many resident Indians had waged work experience and over 35 per cent of unemployed persons had technical and managerial employment experience and higher education degrees. Indeed, compared to all ethnic and minority groups on the welfare rolls in the USA, Native Americans are currently the best educated and have the highest participation rate in job preparation programs (Cornell et al. 2001: 6, 37).

In other words, a major obstacle to welfare exit for many Native Americans is not lack of education or job training, but lack of jobs per se in the areas where they live. Jobs are scarce on Indian reservations: the average unemployment rate across all Indian reservations in 1999 was 43 per cent; on some it was as high as 70–80 per cent (Brown 2001: 3; Hicks 2001). A recent study of a selection of Tribal TANF programs found that 64 per cent of Indian adults participate in some type of work activity. Of that total, only 11 per cent were working in unsubsidised employment, and only a small proportion of those were working full time. Approximately 33 per cent were undertaking job search and job readiness activities (DHHS 2000).

The economic reality is similar for Indigenous Australian communities, but with the additional factor that Indigenous Australians are starting from a lower educational base than Native Americans. In many Indigenous communities there is a large and growing 'job gap' (that is, a difference between the size of community populations and the number of jobs available). According to Hunter and Taylor (2001) these 'employment deficits' are such that, given the projected Australian Indigenous population growth rate of twice the level of the rest of the population, there is a fundamental failure of job growth to keep up with growth in the working-age population. They conclude that the employment status of Indigenous Australians overall will in fact deteriorate. Perhaps the most critical issue for welfare reform for Indigenous Australians, as in America, is the fundamental failure to create sustainable economic development in the communities and regions in which indigenous people reside.

The Harvard Project on Indian Economic Development goes further. It reports that economic growth on American Indian reservations depends as much upon the ability of Tribes to reform their own governing institutions, in order to create an environment conducive to economic development and investment, as it does upon financial and program support from government (Cornell 2002; Cornell et al. 2001).

5.3 The role of time limits

The general lifetime limit for income support set by the USA Federal government under TANF is five years, with the States having the right to exempt up to 20 per cent of their
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caseload from this limit. There is considerable variation across States. At one end of the
distribution, two States (Massachusetts and Michigan) have no lifetime limit, while
three States (Arkansas, Connecticut and Idaho) have limits of 24 months or less (DHHS
2002). All States provide exemptions for particularly disadvantaged families and while
adults may no longer receive TANF support after they reach their time limit, there is no
time limit on support for child-only welfare cases. These account for about one-third of
TANF recipients (Bloom et al. 2002). There is also a requirement that welfare
recipients participate in work-related activities after two years on welfare.

The argument for imposing more stringent time limits (linked to mandatory work
participation) in the welfare reform process was based on the perceived need to create
an additional incentive for people to leave welfare and become self-supporting. For this
policy to be effective, people must have some choice about whether they stay on
welfare or not, and the threat of being cut off must be credible. The evidence on the
effects of time limits on individual behaviour is inconclusive, but their imposition seem
to have created a perverse incentive for welfare administrators to keep individuals from
enrolling in TANF in the first place, as well as to get people into work as quickly as
possible. While some families have lost their entitlement to TANF support because they
have reached their time limit, there also seems to have been considerable relaxation of
time limits and exemptions for disadvantaged families in several States in recent years,
especially in the context of the recent slowing of the US economy (Moffitt 2002: 4).

The rules for Native Americans on Tribal TANF with respect to time limits have
been more flexible from the beginning, in recognition of the limited employment
opportunities on reservations and the multiple barriers to employment experienced by
many recipients. The five-year lifetime limit is not applied in areas where the
unemployment rate exceeds 50 per cent (NCAI 1999) although TANF recipients are
required to participate in work-related activities after two years on benefits. These have
been broadly defined and include job search training, child care, community service,
education and training, and traditional subsistence activities (Brown et al. 2001).
Migration off the reservations would have been the only alternative for many Native
Americans if time limits had been strictly enforced, and this strategy, where applied,
has had extremely limited success (Cornell et al. 2001; Pickering 2000). For all the
same reasons, time limits are unlikely to have any positive impacts on welfare exits for
Indigenous Australians.

