

Chapter 1

Labour market and educational outcomes of youth in Australia

This chapter presents a brief overview of the labour market and education outcomes of youth in Australia. The chapter starts by highlighting the importance of demographic factors for understanding youth outcomes. It describes the situation of young people in the labour market looking at trends in youth employment and unemployment. It then presents recent developments in school enrolment and completion rates. The chapter concludes by documenting the share of the youth population in Australia who are not in employment, education or training (the “NEETs”).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

In the early nineties the youth unemployment rate in Australia was significantly above the OECD average. By 2008 it had reduced by half and fell significantly below the OECD average. Despite performing significantly better than other OECD countries during the recent global recession youth unemployment still witnessed an increase in recent years. This chapter sets the backdrop of the situation of the youth labour market performance in Australia. It begins by examining the demographic structure of the Australian workforce (Section 1). It then looks at the state of the Australian labour market compared to OECD averages, and examines how Australian youth fare in this market (Section 2). As education is linked with labour market performance this chapter also examines the educational attainment of young people (Section 3). Finally, it shows the Australian NEET rate¹ in a comparative perspective, and examines the change in NEET rate over the Great Recession (Section 4).

1. The importance of demographics

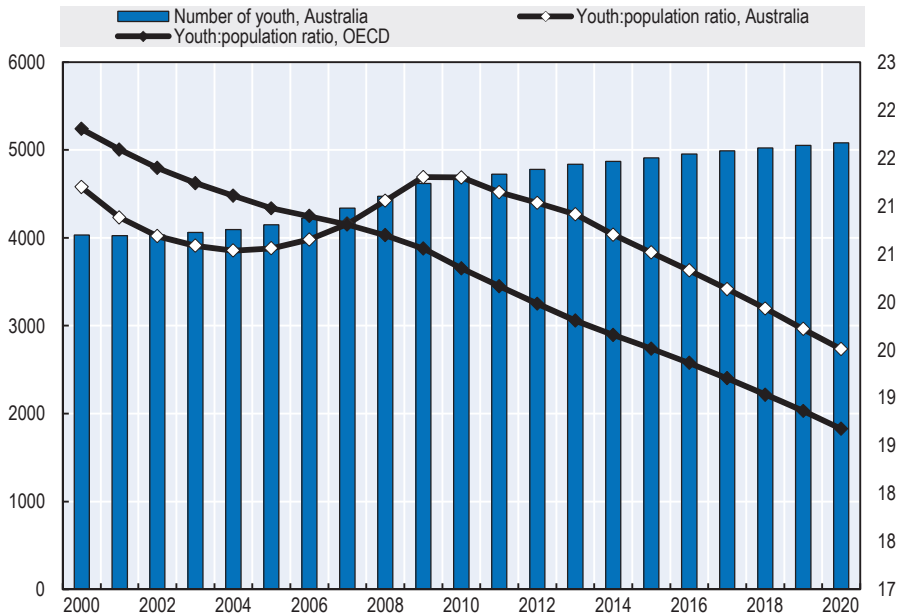
Unlike most OECD countries Australia has experienced a rise in the total number of 15-29 year-olds in recent years as a result of persistently positive net migration. However, because of strong population growth more generally, the size of the youth population is shrinking when expressed as a share of the overall population. The youth:population ratio peaked at just over 21% in 2009 and is forecast to fall to 19.5% by 2020, close to 1 percentage point above the OECD average (Figure 1.1).

The fertility rate in Australia (i.e. the average number of children born per woman) remains below the rate required to hold the population constant, which is roughly 2.1 in developed countries (Panel B of Figure 1.2). This is a common occurrence in developed nations. This below replacement level fertility rate coupled with an ageing society, means it is vital to ensure that all young people make successful transitions into the labour market.

Net migration, which is traditionally positive in Australia and usually higher than the OECD average, showed a sharp increase in the mid-2000s (Panel A of Figure 1.2). The Australian Bureau of Statistics (ABS, 2010) attributes this increase to two main factors – migrants attracted by strong economic growth relative to other countries and an increase in the number of overseas students studying in Australia. Migrants to Australia tend to be in the younger age groups which helps explain the increase in the youth:population ratio since the mid-2000s. 54% of migrants in 2013/14 were aged from 15 to 29 years while only 21% of the resident Australian population was in this age group (Treasury, 2015).

