

The Parliament of the Commonwealth of Australia

Youth employment:
A working solution

Report by the House of Representatives Standing Committee
on Employment, Education and Training

September 1997

© Commonwealth of Australia 1997

ISBN

Printed by the Australian Government Publishing Service

Terms of reference

The House of Representatives Standing Committee on Employment, Education and Training is asked to inquire into and report on:

- factors influencing the employment of young people.

*Received from Senator the Hon Amanda Vanstone
Minister for Employment, Education, Training and Youth Affairs
26 June 1996*

Membership of the committee

Chairman: Mr Bob Charles, MP

Deputy Chair: Mr Rod Sawford, MP

Other Members: Hon Peter Baldwin, MP (to 19 June 1997)
Mr Phillip Barresi, MP
Mr John Bradford, MP (to 4 June 1997)
Mr Kerry Bartlett, MP (from 4 June 1997)
Mr Mal Brough, MP
Mrs Kay Elson, MP
Mr Martin Ferguson, AM, MP
Mrs Joanna Gash, MP
Mr Alan Griffin, MP (to 13 February 1997)
Mr Steve Dargavel, MP (from 13 February 1997)
Mr Mark Latham, MP (from 19 June 1997)
Mr Paul Marek, MP
Mr Frank Mossfield, AM, MP
Mr Paul Neville, MP
Mr Christopher Pyne, MP

Secretariat: Mr Paul McMahon, Secretary
Mr James Rees , Inquiry Secretary (from 23 December 1996)
Mr Steven Boyd, Inquiry Secretary (to 20 December 1996)
Mrs Gaye Milner, Administrative Officer

Foreword

This is a report about employment opportunities for young people. Youth employment generates a high level of public interest and comment but the focus is usually on the level of youth **un**employment. This report takes a much broader view of the issue and examines the factors that work for and against young people in the labour market. To the best of our knowledge this the first ever national report in Australia on youth employment.

Over the last 15 years employment growth for young people has lagged well behind overall employment growth. Full-time employment opportunities for young people have declined significantly. Despite this negative backdrop, the fact is that most young people will make a relatively smooth transition from school or further education into their first jobs. However, a significant proportion do not and the optimism of many young people is clouded by some uncertainty over their future.

Economic growth will be the spur for further growth in employment; but significant reforms are needed or young people are unlikely to enjoy a fair share of the benefits of economic and employment growth. The substantive issue is the number of jobs available. However this report focuses on the competitive position of young people in the existing labour market.

In order to make it much easier for all young people to get their first job we must first ensure a high standard of literacy teaching in primary schools. Other essential reforms include providing much broader access to vocational education and workplace learning programs, dramatically enhanced careers education and guidance, and structural adjustments to youth wages to create greater incentives to provide and undertake work based training opportunities such as apprenticeships.

This has been a very wide ranging inquiry, both topically and geographically. It has been far more than a garnering of capital city opinion or employers' views. The Committee directly sought the views of over 300 secondary students at school forums held in Caboolture (Brisbane), Qld; Blacktown (Sydney), Nowra and Wagga Wagga, NSW; Sale and Seymour, Victoria; Broome, Carnarvon and Kalgoorlie, WA; Darwin, NT; and Hobart, Tasmania. The flavour of these discussions is apparent in most sections of the report.

Another feature of the inquiry was the successful trialing of video-conferencing technology under the terms of a special resolution of the House. The Committee used video-conferencing equipment in Parliament House, Canberra, to hear witnesses at the Berwick Campus of Monash University in Melbourne. I enthusiastically reported on the results of the trial to the House and I am delighted that on 27 August this year the House authorised all committees to use this type of technology subject to certain conditions.

I wish to thank all the interested individuals, community groups, businesses, business associations, Commonwealth Departments and the State, Territory and Local Governments who provided written submissions and oral evidence at public hearings. Their input has been most valuable. Most importantly, I warmly thank every one of the 303 young people who gave their time to participate and share their views at the school forums. This is their report.

