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FIGHTING INEQUALITY IN AUSTRALIA

COMING OF AGE IN A CRISIS: YOUNG WORKERS, COVID-19, AND THE YOUTH GUARANTEE

A PER CAPITA DISCUSSION PAPER

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About Per Capita

Per Capita is an independent public policy think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice. Our research is rigorous, evidence-based and long-term in its outlook.

We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

About the author

Shirley Jackson is an Economist in Per Capita's Progressive Economics program. Shirley spent most of his working life in warehouses, retail shops, restaurants and being unemployed. He has been fortunate enough to have spent the last 10 years working as a union official.

His areas of interest and expertise are young workers, employment, labour market policy, industrial relations, and industry policy. Shirley undertook undergraduate and postgraduate studies in history, economics and political economy, and has an unfinished doctorate on young workers.

Executive Summary

Australian labour force data for May shows that, for the first time since the Great Depression, almost two in three young workers do not have enough work to meet their needs.

With nation-wide unemployment rising by almost 4% and underemployment increasing by almost 5% since the onset of the COVID-19 pandemic, the impact on young workers has been particularly dire. More than 290,000 people between the age of 15 and 24 have dropped out of the labour market entirely. Not only have they lost what work they had, they have given up looking for a job entirely.

Well before this crisis took hold, employment conditions for young people in Australia were grim. Young workers are by far the most likely to suffer from insecure work, with low wages and unstable hours.

While, to some extent, the transition from school to work has long been defined by insecurity, young people today remain in insecure and underpaid work much longer than did their parents and grandparents, and the problem has intensified significantly in the decade since the Global Financial Crisis.

More than half of workers aged 15-24 are now employed through casual contracts, while in 2018 almost 40% of workers aged 25-34 were in a casual, fixed term or part-time job. This has a pernicious effect on their ability to build careers and establish the economic security that is needed to achieve the standard of living Australians have come to expect over generations.

At the same time, many young people are saddled with debt for their education, the repayment of which is no longer linked to the income premiums afforded by higher qualifications.

The COVID-19 pandemic and the recession that has followed in its wake have smashed what little job security there was for young people in Australia. Industries hit the hardest by the economic shut-down, such as food services, hospitality, retail and the arts, are big employers of young Australians, who make up almost half of the workforce in these low-income industries.

It is more than a quarter of a century since young Australians have been faced with a recession as they enter the workforce. Previous experience has shown that trying to establish a foothold in the economy during an economic downturn can cause scarring effects that reduce incomes and living standards for life.

As Australia is faced with the worst labour market conditions in almost a century, it is critical that the futures of our young people are not compromised by inadequate or counter-productive policy responses.

This paper argues for a bold new approach to tackling youth unemployment and insecure work. Policy reform in the areas of employment services, education and training, active labour market programs, social procurement, apprenticeships and graduate employment programs, and private sector training levies are needed to address what has become a wicked problem for young workers in Australia.

We must think beyond providing entry-level, minimum wage jobs to cut youth unemployment numbers, and implement a comprehensive suite of policies to create a genuine *Youth Guarantee*, under which young Australians are supported to achieve their full potential, and to realise the promise of Australia that has been afforded to previous generations.

Introduction

The COVID-19 pandemic and the economic crisis it has caused have laid bare many of the fault lines in our economy. As businesses have shut their doors and economic actors, both public and private, have scrambled to address the lack of ventilators, intensive care beds and personal protective equipment for frontline medical staff, many have begun to assess the long term ramifications of a return to 'business as usual' in Australia's economy.

However, long after the lockdown ends and the economy 'snaps back' to life, the enduring scarring effects of the labour market contraction will be intensely felt by young workers. Gen Y, or Millennials, who were born between the early 1980s and the millennium, entered the labour market during and in the immediate aftermath of the Global Financial Crisis (GFC). The decade that followed saw the rise of a new kind of normal in Australian workplaces, one defined by casualisation, insecurity and wage stagnation.