Figure 1.1. The share of young people in the Australian population is falling

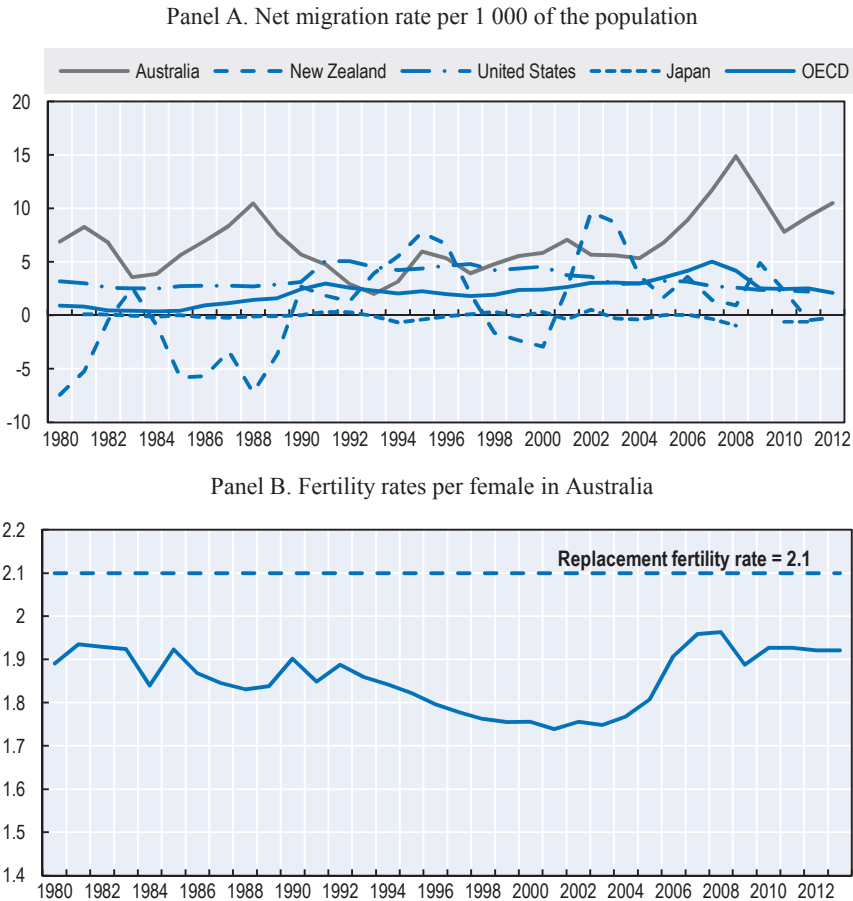
Left axis: Number of youth (aged 15-29 years) in thousands
 Right axis: Share of youth out of the total population in percent



Note: Projections from 2013 onwards.

Source: OECD Demographic Database, 2014,
http://stats.oecd.org/Index.aspx?DatasetCode=POP_FIVE_HIST.

A declining youth:population ratio has implications for public policy as the number of working age persons relative to retirement age persons is set to decline. This puts pressure on the funding of public services and pensions. A high migration rate, particularly when immigrants are young, will help mitigate the ageing of the population. High immigration rates may, however, also pose challenges for government to ensure effective integration of immigrants into Australian society, particularly for those who face a language barrier. Chapter 2 examines the relationship between being from a migrant background and NEET status.

Figure 1.2. Migration rates have risen in Australia in the last decade

Note: The total fertility rate gives the number of children a woman would on average bear during her lifetime given the prevailing age-specific fertility rates. The replacement fertility rate gives the average number of children per woman needed to hold the population constant at given mortality rates. It is approximately 2.1 in developed countries.

Source: OECD.Stat, <http://stats.oecd.org/>.

2. The labour market situation of youth

Over the last few decades, Australia has experienced a strong labour market performance of young people (Panel A of Figure 1.3). A secular decline in youth unemployment has occurred with youth unemployment rates halving between the early 1990s and 2008. Since the onset of the Great Recession, Australia – both in general and regarding youth labour

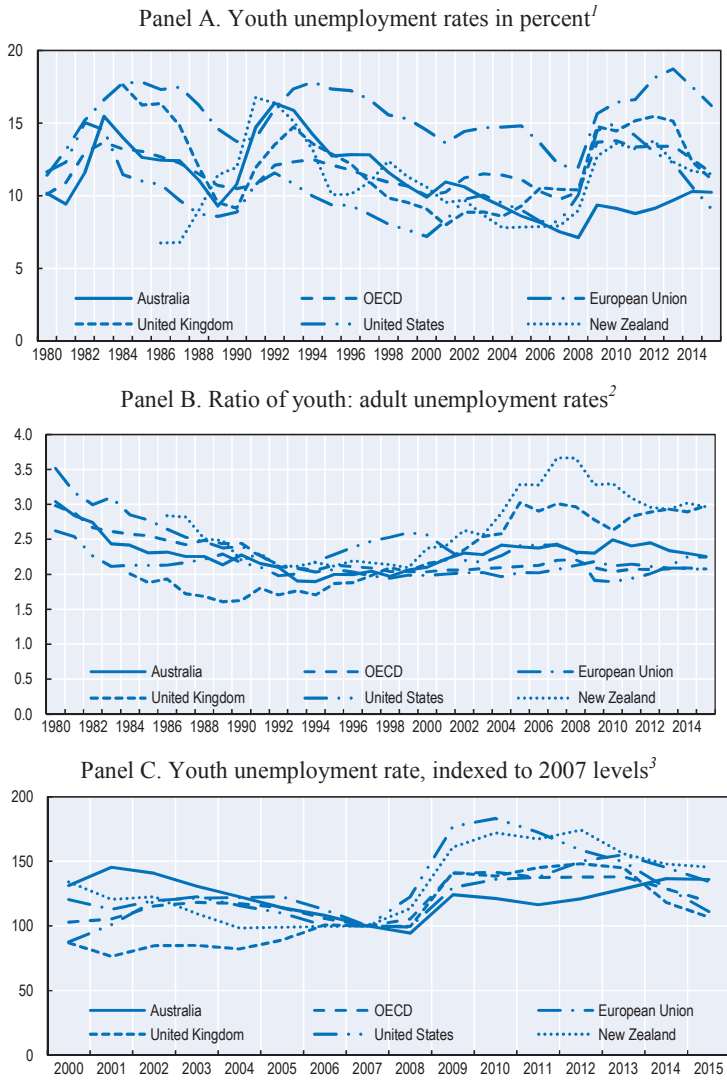
market outcomes – has performed much better than the OECD average with higher overall and youth employment rates and lower unemployment rates. For 15-29 year-olds, the unemployment rate has been well below the OECD average since 2005 – by 2015 the youth unemployment rate in Australia was just above 10%, compared to 11.6% across the OECD and 16.2% across the European Union.