Bob Charles, MP
Chairman
September 1997

Table of contents

| | |
|--|--------------------|
| <u>Terms of reference</u> | <u>iii</u> |
| <u>Membership of the committee</u> | <u>v</u> |
| <u>Foreword</u> | <u>vii</u> |
| <u>Abbreviations</u> | <u>xiii</u> |
| <u>Executive summary</u> | <u>xv</u> |
| <u>Chapter 1: Background to the inquiry</u> | <u>1</u> |
| Explanation of the terms of reference | 1 |
| What do employers want in a young person? | 1 |
| Features of the youth labour market | 2 |
| Employment trends | 2 |
| Concentration of youth employment | 5 |
| <i>Teenagers</i> | 5 |
| <i>20 to 24 year olds</i> | 6 |
| Unemployment | 6 |
| Skill shortages | 7 |
| The structure of the report | 9 |
| <u>Chapter 2: Social factors</u> | <u>11</u> |
| Family background | 11 |
| Culture | 14 |
| Education..... | 14 |
| Business..... | 14 |
| <i>Recruitment</i> | 15 |
| <i>Negative cultural influences</i> | 15 |
| <i>Positive cultural influences</i> | 16 |
| Attitudes and expectations | 16 |
| Young people | 17 |
| <i>Attitudes</i> | 17 |
| <i>Expectations</i> | 18 |
| Employers | 19 |
| <i>Attitudes</i> | 19 |
| <i>Expectations</i> | 21 |
| Employment programs | 21 |
| Addressing disadvantage..... | 21 |
| Recognised training..... | 23 |
| Rural, Regional and Remote Communities | 24 |
| Employment opportunities | 25 |
| Seasonal factors and commodity prices | 25 |
| Regional infrastructure | 26 |
| Transport | 27 |
| Regional | 27 |
| Urban..... | 28 |

| | |
|--|-----------|
| Ethnicity | 28 |
| Indigenous Youth | 28 |
| <i>Education</i> | 28 |
| <i>Employment</i> | 30 |
| Migrant Youth..... | 31 |
| <u>Chapter 3: Educational factors</u> | 33 |
| Education and employment..... | 33 |
| Literacy and numeracy | 33 |
| School completion and retention rates | 36 |
| Youth guarantee | 37 |
| The tertiary entrance rank (ter)..... | 37 |
| Vocational education and workplace learning..... | 38 |
| Structured workplace learning — Years 11 and 12..... | 39 |
| Vocational Education — Years 7 to 10..... | 44 |
| Careers guidance | 48 |
| The current situation..... | 48 |
| The consequences of poor guidance..... | 51 |
| One good example..... | 51 |
| <i>John Paul College</i> | 51 |
| Whose responsibility? | 53 |
| The way ahead..... | 54 |
| University graduates..... | 56 |
| <u>Chapter 4: Apprenticeships and traineeships</u> | 59 |
| Introduction | 59 |
| Apprenticeships | 59 |
| Crisis in commencements..... | 59 |
| Status of trades | 60 |
| Traineeships..... | 63 |
| Subsidies to employers..... | 64 |
| Administration..... | 64 |
| New Apprenticeships (MAATS)..... | 64 |
| The Reference Group’s 23 Proposals for Reform | 65 |
| <i>Marketing apprenticeships and traineeships</i> | 66 |
| <i>Resources to underpin growth in employment through Group Training Companies</i> | 66 |
| <i>VET and Traineeships and Apprenticeships in schools</i> | 67 |
| <i>Labour market programs</i> | 68 |
| State and federal government policies | 68 |
| <u>Chapter 5: Youth wages</u> | 71 |
| Introduction | 71 |
| The major issues..... | 71 |
| The level of youth wages | 71 |
| Youth productivity and wages..... | 71 |
| Addressing the imbalance | 73 |
| <i>The effect of reducing youth wages</i> | 73 |
| Employers’ views on wages and subsidies..... | 75 |
| <i>Employers’ views on wages</i> | 75 |
| <i>Employers’ views on wage subsidies</i> | 76 |
| Aged based wage rates | 77 |

| | |
|---|-------------------|
| Background | 77 |
| Competency based alternatives to junior rates | 79 |
| Junior rates and anti-age discrimination legislation | 81 |
| Social security benefits and youth wages..... | 83 |
| Perceptions | 83 |
| Part-time and full-time workers..... | 84 |
| Apprentices and Trainees | 85 |
| Training wages..... | 85 |
| Structure | 85 |
| Apprentice wages | 86 |
| <i>Wage signals to young people</i> | 87 |
| <i>Wage signals to employers</i> | 88 |
| The National Training Wage (NTW) | 89 |
| Subsidies for trainees and apprentices..... | 90 |
| A National Youth Wage..... | 91 |
| On-costs and associated compliance costs..... | 93 |
| Cost proportionally higher for young workers | 93 |
| Penalty rates | 94 |
| <u>Chapter 6: Conclusion</u> | <u>97</u> |
| <u>Dissenting report</u> | <u>99</u> |
| <u>Appendix I: Conduct of the inquiry</u> | <u>129</u> |
| <u>Appendix II: List of submissions</u> | <u>131</u> |
| <u>Appendix III: List of exhibits</u> | <u>139</u> |
| <u>Appendix IV: Witnesses at public hearings</u> | <u>151</u> |
| <u>Appendix V: References</u> | <u>177</u> |
| <u>Appendix VI: The Industry Reference Group’s proposals on the implementation of the Modern Australian Apprenticeship and traineeship system (MAATS)</u>..... | <u>179</u> |

