

Executive summary

Australia was hit much less heavily by the Great Recession than most other OECD countries, yet the labour market situation for young people has improved little since. After a continuous decline in youth unemployment rates since the early 1990s, rates have started rising again while youth employment has fallen. The share of youth not in employment, education or training (NEET) is 1.4 percentage points higher in 2015 than it was 2008 (11.8 vs 10.4%), with 580 000 young Australians out of education and work in 2015. Just under two-thirds of NEETs are currently not looking for work (the “*inactive* NEETs”).

A number of risk factors for being NEET can be identified:

- Low educational attainment is the most important driver of NEET status, in Australia as in other OECD countries. Young people with at-most lower-secondary education (Year 10 Certificate or equivalent) are over three times more likely to be NEETs as those with tertiary education, and they account for more than one out of three NEETs. As a consequence, many NEETs lack the basic cognitive and non-cognitive skills needed in the labour market.
- Young women are much more likely to be NEET than young men. This gap is driven by higher *inactivity* rates among women with young children. NEET parents report a lack of access to affordable childcare and insufficiently flexible working arrangements as the main barriers to employment.
- NEET rates are substantially higher among Indigenous youth. Indigenous NEETs are overrepresented particularly in remote and very remote areas, where labour markets tend to be weak. This is a challenge for outreach and for supporting successful transitions into employment.
- NEET rates are substantially higher also for youth with disabilities, particularly for those facing strong limitations in their daily activities.

Among NEETs, those same risk factors also tend to be associated with a higher probability of remaining out of employment or education for *long periods*. One out of five young people spend more than 12 months as a NEET between the age of 16 and 24 years, and long NEET spells are much more frequent for the low-educated, for young women and for Indigenous youth. Short periods of NEET status are by contrast relatively common, with more than two-thirds of all youth spending some time out of education or work.

Australia implemented a number of reforms over the last decade to improve educational outcomes and promote smoother school to work transitions.

While the Australian education system performs well overall, and school completion rates have been rising in recent years, disadvantaged youth find it harder to succeed. Therefore, a number of national programmes supported local initiatives to improve schooling outcomes for students from disadvantaged backgrounds. School performance, including attendance and test scores, is tightly monitored, but this information is not systematically shared with external specialised services that could help youth who are at risk of dropping out from school.

High-quality vocational education and training (VET) is essential in preparing young people for the labour market. Australia has introduced a number of reforms to increase the flexibility of the VET system and further increase participation. This resulted in an impressive 50% increase in apprenticeships since the early 2000s. The completion rate for VET certificates and apprenticeships remains low, however, by international standards, and the diverse system of degree levels and providers can be difficult to navigate. This suggests a need for further improved guidance for at-risk youth wishing to choose these routes.

The Australian Government has, over the past few years, also promoted and strengthened a unique network of social service providers for school-age youth. Providers delivered outreach activities, individual case management and counselling, and health services, which proved valuable to support school/training participation for most at-risk groups. The provision of such services is considered, however, to be primarily the responsibility of states and territories, and federal funding was recently withdrawn. Participation in social programmes for children and school-aged youth should be ensured to prevent a decline in the level of support.

For those out of education and work, Australia has a very flexible, market-based network of employment service providers, who face strong incentives to service disadvantaged youth. These services cover, however, only about 60% of NEETs, leaving around 200 000 youth unserved, some

of whom possibly in need of support. Employment services increasingly focus on public-sector work-experience – in particular the Work for the Dole programme – as a means for bringing young jobseekers into employment. The recently introduced Youth Employment Strategy provides funding for intensified employment support for early school leavers and other groups of disadvantaged youth.

Most NEETs in Australia receive income support benefits, and benefit receipt among young jobseekers in Australia tends to be of short duration. The recent tightening of the eligibility criteria for unemployment benefits may create additional incentives to actively look for work, but it also bears the risk of pushing the most disadvantaged youth into inactivity and possibly poverty. Low benefit levels moreover mean that many young benefit recipients live on incomes below the poverty line. One-fifth of inactive youth receive disability payments, which is more than double the OECD average.

Australia recently adopted the G20 youth employment target of reducing the number of youth who are low-skilled, NEET, or working in the informal sector by 15% by 2025.

Key policy options

- Improve further the identification of youth at-risk of dropping out of school through a timelier and more systematic sharing of available school attendance data.
- Ensure the continuation of the co-operation between schools and external social services to fight early school leaving and ensure that all young people obtain the qualifications needed to continue their studies or find work.
- Promote the development of after-school activities for at-risk youth including sports programmes or mentoring to help address barriers to school attendance and strengthen non-cognitive skills.
- Continue the efforts to increase completion rates of VET and apprenticeship programmes by providing students with counselling and information on successful training programmes.
- Ensure available and affordable childcare, particularly for lone parents. Target childcare benefits more tightly to parents at the lower end of the income distribution.
- Strengthen the gatekeeping of disability benefits to reduce the high benefit receipt rates for young people.

- Improve the accessibility of DHS/Centrelink for young jobseekers. Strengthen active outreach to disengaged youth, in particular by promoting a closer co-operation between Centrelink, employment service providers and schools during the final year of high school.
- Follow up on the recent tightening of benefit eligibility and activity requirements for young people to avoid increases in inactivity and youth poverty, notably for the most disengaged youth.
- Promote further young jobseekers' participation in training programmes as an effective way into stable employment, and guarantee a sufficient offer of foundations training for early school leavers and other jobseekers with a lack of numeracy or literacy skills.
- Ensure that the impact of social and employment programmes are evaluated more systematically and more rigorously by including evaluation requirements in Commonwealth funding contracts, by earmarking part of project budgets for impact evaluations, and by specifying methodological minimum standards.



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