Youth unemployment rates have, however, been consistently higher than those for adults aged 30-64 years, as is the case across much of the OECD (Panel B of Figure 1.3). In 1980 the youth unemployment rate in Australia was 3 times higher than the adult (30-64) unemployment rate. By 2015 this ratio had fallen but youth unemployment still remains 2.3 times the level of adult unemployment, slightly above the OECD average ratio of 2.1.

The increases in youth unemployment seen over the Great Recession were considerably larger across the OECD than in Australia. Between 2007 and 2010 the youth unemployment rate rose by 42% across the OECD compared to 22% in Australia (Panel C of Figure 1.3). This 22% increase, though less than other countries is still substantial. A further issue is that across the OECD as a whole youth unemployment rates have fallen in recent years – across the OECD the youth unemployment rate in 2015 was 19% higher than the 2007 level but in Australia youth unemployment has continued to rise with the 2015 rate 36% higher than the 2007 rate.

The employment rate of 15-29 year-olds in Australia has consistently been above the OECD average over the last 30 years and increasingly so since the mid-1990s (Figure 1.4). In 2015 51% of 15-29 year-olds were in employment across the OECD compared to 66% in Australia. This high youth employment rate is driven by the fact that Australia has one of the highest proportions of students combining work and study in the OECD with over 60% of students doing so in 2012 (OECD, 2015).

Figure 1.3. The unemployment rate has been rising for youth

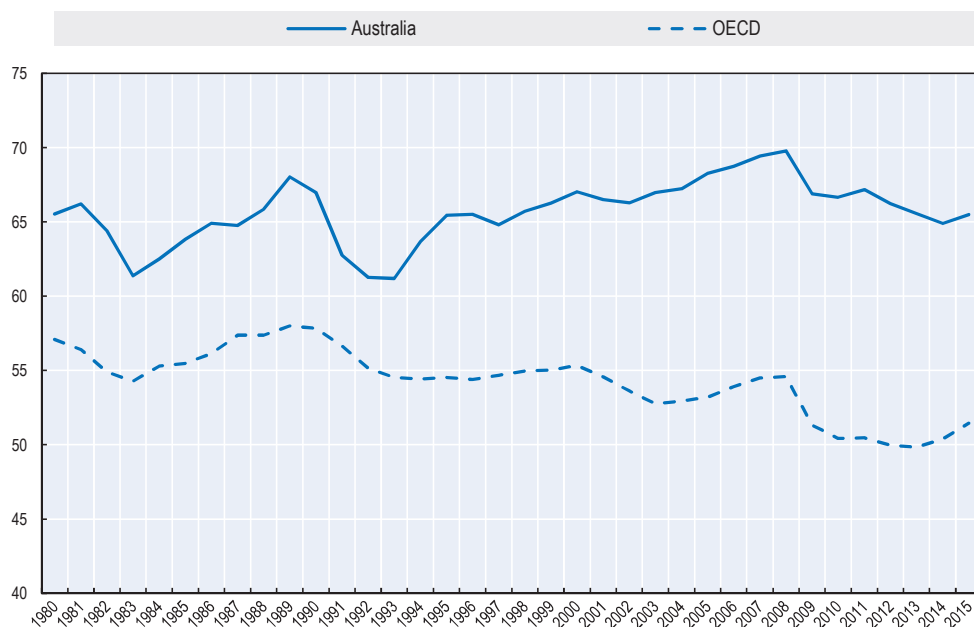


1. The youth unemployment rate shows the number of unemployed 15-29 year-olds as a percentage of the youth labour force (the total number of young people employed plus unemployed).
2. The ratio of youth:adult unemployment rates shows the ratio of unemployment rates for youth (15-29 year-olds) and adults (30-64 year-olds).
3. The youth unemployment rate, indexed to 2007, equates the 2007 youth unemployment rate to 100 and shows changes since that date.

Source: OECD calculations based on OECD.Stat, <http://stats.oecd.org/>.

Figure 1.4. Youth employment in Australia has persistently been higher than across OECD countries

As a share of the youth population in percent



Note: The youth employment rate measures the proportion of 15-29 years-olds in employment relative to the number of 15-29 year-olds in the population.