5.4 Sustaining the exit from welfare to work

Recent US research examining the characteristics of people returning to welfare after
leaving, reports that more than one-fifth of families that left welfare later returned, that
nearly one in seven leavers are not working, and that those recipients with little
education, limited work experience, no spouse or partner, and poor health are
particularly at risk of needing welfare again (Brown et al. 2001; Loprest 2002).
Families that used transitional support services immediately after leaving welfare were
less likely to return.

There is little equivalent data available on the rate of exits or returns to welfare
among indigenous populations. It is known however, that both Native American and
Indigenous Australian welfare recipients are characterised by substantial human capital
deficits, health problems and a high proportion of sole-parent families. These factors cumulatively act as barriers to securing and retaining employment.

Furthermore, welfare has become a tightly integrated, essential component of the economies of indigenous communities in both the USA and Australia (Cornell 2002: 1; Daly, Henry & Smith 2002; Pickering 2000). The recent establishment of Indigenous Employment Centres under the auspices of urban CDEP organisations, to provide job placement and mentoring support, is an attempt to address some of the transitional needs of Indigenous welfare recipients who have moved off welfare onto the CDEP scheme (Champion 2003).

5.5 The impact of welfare reform on families

The issue of how American families in general have been doing under welfare reform is complex. For those gaining employment, much of that employment is in low-wage jobs (more than half of those people have incomes below the US Federal government poverty line), and there is evidence of frequent job loss and limited upward employment mobility (Brown et al. 2001). Second, the great majority of welfare payments go to single mothers and they have exited the welfare rolls in large numbers. Employment rates among single mothers on welfare have increased dramatically since 1994 (from 60% to 72%) (Moffit 2002), and even higher levels of employment have been experienced by single mothers who have never married (a rise from 47% to 65%). An important factor in this trend has been the expansion of EITC benefits and child-care subsidies.

This does not necessarily mean that such people have escaped poverty—a number appear to have exited welfare into low paid jobs with insecure tenure, and have restricted or no access to health benefits. While the income of single mothers as a whole has risen, some women leaving welfare are earning only slightly above what they were receiving on welfare. Furthermore, income from other household members has been found to be a key ingredient in sustaining the incomes of women leaving welfare (Moffit 2002). There is also evidence that families in the bottom fifth of the income distribution have actually experienced a decline in income since 1994, because their loss of welfare benefits has negatively offset any gains from earned income (Sawhill 2001).

Another recently noted ‘side effect’ of the welfare reform process is the emergence of the so-called ‘no parent family’ (Bernstein 2002) where a rising number of children are left with relatives (especially grandparents), friends or foster families in households without either their mother or their father. Among the suggested factors driving this ‘family’ formation are stresses on parents, loss of benefits, and the requirement to take on multiple low-wage jobs at irregular hours.

The outcomes for Native American Indian families under welfare reform is not as clear, primarily because there is little by way of published community-based or statistical data. A small body of research (e.g. Antell et al. 2002; Pandey & Zhan 2000; Pickering 2000) suggests that Native American families place a similar emphasis upon shared parenting within extended families as do Indigenous Australians, and that some prefer to stay unemployed on reservations rather than leave to find employment (Antell
ANNE DALY and DIANE E. SMITH et al. 2002; Pandey & Zhan 2000; Pickering 2000). This is also the case in some Indigenous Australian communities.

In Australia, the impact of welfare reform on Indigenous families is entirely unclear. Moreover, the dearth of studies of Indigenous welfare recipients under the reform process, and of published data about Indigenous welfare recipients at a national level, serves to further obscure trends and program outcomes.

5.6 The policy focus: individuals, families, communities?

Another potential lesson from the US welfare reforms is that, through the devolution process, the Tribal TANF programs ‘are doing what most states have had considerable difficulty in doing: working intensely with multiple barrier families on reservations’ (Hicks 2002: 5). A number of Tribal TANFs have steered policy away from a primarily individual-focused approach. Using their legislative flexibility, many Tribal TANF programs have become ‘proponents of addressing issues comprehensively with a whole systems approach, looking holistically at family needs’ (Hicks 2002: 2). Effective welfare policy for indigenous populations needs to adopt a ‘whole of community’ approach based upon the actual economic circumstances and capacities of individuals and their extended families, and on the realities of community economies.