Abbreviations

| | |
|-------|--|
| ACC | Area Consultative Committee |
| ACER | Australian Council for Educational Research |
| ANTA | Australian National Training Authority |
| AQF | Australian Qualifications Framework |
| ASF | Australian Standards Framework |
| ASTF | Australian Student Traineeship Foundation |
| AVTS | Australian Vocational Training System |
| CDEP | Community Development Employment Program |
| CES | Commonwealth Employment Service |
| EPE | Employment Placement Enterprise |
| ITAB | Industry Training Advisory Board |
| MAATS | Modern Australian Apprenticeship and Traineeship System |
| PEPE | Public Employment Placement Enterprise |
| TER | Tertiary Entrance Rank |
| TRAC | Training Retail and Commerce — a school-industry link program developed by the Dusseldorp Skills Forum |
| VET | Vocational Education and Training |

Executive summary

THE INQUIRY

The aim of this inquiry has been to examine the factors which influence the employment of young people and identify recommendations which will improve their employment prospects. It has not been another inquiry into youth unemployment.

Young people and employment

The Committee is in no doubt at all that the great majority of young people want to work. The Committee has also established that employers look for employees with the right attitude towards work — that is a willingness to work, a desire to learn, punctuality, honesty and appropriate personal behaviour and presentation. It is clear to the Committee that the expectations of young people and employers do not always match each other closely enough and perceptions, on both sides, do not necessarily match the facts.

The employment environment for young people has changed enormously since their parents and most of their teachers first entered the labour market. **Full-time and part-time employment for 15 to 24 year olds has fallen by 3 per cent since 1982. By comparison, total full-time employment has grown 16.2 per cent and total full-time and part-time employment has grown 31.2 per cent.** The decline in the number of full-time jobs has been particularly severe for teenagers, falling 59.2 per cent over 15 years.

Young people who do not come from a family background which values and reinforces education and employment and which can provide guidance and a functional network to seek employment need alternative sources of guidance and access to the labour market. The report makes a number of substantial recommendations in relation to education which would help more young people overcome these disadvantages and to get their first job.

Employment programs

Employers place paramount importance on attitudinal factors when making employment decisions. The Committee was impressed by the success of labour market programs for the long-term unemployed which address these attitudinal factors and build self-confidence in young people as a prelude to skills development and, ultimately, placement in a real job.

Recommendation 2.1

The Committee recommends that the Commonwealth Minister for Employment, Education, Training and Youth Affairs, when developing and funding labour market programs:

- **should favour programs which first address attitudinal and other barriers to learning and employment in individuals; and**
- **ensure training components in labour market programs are given recognition in vocational training according to endorsed national competency standards.**

EDUCATION

Literacy

The importance of literacy to individual development and self-confidence is indisputable and the correlation between poor levels of literacy and numeracy, early school leaving and unemployment is undeniable. It is crucial that literacy and numeracy education receive even greater attention in Australia's primary schools.

Recommendation 3.1

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training ensure through the Ministerial Council that:

- **there is comprehensive teaching of literacy and numeracy in every primary school in Australia, preferably in the mornings and, if necessary, at the expense of other parts of the curriculum;**
- **the standard of literacy and numeracy is regularly tested; and**
- **those students who fall below the standard are given special attention to raise their literacy and numeracy skills.**

Youth Guarantee

In recognition of the national and individual importance of education the Committee is proposing a National Youth Guarantee whereby every Australian is entitled to education from Year 1 through to Year 12.

Recommendation 3.2

The Committee recommends that the Government institute a National Youth Guarantee which entitles every Australian under 21 years of age, who has not attained Year 12 at school, to a funded place at a high school, TAFE or a recognised training provider to complete a Year 12 education or its equivalent.