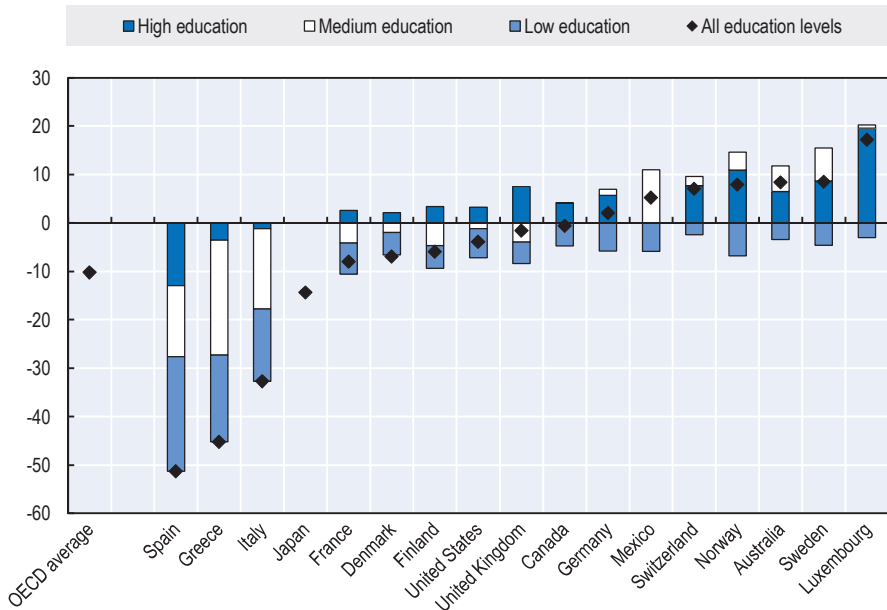
Source: OECD.Stat, <http://stats.oecd.org/>.

A clear link can be seen between employment and educational attainment. Not only are employment rates higher for those with higher education levels, but variations in employment over time tend to be more favourable for this group as well.

Figure 1.5 shows the change in the number of youth employed over the crisis by level of education. In some of the hardest hit countries, such as Spain and Greece, declines in the number of youth employed were seen across all educational levels. In most other OECD countries, however, more educated youth were better protected as was the case in Australia. In fact employment *grew* for those with medium (upper secondary) and high (third level) educational attainment while it fell for those with low educational attainment (below upper secondary). Overall in Australia the *number* of young people in employment rose but the total youth population grew at a faster rate, hence the overall rise in the youth unemployment rate.

Figure 1.5. Youth employment grew overall in Australia but low-educated youth saw job losses

Percentage change in the number of employed youth in 2014 relative to 2007 levels, by level of education



Note: Numbers are for individuals aged 15-29 years, except for Japan (15-24) and the United States (16-24).

The numbers presented are for the period 2007-11 for Japan.

Education levels are defined as follows: “low-educated”: at most lower-secondary education (ISCED levels 0-2); “medium-educated”: upper- or post-secondary education (3-4); “highly-educated”: tertiary education (5-6).

Due to missing information on educational attainment for some individuals, there are disparities between the total change in the number of employed youth (diamonds) and the variation aggregated across levels of education for Denmark, Estonia, Finland, Ireland, New Zealand, Norway and Turkey. Information on the level of education of employed youth is missing or incomplete for Chile, Japan and Korea. For this reason, no breakdown by level of education is reported for the OECD average.

Countries are sorted by the relative increase in the employment rate in ascending order.

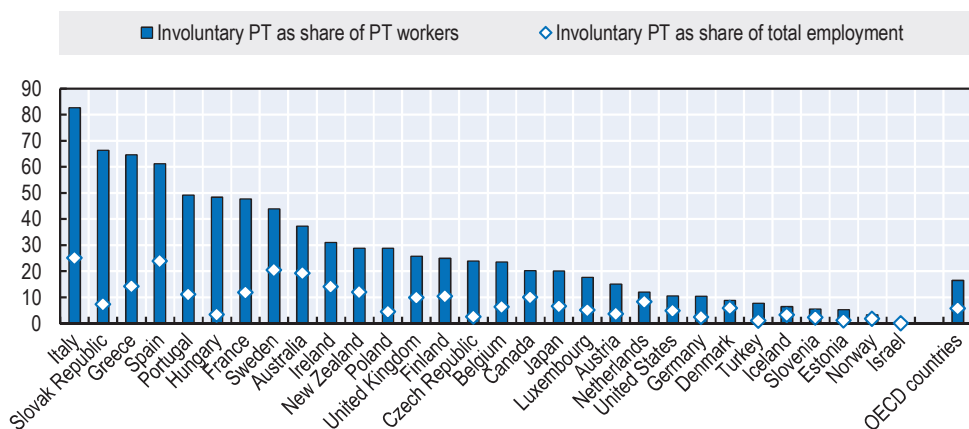
The OECD average is non-weighted.

Source: EU-LFS, LFS (Canada), HLFS (New Zealand), CPS (United States) and *OECD Education Database* (Australia, Japan).

Finally, the quality of employment for youth is also an important issue. Youth may experience involuntary part-time employment where they work part-time but would like to work full-time. We can see that a relatively high proportion of Australian youth fall into this category with 37.3% of young part-time workers involuntarily part-time employees, more than double the OECD average of 16.5%. This equates to 19% of total youth employment, compared to an OECD average of just under 6% (Figure 1.6).²

In general across the OECD youth are more likely to be in temporary employment compared to older workers. Temporary employment may be an important entry point into the world of work by younger people but research has shown that less than half of workers on a temporary contract transition to a permanent contract within a three year period (OECD, 2014b). Australia does not, however, have a high proportion of youth (or older workers) on temporary contracts; in fact it has the lowest proportion across the OECD at just under 6% for 15-24 and 25-54 year-olds (Figure 1.7).

Figure 1.6. Involuntary part-time unemployment is high amongst Australian youth



Note: Youth aged 15-24 years.

