

POSITIONS VACANT?

YOUTH EMPLOYMENT IN AUSTRALIA

NATIONAL YOUTH COMMISSION INTO YOUTH EMPLOYMENT
AND TRANSITIONS, MARCH 2019.



ACKNOWLEDGEMENTS

This Discussion Paper has been produced by the National Youth Commission into Youth Employment and Transitions as a part of Youth Development Australia Ltd. For more information about the Commission's work visit nycinquiry.org.au

NATIONAL YOUTH COMMISSION INTO YOUTH EMPLOYMENT AND TRANSITIONS

The National Youth Commission (NYC) is an independent, non-partisan community inquiry into the challenges faced by young people preparing for and seeking work now and into the future. It draws together the expertise and lived experience of diverse young people across the country, along with ideas from experts and the broader public, to create solutions to overcome these challenges.

We work in three main ways;

1. We build and draw on existing evidence, people's expertise and lived experience, and new thinking about solutions to the challenges faced by so many young people preparing for and seeking work through public hearings, workshops, online submissions and engagement through different social media platforms.
2. We educate the community about these issues and solutions by publishing articles and discussion papers and provide free access to all data collected throughout the inquiry.
3. We have a network of partners who support and contribute to the work of the NYC.

Through these activities the NYC advocates for an ecosystem of education and transition to independence that will see all young people equipped and supported to fully participate in work and the community.

INTRODUCTION

Young people are exhorted to get an education and be prepared to work hard to gain a secure job and lead a comfortable life. This paper shows that this connection is breaking down, with income and job prospects for younger people increasingly under threat in a rapidly changing economy and labour market.

Several systems need to mesh together to support young people to make a successful school to work transition. Within the education and training systems a critical role is played by relevant curriculum, future-focused careers information and exposure to emerging industries and the worlds of work. Just as important is the need to ensure that disadvantaged learners and communities are supported to attend, achieve and complete school and post-school qualifications.

The industrial relations system has set the terms of pay for young people at lower rates, and recent penalty rate reductions have affected them more due to the industries at entry level where they are most likely to work. On top of this, it's obvious that without strong regulatory oversight, many employers won't meet their legal obligations around award pay and conditions, especially in the case of vulnerable or inexperienced workers.

The income support system that is intended as a safety net for those who can't make a living from paid work has various rules and conditions that young people in particular can struggle to understand and abide by. This intersects with the employment services system, which was always intended to help get people into jobs and off the dole. Employment services have become unhelpfully and punitively focused on quotas for job applications, vocational training without guaranteed employment, or compulsory hours of unpaid work.

All these government-managed systems must relate and respond to the dynamic conditions of the labour market. This is offering less and less work on less reliable terms for young people, in the inexorably changing

conditions of the national and global economy. That complexity is compounded by the different roles of state and Commonwealth governments, adding further to the challenges of establishing a common research agenda, agreement about priorities and a coordinated strategy.

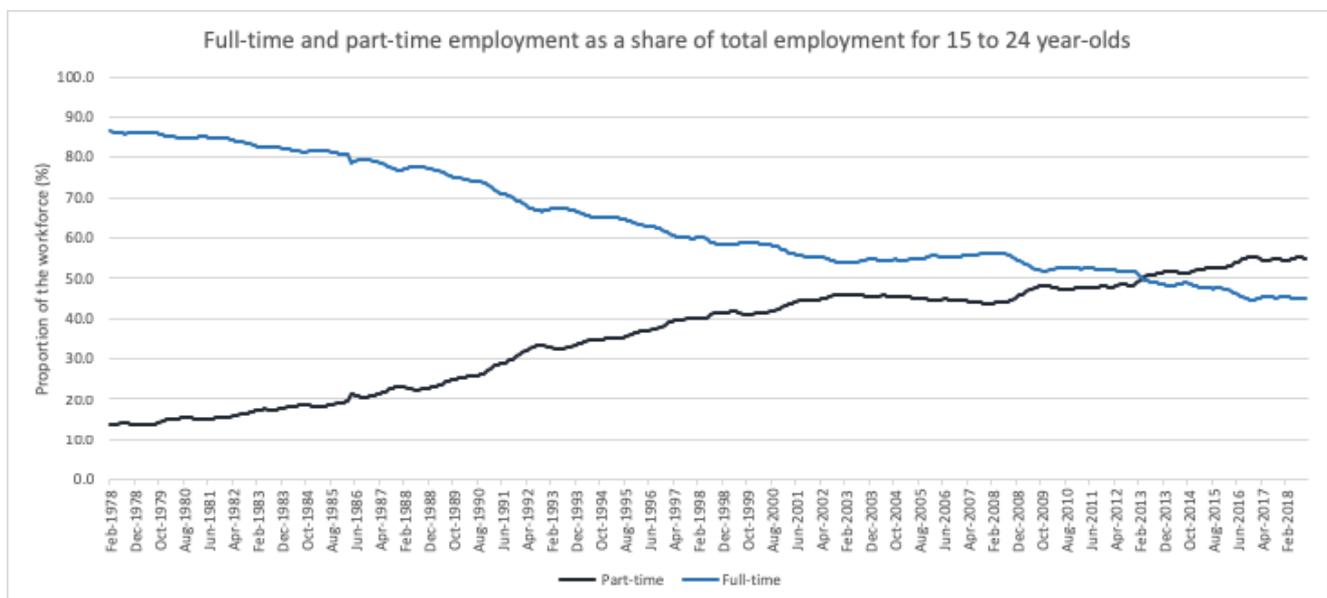
Complex as all this is in the big picture, the impact of it can readily be understood by engaging with young people who are affected. One goal of the National Youth Commission is to hear about that lived experience, story by story. This paper presents the headline research and evidence on the state of income and jobs for young people. The paper invites debate and seeks to inspire fresh thinking about how governments, educators, employers and communities can do better.