Vocational education

The availability of workplace education programs has grown rapidly in recent years. However, at present only a little over 12 per cent of students are involved in workplace education programs. The Committee firmly believes that quality workplace education has a great deal to offer secondary students including many of those with aspirations towards tertiary education. By building confidence and the skills which are directly relevant to working environments, and by helping to align the attitudes and expectations of young people with those of employers, workplace education has enormous potential to enhance the employability of the young people who participate.

Workplace education in individual schools needs to be properly recognised and supported by federal and state education authorities. The Committee firmly endorses the further development and expansion of workplace education in Years 11 and 12. It also is strongly of the view that this should be supported by workplace learning and better careers education and guidance for students in Years 7 to 10.

Recommendation 3.3

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training, in consultation with State and Territory Ministers:

- **more vigorously promote the Australian Student Traineeship Foundation (ASTF) criteria as the desirable national standard for all workplace education programs;**
- **implement national guidelines and, as far as practicable, a uniform student workplace assessment method for workplace education programs;**
- **devise measures to further encourage the adoption of high quality workplace education programs so that they become available to a much higher proportion of upper secondary students; and**
- **implement medium to longer term funding arrangements, perhaps through the ASTF, which recognise the higher costs and more onerous administrative burden for schools offering workplace education programs.**

The Committee is strongly in favour of extending workplace education into the early years of high school. Programs should be structured so that they do not preclude students from entering dual recognition or TER courses in Years 11 and 12.

Recommendation 3.4

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training, in consultation with State and Territory Ministers:

- **develop and promote a national standard for all workplace education programs in the lower years of high school that encourages programs which will still prepare students to enter dual recognition or Tertiary Entrance Rank (TER) courses in Years 11 and 12;**
- **implement national guidelines and, as far as practicable, a uniform student workplace assessment method for workplace education programs;**
- **devise measures to further encourage the adoption of high quality workplace education programs so that they become available to a much higher proportion of lower secondary students; and**
- **implement medium to longer term funding arrangements for schools offering workplace education programs, perhaps through the Australian Student Traineeship Foundation, which recognise the higher costs, the more onerous administrative burden, and the additional counselling/welfare support required by students at risk of leaving school early.**

Careers guidance

The inquiry revealed the parlous state of careers education guidance in most Australian schools. The employment and educational expectations of school leavers are heavily influenced by parents, teachers, and peers and the guidance from these sources is generally poor. Poor career guidance is partially responsible for persistent skill shortages in some sectors of the economy and young people's lack of awareness of opportunities in the skilled trades and other employment based training.

The Committee strongly believes that all young people should be entitled to high quality careers guidance and that the deficiencies in careers education must be addressed urgently.

Recommendation 3.5

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training, through the Ministerial Council:

- **establish comprehensive careers guidance, appropriately resourced, as an entitlement for all secondary students;**
- **ensure all careers guidance teachers have reliable access to data on workforce trends, anticipated skill shortages and the employment outlook for occupations nationally and by region;**
- **encourage secondary schools to exploit school-industry links established through workplace learning programs to enhance careers guidance services to all students;**
- **provide for the enhancement of careers education and guidance in secondary schools by providing funding to develop more teachers for the role; and**
- **fund group training companies to promote traineeships and apprenticeships, and to participate generally in careers education and guidance, in secondary schools.**

Secondary students seeking guidance on tertiary education opportunities are generally catered for well. However, young people considering enrolling in university courses should be provided with information about the market demand for the resulting qualification.

Recommendation 3.6

The Committee recommends that the Commonwealth Minister for Employment, Education, Training and Youth Affairs require universities to include in faculty handbooks and other promotional material information on the employment outlook for graduates of courses offered by the university.

APPRENTICESHIPS AND TRAINEESHIPS

The number of people undergoing apprenticeship training in Australia is very low as a proportion of the total labour force and is probably insufficient to meet current and future skill requirements. In contrast, the number of young people undertaking traineeships are growing rapidly, but traineeships result in lower level qualifications than apprenticeships provide.

A number of factors are preventing the chronically low level of apprenticeship starts lifting significantly. There have been major structural changes in the economy which have influenced the supply of apprenticeship places. In addition, government instrumentalities, such as the railways and the utilities, no longer train apprentices in excess of their needs who are released to industry upon completion. A decline in the quality of candidates for apprenticeships also appears to be a factor influencing the decline in commencements.

Group Training Companies have an important role to play in encouraging young people into entry level employment based training positions. They could also

arrange training to develop the knowledge and skills of first time or inexperienced employers.