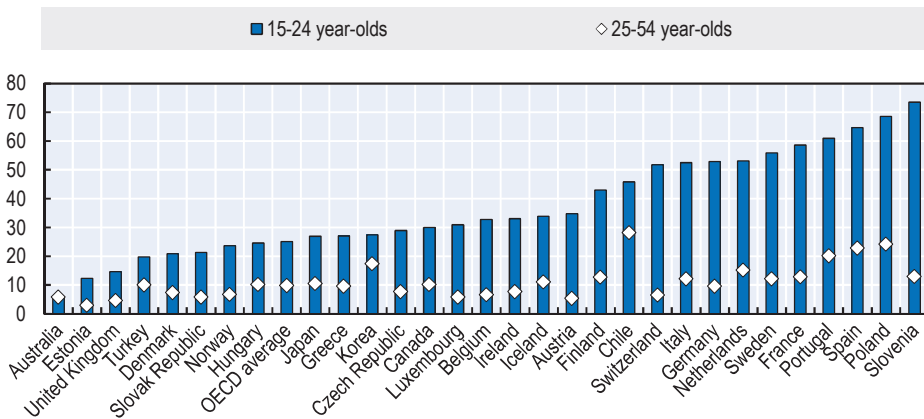
Data is for 2014.

Countries are ranked by the proportion of part-time youth workers in involuntary part-time employment.

Source: OECD.Stat, <http://stats.oecd.org/>.

Figure 1.7. A low proportion of Australian youth are in temporary employment

As a share of total employment in each age group, 2013



Note: For Australia and Japan, the year of reference is 2012.

Persons with specific training contracts (apprentices, trainees, research assistants, workers on probationary periods, etc.) are counted as temporary workers.

Source: OECD Employment and Labour Market Statistics.

3. Educational outcomes among youth

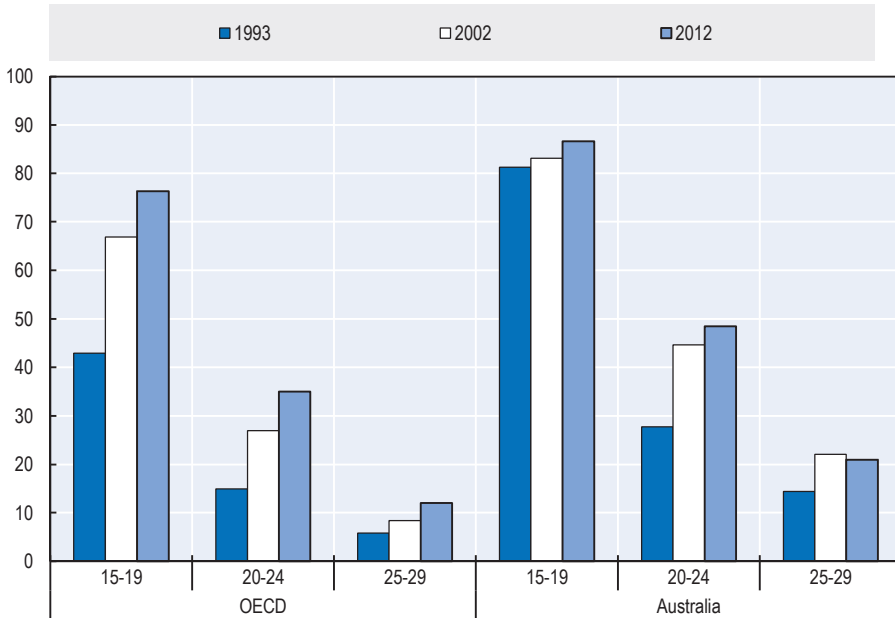
The Australian education system performs well overall: education enrolment rates are high and rising, and the share of young adults with below upper-secondary education has fallen substantially in recent years so that it is now below the OECD average.

The proportion of young people engaged in education in Australia has risen since 1993. The sharpest increase has been amongst 20-24 year-olds – 28% of this group was engaged in education in 1993 but by 2012 this figure had risen to 49% (Figure 1.8).

Australia performs better than the OECD average in terms of the proportion of 25-34 year-olds who have not completed their high-school degree (Figure 1.9). In 2014, 13% of Australian 25-34 year-olds had not completed upper secondary compared to an average OECD figure of 17%. This figure has strongly declined since 2000 when it stood at 32%.