While it is too early to know the full effects that the current crisis will have on the labour market, early evidence suggests that youth unemployment will double and, if no further action is taken by governments, almost one in three young people will find themselves officially out of work once current support packages are withdrawn.

For decades Australians have been told that, if government stays out of the way, the market will create work for everyone who needs it, and do so as efficiently as possible. Yet it is now obvious that the market cannot deliver full employment that can support people to live a good life and ensure the fair distribution of our shared prosperity.

This report looks at the state of youth unemployment and underutilisation in Australia both before and during the COVID-19 pandemic, and forecasts a likely trajectory for youth unemployment in the months and years ahead.

It argues for a more imaginative, interventionist role for government to provide opportunities for young Australians to build good lives with the promise of meaningful, secure work of the kind that underpinned the social contract under which their parents and grandparents came of age in one of the wealthiest nations on earth.

Generation (wh)Y? Insecure work in context

For young people in 21st century Australia, the transition from school to work has long been defined by insecurity. School-to-work transitions have always been characterised by periods of instability, as new entrants to the labour market have been expected to learn skills, gain experience and prove their value before achieving the stability of a long-term career.

However, the labour market deregulation policies of the 1980s and 1990s arguably have contributed to a situation in which young people in the 21st century remain in precarious positions well into their late 20s and even their 30s (Crofts, Cuervo, Wyn, Smith, & Woodman, 2015) – much later than did previous generations.

The latest data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey shows that young workers are the most likely age group to work in non-standard employment relationships, with more than half of workers aged 15-24 being employed through casual contracts. While three quarters of casual workers in this demographic are also engaged in study, there is a troubling rise in insecurity for those who have graduated from tertiary education. Almost 40% of workers aged 25-34 were employed in a casual, fixed term or part-time arrangement in 2018 (Wilkins, Laß, Butterworth, & Vera-Toscano, 2019, p. 77).

These non-standard arrangements have contributed to a significant decline in wages for young workers in the wake of the GFC. Furthermore, the combination of stagnating wages, growth in non-standard employment, and rising cost of living pressures arguably has contributed to a housing crisis for young people, as the lack of secure work has increased the number of young people living in housing stress (Figure 1).

Figure 1: Youth Housing Stress.

Analysis of HILDA data shows that the number of young people living in housing stress has doubled between 2003 and 2011, driven primarily by the impact of the GFC.

The COVID-19 pandemic and its economic effects have exacerbated the already precarious position that most young workers occupy within the Australian labour market. It is also likely that the predicted long economic recovery period will disproportionately affect young workers.

As consumption habits change in response to the health crisis, many industries that employ young workers, notably fast food, hospitality, retail and the arts, have shrunk or been closed entirely. In all of these industries more than 40% of the workforce is younger than 24.

Yet, despite government intervention designed to help businesses retain staff, young workers have been pushed into even more precarious positions in the labour market (Figure 2).