YOUNG PEOPLE ARE MORE LIKELY TO BE UNEMPLOYED AND TO WORK PART-TIME RATHER THAN FULL-TIME.

Unemployment among young people 15-24 years is stubbornly high, at a rate of 11.2 per cent across the nation compared to the overall unemployment rate of 5 per cent. According to the Brotherhood of St Laurence, some 55 out of 87 regions throughout Australia experienced youth unemployment rates above 11 per cent.¹

When young people are employed, it is now more likely to be on a part-time basis. Full-time employment for 15 to 24-year-olds has been declining over the past 40 years: in February 1978, only 13.6 per cent of employed 15 to 24-year-olds worked part-time.² By October 2018, the proportion of employed young people working part-time had increased to 54.8 per cent.³

How can casual employment be reformed to be more secure employment?



JOBS ARE LESS SECURE

Work for young people is not only predominantly part-time, it also tends to be casual; a trend enabled by the use of digital technology to match people with work on demand. This emerging marketplace is commonly referred to as the gig economy.

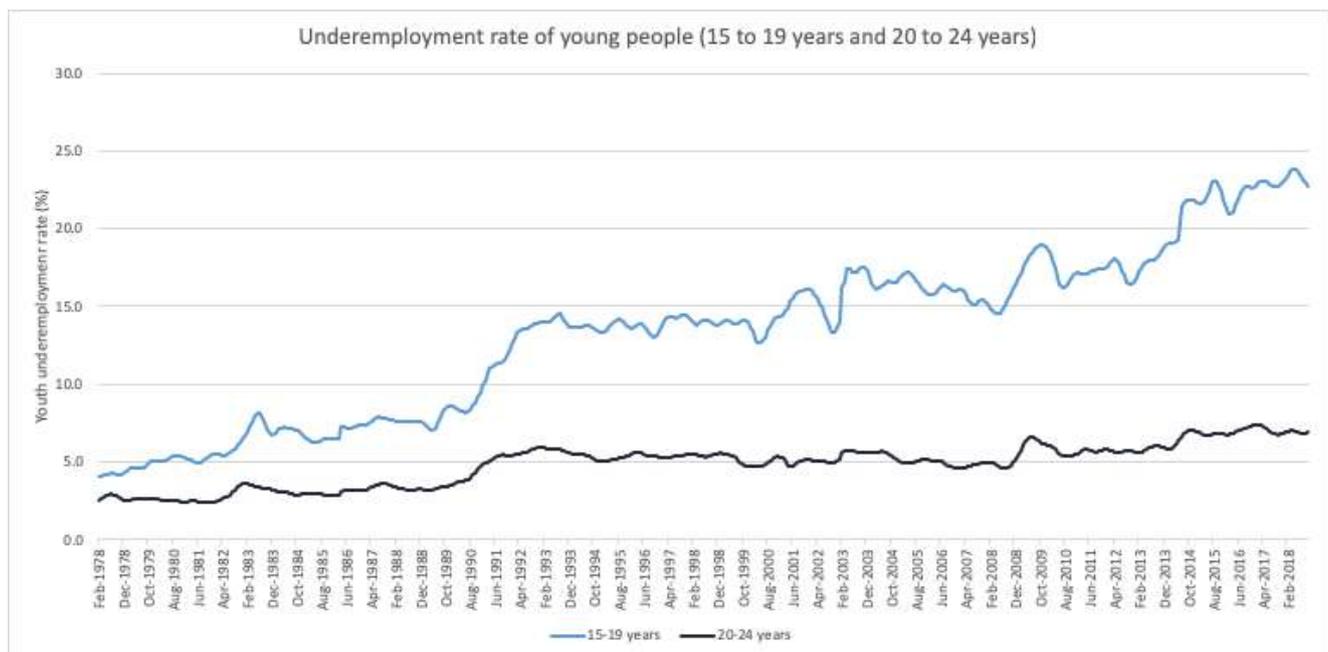
While around 25 per cent of the workforce overall were employed on a casual basis, casual employment is much higher for young people. Around three quarters of 15 to 19-year-old employees (76 per cent) were employed on a casual basis, and 41 per cent of employees aged 20 to 24 years were employed on these terms. The reality of casual employment is no guaranteed hours of work, work hours that change day to day/week to week, and employment that ends without notice from the employer or employee.