Figure 1.8. A high proportion of Australian youth are enrolled in education

Share of the population enrolled in education (full- and part-time) by age group

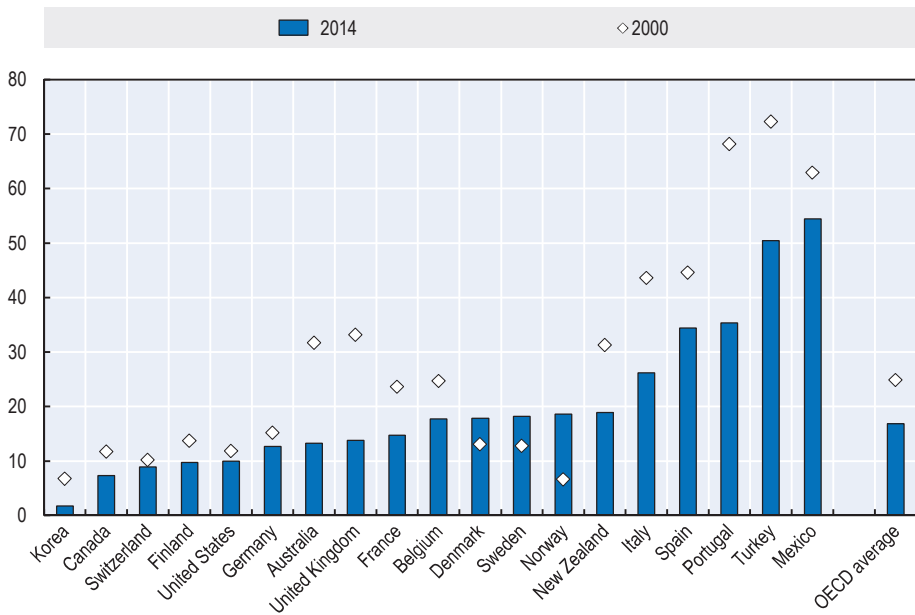


Source: OECD.Stat, <http://stats.oecd.org/>.

A number of different factors are likely to have contributed to the recent improvement in upper-secondary completion rates including the 2009 *National Partnership on Youth Attainment and Transition* through which the Australian Government provided funding and logistical support to initiatives aimed at boosting school completion and improving school to work transitions. The initiative appears to have been successful at raising school enrolment especially amongst teenage youth, and possibly at increasing graduation rates from upper-secondary education (see Chapter 4 and dandolopartners, 2014). Another factor might have been the increase in migration since the mid-2000s shown in Figure 1.2. Migrants tend to have higher levels of educational attainment than native-born Australians (Department of Immigration and Border Control, 2014). An increase in youth migration therefore raises overall school attainment.

Figure 1.9. The share of youth without an upper-secondary degree has fallen sharply

Share of 25-34 year-olds without a high-school degree in percent, 2000-14



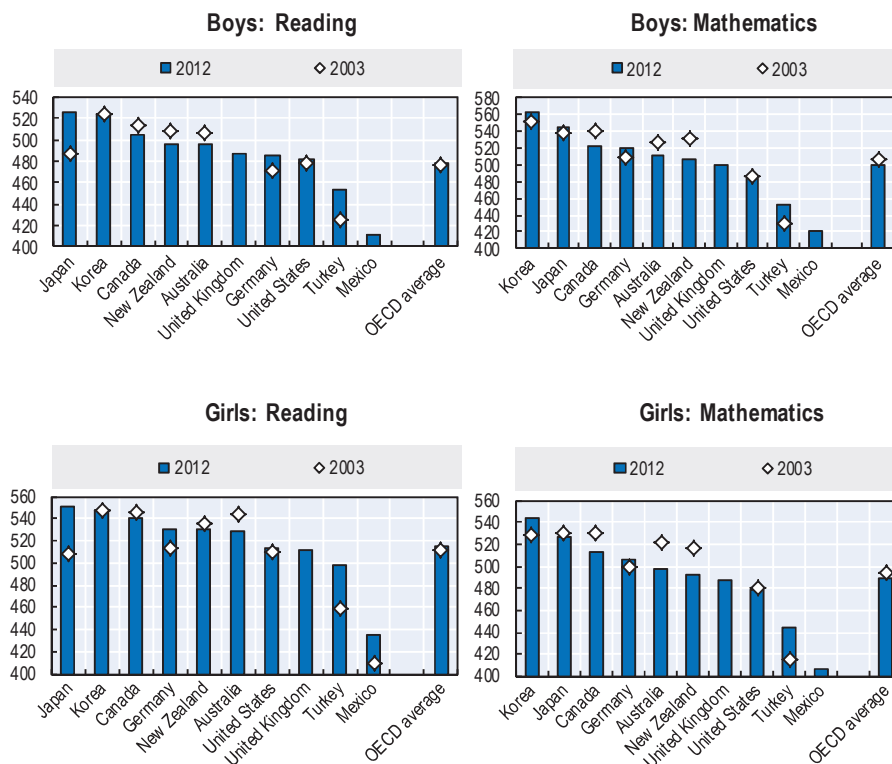
Note: Countries are ranked by the proportion without a high school degree in 2014, from smallest to largest.

In most countries there is a break in the series and data for 2014 uses the ISCED 2011 classification while data for 2000 uses ISCED-97. For Korea data refer to ISCED-97 for both years.

Source: OECD (2000 and 2014), *Education at a Glance – OECD Indicators*.

Australia's PISA scores are slightly above the OECD average (Figure 1.10). They do not reach the level of top performers however (e.g. Japan, Korea or Finland, scores are only slightly below that of Canada, comparable to that of New Zealand or Germany, and above the performances of the United States or the United Kingdom. Australia's PISA scores have declined between 2003 and 2012. The average scores in mathematics and reading fell by 20 points and 16 points, respectively, which represents declines of 3-4% (Thomson et al., 2013). These declines are not equally shared across groups (see Chapter 4).

