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The Secretary
Senate Employment, Workplace Relations
and Education References Committee
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Dear Sir/Madam

As the population ages, labour force participation rates will fall and growth in the labour supply will slow significantly. Efforts must be made to offset the impact of an ageing population.

In this context, in addition to policies to encourage older workers to remain in the work force, efforts need to be made to maximise the skills and capabilities of all young Australians so they can effectively participate in the workforce.

Each year, there is a significant group of 15 – 19 year olds who are leaving school early and are not in education, training or employment.

Currently approximately 80% of young Australians (15 –19 year olds) each year undertake some form of education and training to year 12 equivalent in school or vocational education and training. This is a disappointing outcome when compared with 88% in the US and Canada, 91% in Germany and 94% in Korea.

The remaining approximate 20% are not in education and training. They may be in some form of part time or casual employment, but often in low skilled jobs. Many of this group suffer high levels of unemployment which continues throughout their lifetime.

Unemployment data indicates that seven years after leaving school only 7% of all year 12 leavers are unemployed. By comparison, young men who have left school in year 9, have a significantly higher level of unemployment - 21%, after the same period. For women it is even worse at 59% unemployment.

The trend of young people not completing year 12 or equivalent will inevitably result in lower employment rates, increased welfare payments, lower productivity and lower tax revenue for Australia. Governments have made a range of efforts to increase participation rates in education and training or sustainable employment. Business Council commissioned research indicates that progress to date by Commonwealth, State and Territory Governments has been variable and opportunities exist to make improvements.

Many of the existing efforts are of a pilot nature and seen to be outside mainstream programs, thus putting their sustainability and funding at risk.

The key to success in increasing the number of young people who complete twelve years of education and training is the existence of well-organised and flexible options that connect initial education with work or further study or training.

An essential next step is to implement an ongoing and systematic approach to identifying and assisting young people at risk of leaving school early. These young people require a supportive education environment where they gain assistance to move into further education and training or employment.

Poor literacy and numeracy skills are a feature of many young people leaving school early. There is a need to focus on ensuring the literacy and numeracy skills of those in the early years of school are developed to an appropriate standard.

Ensuring 50% of those young people who are currently leaving school early and not going into some other form of education and training are able to participate in education and training to year 12 equivalent would achieve a 10% overall increase in participation in education and training.

No longer would Australia lag behind its competitors, as we currently do, with only 80% of young people undertaking twelve years of learning. Australia would achieve a 90% participation rate by young people in education and training to year 12.

One approach to achieving these outcomes is identified by Applied Economics.

The program outlined by Applied Economics includes the systematic introduction of case management services to identify those young people at risk of leaving school early, increased access to career advice and support services, broadening the range of education qualification options and increasing flexibility in school structures and operations.

In practical terms, the main costs of this program are extra school, vocational education and training places; extra apprenticeships and traineeships; extra schoolbooks and uniforms; and lost earnings for early school leavers during their extra school years.

The benefits of this program include increased earnings for early school leavers once their extra school years are completed; improved social outcomes (eg reduced crime); and gains for employers (eg increased productivity and profitability).

The Business Council modelling of the Applied Economics proposal highlights that an investment now to increase the proportion of young people who achieve year 12 or equivalent education and training from 80% to 90% will bring a significant economic and social benefit in the longer term.

The key results of the modelling are:

- the program will reduce GDP initially but deliver substantial gains by 2020. GDP is estimated to be \$1.8 billion (ie .28% GDP) higher in 2020 than it would otherwise have been;
- the same is true for consumption. Consumption will initially reduce but is estimated to be \$720 million (ie .18%) higher by than would otherwise have been the case;
- the program will have a positive long-term impact on economic welfare; and in today's dollars this is estimated to be equivalent to a one off increase in consumption of around \$10.7 billion; and
- the program will attain an internal rate of return of between 8% and 10%.

I have attached for the consideration of the Committee copies of:

- *The Cost of Dropping Out: The Economic Impact of Early School Leaving* and related background research documents;
 - *Young Persons' Education, Training and Employment Outcomes with Special Reference to Early School Leavers*
 - *Overview of Transition Programs: Policies and Programs*; and
 - *The Economy-Wide Benefits of Increasing the Proportion of Students Achieving Year 12 Equivalent Education: Modelling Results*

You may also be interested in a research report prepared for the Department of Education, Science and Technology (DEST) in early 2002 by the BCA and the Australia Chamber of Commerce and Industry. The report *Employability Skills for the Future* is available from the DEST website. It highlights the generic skills and attributes that employers are increasingly seeking in their employees.

Please do not hesitate to contact me should you have any queries.

Yours sincerely

MARIA TARRANT
DIRECTOR POLICY