YOUNG PEOPLE WANT MORE WORK BUT CAN'T GET IT

The rise of part-time work compared to full-time work has led to an increase in underemployment amongst young people. Underemployment is defined as working part-time (between 1 and 35 hours per week) but wanting more work hours.⁵

Since 1978 the underemployment rate of 15 to 19-year-olds has increased substantially, from around 4.1 per cent in February 1978 to 22.8 per cent in October 2018.⁶ The underemployment rate for 20 to 24-year-olds has also increased though less dramatically, from 2.5 per cent in February 1978 to 6.9 per cent in October 2018.⁷

How can we improve job security and job quality?



Where are young people stuck on the journey to adulthood, and how do we collect data to find out? What are the prospects and possibilities for big data in ways that might help?

AND THERE'S LITTLE EVIDENCE THAT THE GIG ECONOMY IS OFFERING ENOUGH PAID WORK

Self-employment as independent contractors and freelance workers has always been a part of the labour force in Australia. However, the introduction of digital technologies has been rapidly proliferating new gig economy opportunities, enabling a wide range of exchanges between buyers and sellers of goods and services.⁸ An example is the ride-sharing service Uber, where drivers are independent contractors who decide when to work and use their own car to provide a taxi service.

Whether gig economy workers are actually independent contractors rather than employees has been contested in the Fair Work Commission and depends on the degree of control workers have over their employment.⁹

There is little data at this point in time about young people and the gig economy, such as the number of young people who are on short-term contracts but are not casual employees. As such, we do not know how many young people experience this form of insecure employment.

Proponents of this new economy claim that young people do not desire the security of employment of previous generations, while critics of it say insecure work is the only work available. For some young people, gig and casual work has its benefits as the flexibility allows them to fit work around study.¹⁰ Others, particularly those not studying are troubled by the insecurity of income arising from irregular hours and the impact this has on other parts of life such as housing and financial independence.¹¹

THE SKILLS NEEDED FOR THE FUTURE OF WORK ARE CHANGING, AND THIS WILL LEAVE MANY BEHIND

Work itself is changing. Low-skill jobs in many industries have disappeared. New high-skill jobs have emerged, many focused on specialised skills. Automation, digital platforms, and other innovations are changing the nature of work.

The changing work environment is said to be part of the 'new economy' where:

- technology reigns and artificial intelligence replaces human workers even in non-routine labour
- soft skills of communication; teamwork; leadership; creativity; problem-solving and others are sought after more than in-depth knowledge and hard skills traditionally taught in our schools; vocational education and training colleges and universities
- Part-time and insecure work require personal traits like flexibility; versatility; and mobility so that young people can manage their non-linear working lives.