Figure 1.10. Australia’s literacy and numeracy levels are in line with the OECD average but below the best performers



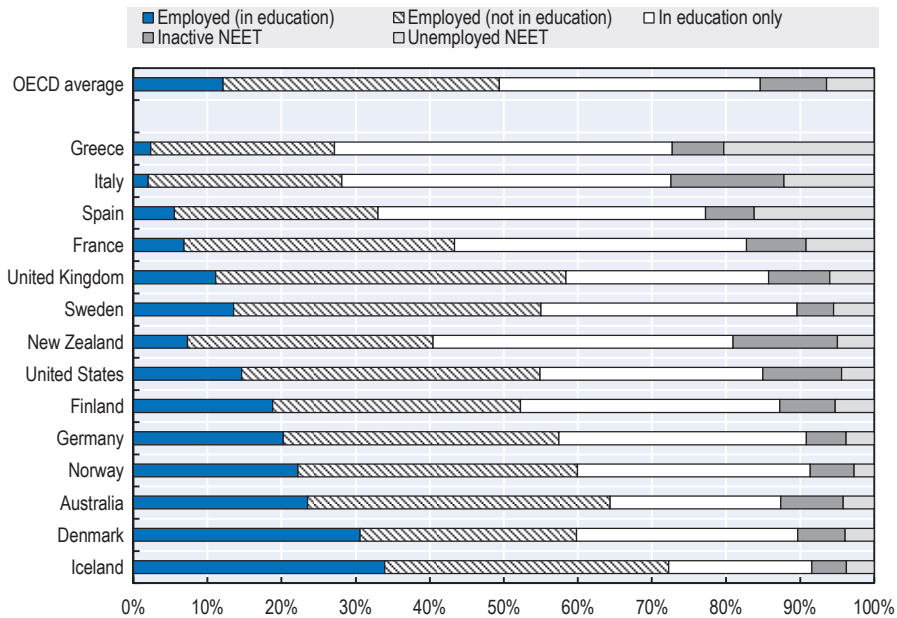
Note: Countries are ranked in order of reading/mathematics PISA scores. The OECD average is unweighted.

Source: OECD.Stat, <http://stats.oecd.org/>.

As discussed earlier a high proportion of youth in Australia combine work and study. 23% of youth combined education and employment in Australia in 2014, compared to 12% across the OECD (Figure 1.11). Figure 1.11 also shows the proportion of youth aged 15-29 who are not in employment, education or training i.e. the NEET rate, which will be discussed further below. The NEET rate can be broken down into two subgroups – unemployed NEETs and inactive NEETs. Unemployed NEETs are searching for employment while inactive NEETs are not. The inactive group may therefore pose more of an issue for policy makers as they have disengaged with the workforce entirely, the reasons for this disengagement will be examined in Chapter 2.

Figure 1.11. Many youth in Australia combine education and employment

Labour market status of youth as a percentage of youth population, 2014



Note: Unemployed NEETs are those who are not in education or training but seeking employment. Inactive NEETs are those who are not in education or training and are not seeking work.

Countries are sorted by proportion of youth combining employment and education.

The OECD average is non-weighted excluding Israel, Japan, Korea and Turkey.

Source: OECD calculations based on the Australian Survey of Education and Work (SEW), EU-LFS and national labour force surveys.

4. The NEET challenge

The number of Australian youth who are NEET stood at about 580 000 individuals in 2015. In 2015 the NEET rate stood at 11.8% compared to 14.6% across the OECD (Panel A of Figure 1.12). The large fraction of NEETs who are inactive across the OECD (three-fifths) illustrates the importance of looking beyond unemployment rates when assessing the labour market situation of young people. This is true especially in countries like Australia, where NEET rates are relatively low but the share of inactives amongst NEETs is relatively high. In Australia, more than two-thirds of NEETs (just under 400 000 young people) are out of education or work and not actively looking for employment; finding ways of reaching out to these young people

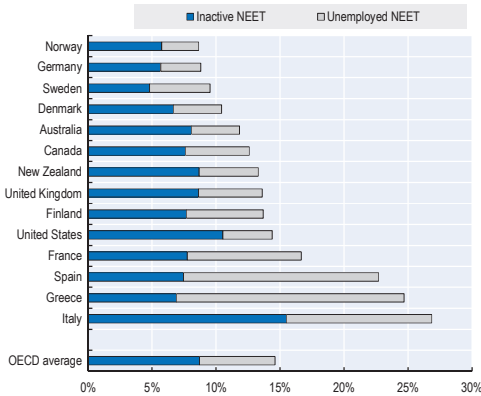
and helping them to reengage must be an essential component of the policy towards NEETs.

The NEET rate in Australia is below the OECD average but still behind the best performers. There is wide variation in NEET rates across OECD countries with those countries more strongly affected by the economic crisis, such as Spain, Italy and Greece, having NEET rates in excess of 20%, due mainly to high youth unemployment rates. Meanwhile, Germany and the Scandinavian countries had low NEET rates in 2015 with low youth unemployment rates.

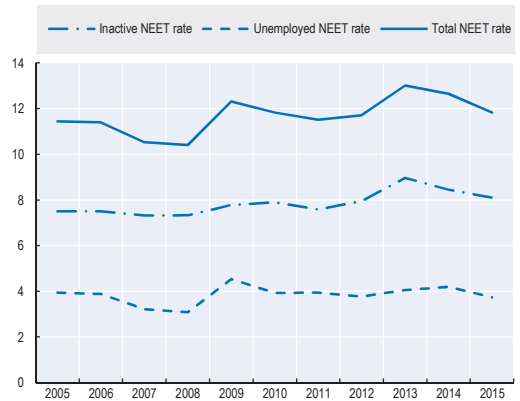
The NEET rate in Australia experienced a rise of 1.8 percentage points between 2007 and 2009 before falling slightly up to 2011. The rate then rose to a peak of 13% in 2013 before falling slightly in 2014 and 2015. The NEET rate, therefore, remains above the level observed prior to the economic crisis. The increase was driven equally by a rise in youth unemployment as well as a rise in inactivity as shown in Panel B of Figure 1.12.