5.7 Welfare program coordination

The Tribal TANF experiment highlighted, at an early stage, that it is critical to assess and match the needs of recipients to a package of resources provided by different agencies and programs (Hicks 2001; Hicks & Brown 2000). Long-standing problems in government coordination, and lack of horizontal program integration, can significantly impede sustained work-to-welfare transitions (Hillabrandt & Rhoades 2001).

A particularly innovative mechanism developed to facilitate greater program and funding integration is the Indian Employment, Training and Related Services Demonstration Act 1992 (known as ‘Public Law 477’). It allows Tribes to propose a plan for combining the funds they receive for a variety of employment, training, education and welfare services from Federal agencies (Brown 2001; Cornell 2002; Cornell et al. 2001; Hicks 2001: 5; Hillabrant & Rhoades 2001: 30–31). These various program elements and related funds can then be delivered through a single plan, a single block grant budget and a single reporting system. An increasing number of Tribes have activated the ‘477’ mechanism to assist in their delivery of TANF.

Public Law 477 seems a particularly useful statutory mechanism that could be adapted for Australia where, currently, program integration and government coordination is limited. Given the demonstrated link for Native Americans between welfare exits and community economic development, the lack of such integration and coordination in Australia is an obstacle to effective welfare reform.

6 Conclusion

Policy diffusion and ‘lesson learning’ between the USA and Australia is already occurring with respect to broad welfare policy imperatives; if not with respect to the
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actual program mechanisms for achieving outcomes. Australian policy makers have tapped into the US and international policy trend towards 'welfare through work'.

This paper has highlighted important similarities and differences between the indigenous populations of Australia and the USA, and their engagement in the national social security systems, which are under reform in both countries. Both Native Americans and Indigenous Australians are economically disadvantaged groups whose members are more likely to be dependent on income support than other members of their societies. For this reason they are particularly vulnerable to any adverse effects of welfare reform. The comparison suggests there are some important lessons, insights and challenges raised for welfare reform for Indigenous Australians:

- There is little doubt that for many American welfare recipients, the 'work first' focus of TANF has been effective. However it has been less successful for the hard-to-employ people with multiple barriers and for Native Americans residing in locations where jobs are not available. The Tribal TANF adaptation of a mixed package of 'work first' requirements in tandem with vocational training and education for those not immediately ready for employment is likely to be similarly effective in Australia.

- Education and work readiness are only effective where there are jobs available. A focus on the community economic development and job creation is imperative.

- Welfare-to-work should be treated as a continuum, not as a transition between two separate states. TANF has revealed that many welfare recipients, including Native Americans, require ongoing program and financial support for managed exits into employment if that transition is to be sustained over the long term.

- In populations with high unemployment rates resulting from weak local labour markets and low human capital endowments, time limits will have little positive effect. The American experience has been that exemptions and extensions increase in these circumstances.

- A wide range of activities including culturally-based work activities, participation in rehabilitation programs, family duties and child care, and attendance at school should be accepted as employment participation in Indigenous communities.

- Another critical lesson from Tribal TANF is that welfare is also a governance issue. In order to achieve the sustained community economic development that is necessary to create local jobs, Indigenous communities must have good governance and financial management capabilities.

- A focus on individuals will not be enough to reduce welfare rolls. As with Native Americans under welfare reform, the role of Indigenous extended family structures and their immediate communities should also be taken into account in the development of programs.

- Program fragmentation and lack of inter-departmental coordination have historically undermined economic development for Native Americans. This is also true for Indigenous Australians. Australia urgently needs an integrating mechanism similar to the US Public Law 477 to facilitate more effective 'bottom-up' planning and coordination, by Indigenous communities themselves, of welfare and labour market service delivery.
While both the process and outcomes of the US reforms have been publicly evaluated in great detail at national and State levels, in both buoyant and weaker economic conditions, there is a comparative dearth of assessment of Tribal TANF’s impact on the ground. When reform initiatives and pilots for Indigenous Australians are developed, they must be carefully monitored and progressively reported on during implementation, and outcomes must be evaluated and publicly reported.

The American experience suggests that welfare reform initiatives may involve potentially increased per capita costs. But the evidence also suggests that greater short-term investment will probably offset the greater costs to the nation, and to Indigenous Australians themselves, of the high level of debilitating inter-generational dependence on welfare and the economic underdevelopment that currently prevail in Indigenous Australian communities.

References


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REFORMING INDIGENOUS WELFARE POLICY


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