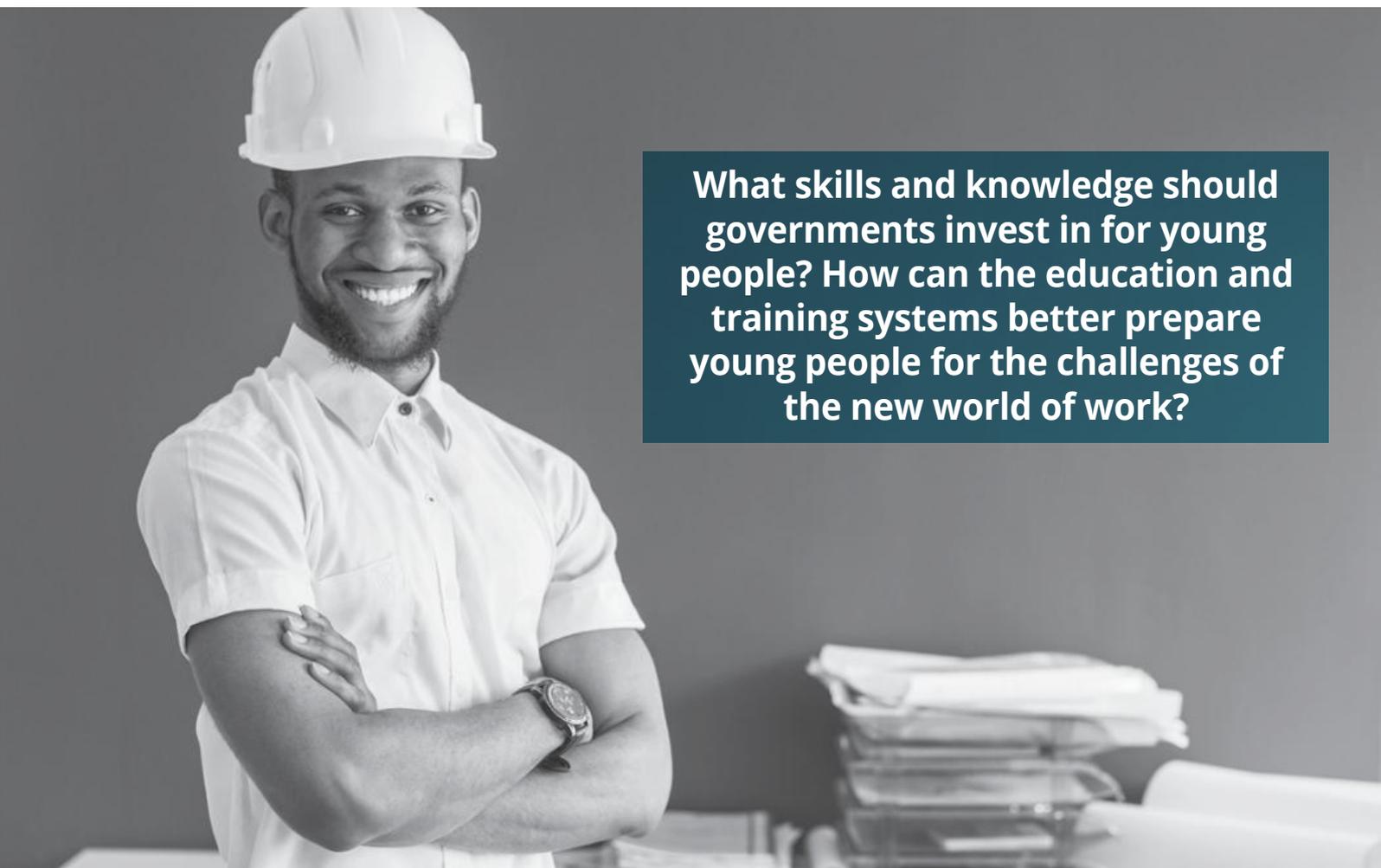
AUTOMATION AND GLOBAL COMPETITION ARE RESHAPING THE JOB LANDSCAPE

A technological revolution is occurring in Australia, at least in some industries. One estimate suggests that 40 per cent of jobs have a high probability of being lost to automation in the next 10 to 15 years.¹²

The manufacturing industry's share of employment has declined from 16.7 per cent in 1984 to 7.6 per cent in 2018, while still employing 960,000 people.¹³ The reduced share of employment is due to automation replacing human workers and production capacity being reduced by overseas competition.¹⁴

Looking forward, several global technology companies and car manufacturers are developing driverless vehicles that if successful are predicted to wipe out employment in the transport sector. Driverless vehicles are already used in the mining industry.¹⁵ Driverless passenger trains have been trialled in Sydney and are expected to be carrying passengers in 2019.¹⁶

Other industries are being automated but with less attention in the media, and this will continue to impact the job opportunities for future generations.



What skills and knowledge should governments invest in for young people? How can the education and training systems better prepare young people for the challenges of the new world of work?



How should we set wages for young people? If lower incomes are the new norm, what poverty alleviation support and resources could be unlocked and redistributed?