Figure 1.12. Australia’s NEET rate is lower than the OECD average but rose during the crisis

Panel A. Share of youth not in employment, education or training (NEET) as a percentage of all youth, 2015



Panel B. Shares of unemployed and inactive NEETs as a percentage of all youth in Australia, 2007-15



Note: Countries in Panel A are sorted by the total NEET rate in ascending order.

The NEET rate measures the proportion of 15-29 year-olds who are not in employment or engaged in formal education or training.

The OECD average is unweighted.

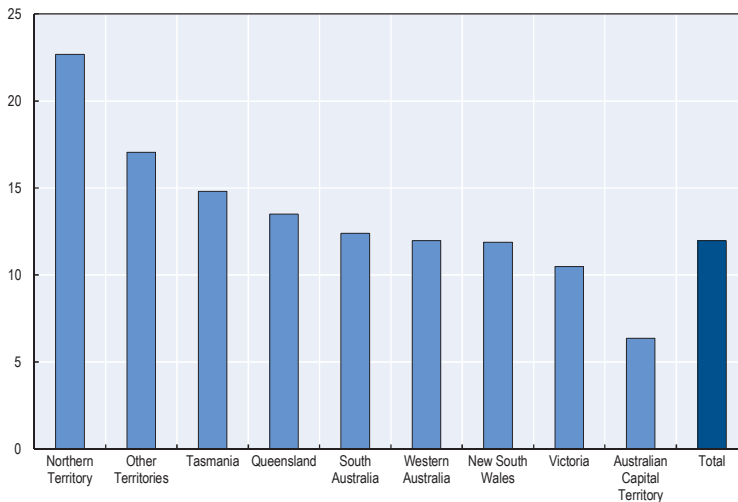
Source: OECD Employment Database, www.oecd.org/employment/database.

Within Australia, NEET rates vary strongly by state and territory (Figure 1.13). NEET rates are close to half the countrywide average in the Australian Capital Territory including Canberra (6% in 2011), while they are twice as high as the countrywide average in the Northern Territory (23%).

A variety of reasons may explain these differences. Levels of economic performance vary strongly across states and territories, implying that young people face very different employment opportunities. Also educational attainment levels may differ, and educational attainment has a strong link with NEET status. There may also be selection bias in that young people may move from an area of high unemployment to low unemployment. These differences in NEET rates across states and territories suggest that different states and territories will face different issues when attempting to reduce NEET levels – for example the degree of remoteness is an issue for policy makers trying to reach out to NEETs and offer them solutions. These issues will be addressed in further detail in the following chapters.

Figure 1.13. NEET rates differ substantially across states and territories

NEET rates by state or territory in percent, 2011



Note: The NEET rate measures the proportion of 15-29 year-olds who are not in employment or engaged in formal education or training.

“Other Territories” consist of Norfolk, Christmas and the Keeling Islands.

Source: 2011 Australian Census.

5. Round-up

The youth population (aged 15-29 years) in Australia has been growing unlike in most other OECD countries as a result of persistently positive net migration. Because of strong population growth more generally, the size of the youth population is however *shrinking* when expressed as a share of the overall population. In an ageing society, it is therefore vital to ensure that all young people make successful transitions into their work life.

The labour market situation of youth in Australian is quite favourable by international standards. Youth employment rates are substantially above the OECD average. At the same time, rates of educational enrolment are high reflecting that many youth combine education and work. This is generally associated with smoother school-to-work transitions. The youth unemployment rate in Australia is below the OECD average (10 vs. 13%).

The situation is much less positive however than it was prior to the Great Recession. The current youth unemployment rate is 3 percentage points higher than it was in 2008. The current youth employment rate represents a 4-percentage point drop compared to the rate of 70% attained in 2008.

A more meaningful measure of the labour market performance of young people is however the share of all youth who are not in employment, education or training (the NEET rate) which looks not just at the numbers unemployed (and seeking work) but also at those who are inactive and not seeking employment. With a NEET rate of 11.8%, Australia does substantially better than OECD countries on average (14.6%), but significantly worse than in 2008 (10.5%). In 2015 580 000 young Australians between the age of 15 and 29 years were out of education and work. The majority of NEETs in Australia are moreover not actively seeking work (i.e. *inactive* NEETs). This group is typically much harder to reach out to and more challenging to bring into employment. NEET rates in Australia vary substantially across states and territories, reaching nearly 23% in the Northern Territories compared to only 6% in the Australian Capital Territory.

Notes

1. Unless noted otherwise, youth are defined throughout this document as individuals aged 15 to 29 years. The NEET rate is the share of youth not in employment, education or formal training.
2. This measure shows the proportion of young part-time workers who wish to work full-time, not the proportion of youth who work part-time. The proportion of youth in employment working part-time in Australia was 34% in 2014, above the OECD average of 21%. This high rate of part-time employment is in part explained by the significant share of youth who combine work and study, as shown in Figure 1.11.

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