Recommendation 4.1

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training encourage Group Training Companies, through their performance agreements, to operate Employment Placement Enterprises to provide employment brokerage services to small and medium sized businesses which:

- **facilitate the placement of young people into jobs linked to formal training; and**
- **encourage small business employers to develop their personnel management skills.**

Training by governments

The Committee is extremely concerned about the very low level of commitment to the employment and training of young people by governments at all levels. Apprentices and trainees are only 0.6 per cent of the public sector workforce whereas they comprise 2.6 per cent of the private sector workforce. The Committee believes governments should employ at least the same proportion of trainees and apprentices in their workforces as the private sector does.

Recommendation 4.2

The Committee recommends that governments at all levels increase their level of employment of young trainees and apprentices within five years to at least the level of the private sector and the data be reported annually to Parliament.

Recommendation 4.3

The Committee recommends that the Australian National Training Authority (ANTA) be required to publish annually statistics on the proportion of trainees and apprentices employed nationally by industry sector.

YOUTH WAGES

The wage structure for young people must provide appropriate incentives to both employers, to offer employment and training opportunities to young people, and to young people to undertake them.

In deciding whether to increase employment opportunities, obviously employers will consider the balance between what young people have to offer and how much they cost. Young people can be better skilled and prepared for employment so that they represent better value for money to employers. At the same time it is necessary to consider how much young people cost employers.

Lack of information on wages and employment

In examining the relationship between youth wages and employment the Committee was amazed by the dearth of current Australian information on the issue. It is the Committee's view that a detailed study of the empirical evidence in Australia to provide a clearer picture of the extent of the relationship must be undertaken.

Recommendation 5.1

The Committee recommends that the Department of Industrial Relations undertake or commission empirical research on the relationship between the changes in the level of wages and employment levels.

Age based wages

The sunset provisions in the *Workplace Relations Act 1996* relating to age based wages raised some concerns for government members of the Committee. Those members consider that because Australian minimum award wages are high relative to average and median earnings it is imperative that special provisions apply to young people entering the workforce.

Recommendation 5.2

Members of the Coalition parties on the Committee recommend that the Government make a submission to the Australian Industrial Relations Commission inquiry opposing the abolition of junior wages presently required under the Workplace Relations Act 1996.

Incentive to undertake employment based training

The wage incentive for young people to undertake long term training opportunities, such as apprenticeships, is considerably less than the rewards immediately available in full-time employment on junior wages. The government members of the Committee believe that the wage relativity between training and full-time employment must be addressed to encourage more young people into employment based training. The government members of the Committee concluded that reform of the youth wage structure was the only way to address its deficiencies.

Recommendation 5.3

Members of the Coalition parties on the Committee recommend that the Government legislate to over-ride existing federal industrial awards to establish a National Youth Wage which:

- provides for an age based progression;**
- is discounted for trainees and apprentices in proportion to the time spent away from productive work and in training;**
- is supported by the Youth Allowance paid by the Commonwealth Government directly to students and young people in part-time work; and**
- is supported by The Wage Top-Up Scheme paid by the Commonwealth Government directly to trainees and apprentices in full-time work based training.**

Recommendation 5.4

Members of the Coalition parties on the Committee recommend that the Government seek the widest possible legal and constitutional advice on the use of the corporations, interstate trade and commerce and incidental powers under the Constitution, in addition to the industrial relations power, to ensure the uniform national implementation of Recommendation 5.3.

Recommendation 5.5

Members of the Coalition parties on the Committee recommend that the Commonwealth Government pursue its attempt at national harmonisation of industrial relations legislation by attempting to secure uniform State and Territory agreement to implement Recommendation 5.3.

Recommendation 5.6

Members of the Coalition parties on the Committee recommend that the Commonwealth Government provide for youth training and youth wages to be exempt from the list of disputable matters under Section 89A of the *Workplace Relations Act 1995* by Commonwealth legislation implementing Recommendation 5.3.

Superannuation

Recommendation 5.7

Members of the Coalition parties on the Committee recommend that the Commonwealth Government legislate to exempt young people under the age of 21 years from compulsory employer sponsored superannuation.

Payroll tax

Payroll tax is clearly a significant disincentive to employment generation and the Committee unanimously agreed that the Commonwealth government should seek agreement with the States and Territories for the abolition of payroll tax on all employees under 21 years of age.

Recommendation 5.8

The Committee recommends that the Commonwealth Government, through the Council of Australian Governments, seek the agreement of the State and Territory Governments to the abolition of payroll tax on all employees under 21 years of age subject to the Commonwealth Government making good the shortfall of revenue to each State and Territory.