THE NEED FOR PEOPLE-FOCUSED SKILLS IS ON THE RISE

Employment is growing rapidly in industries where people are harder to replace, such as health care and social assistance, education and training, and retail trade.¹⁷ The growth of the service industries, particularly health care, require more of the soft skills valued in the new economy such as communication, teamwork and problem-solving.¹⁸

In an analysis of job advertisements, the Foundation for Young Australians reported that employers are asking for soft skills in early career roles as much as they ask for hard, technical skills.¹⁹ This analysis found also that employers will pay more for workers with soft skills than those without, and that demand for these skills across all industries is rising.²⁰ The report was based on analysing job advertisements but did not review whether these early career jobs were full-time or whether these jobs were secure.

YOUNG PEOPLE GET LOWER WAGES

In industries employing a lot of young people, junior or youth wages are often used to pay young people less than older workers for the same work. For example, in the retail industry a 17-year-old is paid 60 per cent of the adult award rate, an 18-year-old is paid 70 per cent and a 19-year-old is paid 80 per cent.²¹ Adult wages don't apply until employees are 20-years-old in the retail industry (other industries start adult wages at 21 years).

The use of youth wages is controversial. There are three main arguments used by those in favour of youth wages:

1. youth wages help young people get their first job;
2. young people are inexperienced, hence are less productive and so should be paid less than adults;
3. youth wages encourage businesses to employ young people and fewer will be employed if businesses have to pay higher wages.²²

Arguments against youth wages are:

1. it is unfair to allow employers to discriminate on the basis of age;
2. the cost of living for young people is the same whether aged 18, 19 or 21, so they should be paid the same;
3. it is better to pay on the basis of experience, skills and training not on age as a 21-year-old might have less experience than a 19-year-old;
4. young people fear that they will lose their jobs as they get older because they are more expensive to employ.²³

There is little recent research available about whether youth wages improve employment outcomes for young people in Australia.

IT IS YOUNG PEOPLE WHO TAKE THE BIGGEST HIT FROM PENALTY RATE REDUCTIONS

Young people often add to their weekly income to assist with living costs by working on weekends and public holidays. By doing so, they receive a higher hourly pay in the form of penalty rates. Working those days has the added bonus of allowing young people to fit work around study.

A 2017 decision by the Fair Work Commission reduced penalty rates for working on weekends in the retail, hospitality and fast food industries, all of which employ a lot of young people. It is likely that young people have been disproportionately affected by the reduction of penalty rates.²⁴

The reduction in penalty rates was meant to increase employment by reducing labour costs. It seems that increased employment has not eventuated and those industries with reduced penalty rates have grown more slowly than other industries.²⁵

THE INTENDED SAFETY NET OF INCOME SUPPORT INVOLVES MANY HOOPS TO JUMP THROUGH

Social security is an important part of Australia's social safety net. An effective social security system should prevent people from falling into entrenched poverty and enable them to seek employment, study, or care for themselves or for others. Australia's social security system is complex and has a lot of rules for job search, study, or other conditions that many young people in particular cannot meet, leading to the loss of this income source. For them, the intended safety net does not work.

There are several social security payments available to young people in Australia:

- Youth allowance
- Newstart allowance
- Disability support pension
- Carer allowance
- Parenting payments
- Rent Assistance.

Youth Allowance and Newstart are the two payments that mostly relate to employment and transition. Youth Allowance is paid to students up to the age of 24 years and young people seeking work up to the age of 21 years. Newstart is paid to young people seeking work aged over 21 years.

The rate of Youth Allowance depends on age and different rates apply to people who are under 18, 18 to 21 or 22 to 24 years. Depending on their individual circumstances, a young person may be eligible for one of 21 different payments under Newstart and Youth Allowance alone. Payment rates are affected by a person's living situation, such as whether they live in the family home, have children, or a partner. Also, income and assets tests can be applied to the person applying, their partner or parents, to reduce the rate of payment.²⁶ Newstart payments similarly depend on the recipient's living situation as well as personal and partner's income.²⁷

NEWSTART AND YOUTH ALLOWANCE ARE WELL BELOW THE POVERTY LINE

The maximum payments available to a young person receiving Youth Allowance don't meet living costs, at \$276 per week for a single person aged 22 or over with no children, or Newstart at \$275 per week for a single person aged 21 or over with no children. This is significantly below the poverty line of \$433 per week for a single adult.²⁸ The inadequacy of payments has led to calls from the Australian Council of Social Service (ACOSS) and others to increase Youth Allowance and Newstart by \$75 per week and change the method of indexation to keep pace with community living standards.²⁹

Many young people combine job seeking and/or study with part-time work, meaning that many Newstart and Youth Allowance recipients also receive income from work. Newstart or Youth Allowance payments are reduced by a stringent personal income test, particularly for job seekers. Newstart recipients can earn up to \$104 per fortnight before payments are reduced by fifty cents in every dollar earned between \$104 and \$254 per fortnight and 60 cents in the dollar above \$254 earned per fortnight.³⁰ Similarly, Youth Allowance has stringent income tests for job seekers.³¹ Students and apprentices on Youth Allowance are allowed to earn slightly more before the income tests apply.³²

Newstart and Youth Allowance are paid to job seekers who meet 'mutual obligation' requirements. These requirements are to be actively seeking employment as measured by applying for at least 20 jobs per month.³³ The longer a young person is receiving income support while seeking a job, the greater the conditions become. Long-term job seekers may be required to undertake unpaid Work For the Dole,³⁴ enter the Youth Jobs PaTH³⁵ program or other activities as a condition of getting paid income support.

Is a mix of income support and paid work becoming the norm for more and more young people? If so, how should Youth Allowance and Newstart be reformed to better suit the needs of young people studying, working intermittently and seeking work?

EMPLOYMENT SERVICES AREN'T WORKING AND THE MAJORITY AGREE THEY NEED REFORM

The Australian Council of Social Service (ACOSS) contends that the Jobactive program, the main employment service for jobseekers, is not meeting the needs of unemployed people,³⁶ and many people looking for work and on income support feel that the employment services are more about compliance than than achieving an employment outcome.³⁷ Arguably the emphasis on compliance to receive Newstart or Youth Allowance rather than genuine support for job seekers hinders their ability to get a job.

The employment services system needs considerable reform to better focus on employment outcomes rather than forced activities to get the dole. This has been recognised in a government-commissioned review of the Jobactive program, which recommended (amongst other things):

- increasing the focus on job seekers who need the most help
- more flexible activity requirements, including alternatives to the standard requirement to apply for 20 jobs a month.³⁸

ACOSS argues that Jobactive needs more fundamental reform including the abolition of Work For the Dole and Youth Jobs PaTH programs because these hinder people seeking employment. These should be replaced with a scheme to provide appropriately-paid work experience and training in regular jobs.³⁹

The reforms proposed by ACOSS and others are likely to improve the social security system, particularly for job seekers.

Some argue that a more radical approach in the form of a Universal Basic Income (UBI) is needed because the nature of work will continue to change as automation replaces people in more jobs. A UBI is "a periodic cash payment unconditionally delivered to all on an individual basis, without means-test or work requirement."⁴⁰ There are many arguments for and against a UBI that have been briefly explored by the NYC.⁴¹



If the jobs aren't there in ways we used to know, how much does the Jobactive system need to change?

THE IMPLICATIONS

We have been sleepwalking into a perfect storm of risk - that the future of young Australians and Australia will be sold out or ruined through a lack of action. It is time to wake up to the facts. Now is the time we need to begin to shape the future.

As a generation, young people today must compete for a diminishing share of secure employment, in a labour market for which skill needs are rapidly changing. They are subject to industrial relations provisions that pay them less than older people, and are disproportionately affected by cuts to penalty rates. They must navigate a complex income support system that involves many rules and conditions in exchange for a meagre allowance that is under the poverty line. The employment services system that is meant to help them find a way out of all this has been found by a 2019 government review to be particularly ineffective for young people.

Particular groups of young people are especially vulnerable in their school to work transitions. Young Aboriginal people, new migrants, those with disability, in out of home residential care, or in contact with the justice system, will be the least well equipped to run the race for reasonable life chances: all this in a time when there are already decisive trends towards growing inequality of income and wealth.

Young people growing up in Australia today face other unprecedented challenges. Not only will their generation bear most heavily the potentially devastating impacts of climate change, the ageing population means an increasingly diminishing share of the benefits of government spending. To carry their families, communities and the nation into a sustainable future, they will need to be able to learn, work and earn with better prospects than those they face now.⁴²

GET INVOLVED

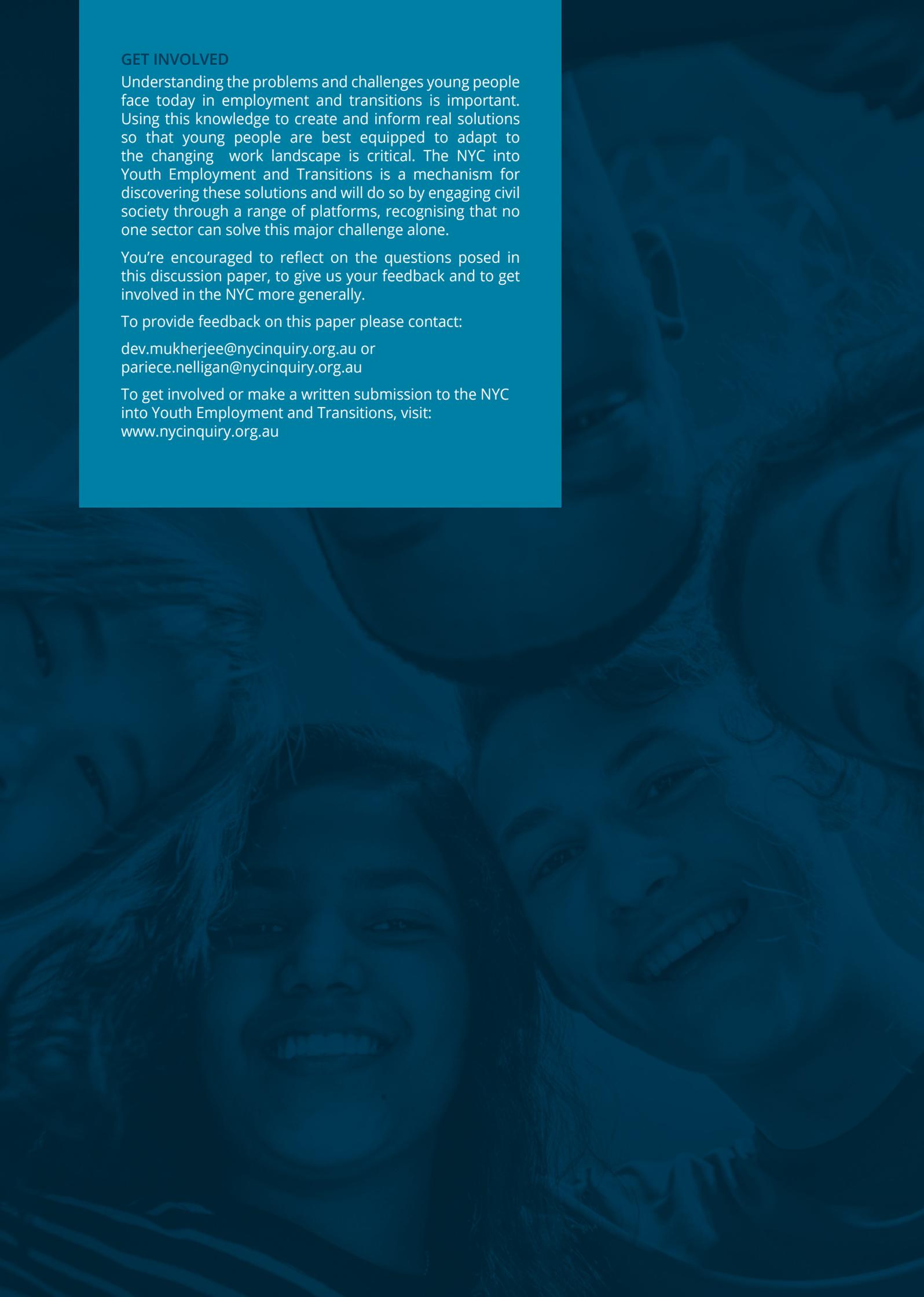
Understanding the problems and challenges young people face today in employment and transitions is important. Using this knowledge to create and inform real solutions so that young people are best equipped to adapt to the changing work landscape is critical. The NYC into Youth Employment and Transitions is a mechanism for discovering these solutions and will do so by engaging civil society through a range of platforms, recognising that no one sector can solve this major challenge alone.

You're encouraged to reflect on the questions posed in this discussion paper, to give us your feedback and to get involved in the NYC more generally.

To provide feedback on this paper please contact:

dev.mukherjee@nycinquiry.org.au or
pariece.nelligan@nycinquiry.org.au

To get involved or make a written submission to the NYC into Youth Employment and Transitions, visit:
www.nycinquiry.org.au



REFERENCES

1. Brotherhood of St.Laurence (2018) *An unfair Australia, Mapping Youth Unemployment Hotspots*
2. Australian Bureau of Statistics, *Labour Force, Australia*, Cat No. 6202.0, Table 22, Underutilised persons by Age and Sex.
3. *Ibid.*
4. Gilfillan, G. (2018) *Characteristics and use of casual employees in Australia*, Parliamentary Library, Parliament of Australia.
5. Australian Bureau of Statistics (2018) *Labour Statistics: Concepts, Sources and Methods*, Cat No. 6102.0.55.001
6. Australian Bureau of Statistics, *Labour Force, Australia*, Cat No. 6202.0, Table 22, Underutilised persons by Age and Sex.
7. *Ibid.*
8. See <https://insightsresources.seek.com.au/gig-economy-changing-world-work>.
9. See Veen, A., Goods, C. & Barratt, T., "Redefining workers in the platform economy: lessons from the Foodora bunfight", *The Conversation*, 28 November 2018, <https://theconversation.com/redefining-workers-in-the-platform-economy-lessons-from-the-foodora-bunfight-107369>.
10. Youth Affairs Council of Victoria (2011) *Submission to the ACTU's Independent Inquiry into Insecure Work in Australia*, <https://www.actu.org.au/media/349621/youth-affairs-council-of-victoria.pdf>
11. *Ibid.*
12. Durrant-Whyte, H., McCalman, L., O'Callaghan, S., Reid, A. and Steinberg, D. in The Committee for Economic Development of Australia (2015), *Australia's Future Workforce*, p. 60.
13. Australian Bureau of Statistics *Labour Force, Australia, Detailed, Quarterly*, Cat No. 6291.0.55.003, Table 04. Employed persons by Industry division of main job (ANZSIC)
14. Georgeson, C. & Harrison, A.W. (2015) *Regional impacts of the accelerated decline of the manufacturing sector in Australia*, Office of the Chief Economist, Australian Department of Industry and Science.
15. See <https://www.amsj.com.au/pros-cons-autonomous-drivers-mining/>
16. See <https://www.smh.com.au/national/nsw/sydney-s-first-driverless-metro-train-passes-major-test-20180702-p4zoya.html>
17. Australian Bureau of Statistics *Labour Force, Australia, Detailed, Quarterly*, Cat No. 6291.0.55.003, Table 04. Employed persons by Industry division of main job (ANZSIC)
18. For example, see <https://work.chron.com/advantages-teamwork-todays-health-care-organizations-5143.html>.
19. AlphaBeta (2017) *The New Basics: Big data reveals the skills young people need for the New Work Order*, Foundation for Young Australians.
20. *Ibid.*
21. Fair Work Ombudsman (2018) *Pay Guide – General Retail Industry Award 2010*, available at <https://www.fairwork.gov.au/awards-and-agreements/awards/award-summary/ma000004-summary>.
22. House of Representatives Standing Committee on Employment, Education and Training (1997) *Youth Employment: A working solution*, Parliament of Australia.
23. *Ibid.*
24. See <https://www.yacvic.org.au/advocacy/young-workers-and-penalty-rates-know-the-facts/>
25. Stanford, J. & Henderson, T. (2018) *Briefing Note: Penalty Rates and Employment: One Year Later*, Centre for Future Work, Australia Institute.
26. For further information on Youth Allowance see <https://www.humanservices.gov.au/individuals/services/centrelink/youth-allowance-students-and-australian-apprentices/how-much-you-can-get>.
27. See <https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get>.
28. Davidson, P., Saunders, P., Bradbury, B. and Wong, M. (2018), *Poverty in Australia*, 2018, ACOSS/UNSW

Poverty and Inequality Partnership Report No. 2, Australian Council of Social Service.

29. ACOSS (2017) *Raise the Rate: Briefing Note*, ACOSS.
30. See <https://www.humanservices.gov.au/individuals/services/centrelink/newstart-allowance/how-much-you-can-get/income-and-asset-limits/income-test>.
31. See <https://www.humanservices.gov.au/individuals/enablers/personal-income-test-austudy-and-youth-allowance/30411>.
32. *Ibid.*
33. See <http://guides.dss.gov.au/guide-social-security-law/3/2/9/30>.
34. See <https://www.jobs.gov.au/work-dole>
35. See <https://www.jobs.gov.au/youth-jobs-path>.
36. ACOSS (2018) *Submission on Future Employment Services*, Australian Council of Social Service.
37. ACOSS (2018) *Voices of Unemployment: Result of an ACOSS survey of jobactive service users*, Australian Council of Social Service.
38. Employment Services Expert Advisory Panel (2018) *I want to work: Employment Services 2020 Report*, Department of Jobs and Small Business.
39. See https://www.acoss.org.au/media-releases/?media_release=acoss-calls-for-fundamental-reform-of-employment-services-on-release-of-expert-review-of-jobactive.
40. Basic Income Earth Network, *About Basic Income* available at <https://basicincome.org/basic-income/>.
41. See <https://nycinquiry.org.au/should-australia-consider-a-universal-basic-income/>.
42. See <https://www.acoss.org.au/wp-content/uploads/2018/07/Inequality-in-Australia-2018.pdf>