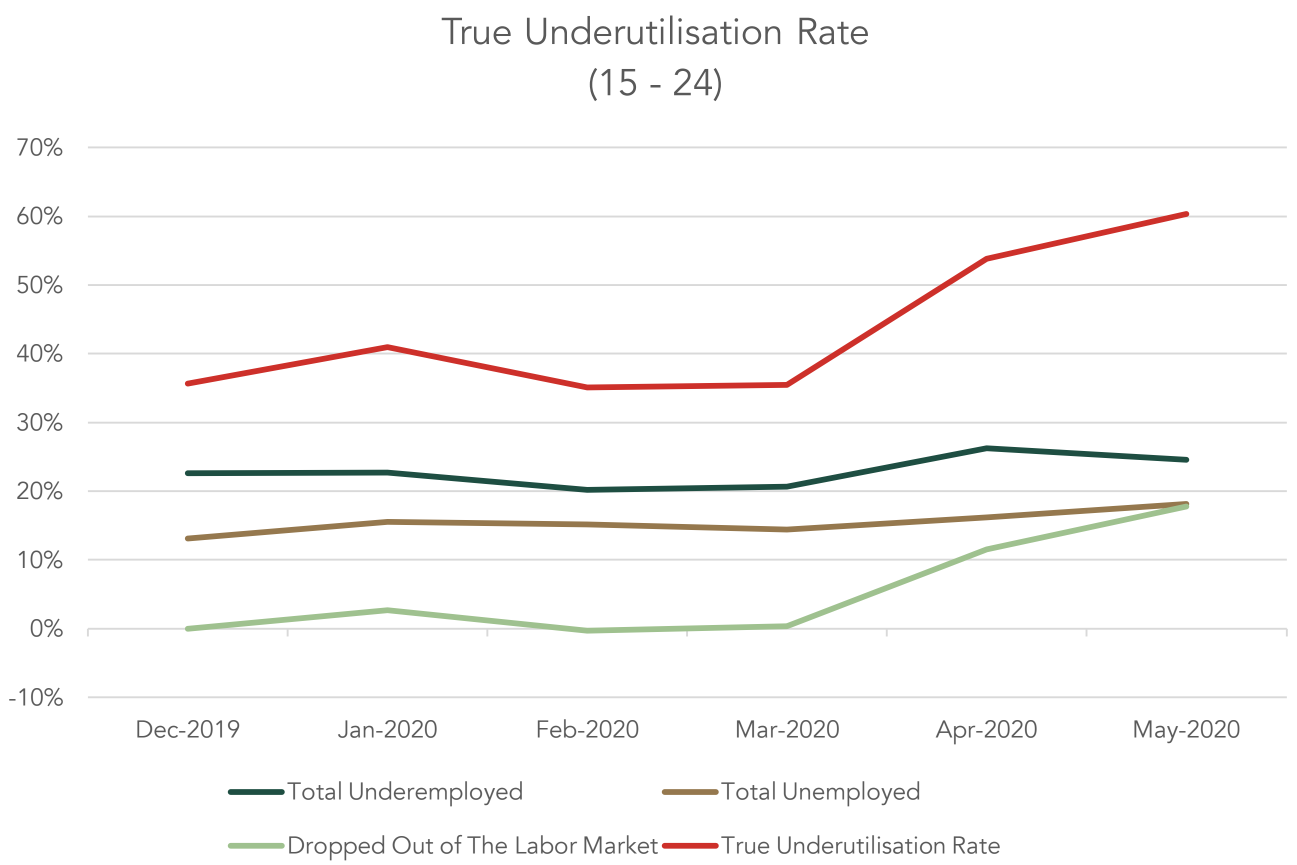

Figure 2. True Underutilisation Rate (15-24). Source: ABS 6202.0 Table 22.

The latest Australian labour force data, released on 18 June, reveal a marked increase in underutilisation between March and May of 2020, with unemployment rising by almost 4% and underemployment increasing by almost 5%.

Further, significant numbers of young workers have dropped out of the labour market entirely. Usually the number of people outside the labour market remains relatively constant, fluctuating within fractions of a percentage, but since March 2020 the number of people in the labour market – either looking for work, or in employment - fell by almost 18%.

When we add together the unemployment rate, the underemployment rate and the additional loss of labour market attachment of more than 290,000 young workers, we get a true youth underutilisation rate that is more than 60% - the highest rate since the Great Depression. This means that almost two out of three young people do not have enough work to meet their needs.

While there are a number of reasons why young workers are particularly vulnerable to exogenous shocks and economic crises around the globe, Australia's youth labour market has three important structural features that have resulted in the high levels of disadvantage currently being experienced by young workers.

Skills underutilisation

Australians are more educated than ever. Since the opening up of higher education under the Whitlam Government, university level education has been held up as the best protection against unemployment. This has translated into a rapid expansion of university education, particularly amongst young women (see Figure 3). In 1982 less than 15% of young women graduated with Bachelor degrees; by 2019, one in three young women aged 15-35 will have completed undergraduate education.

However, well before the current economic crisis, Australia was failing to provide sufficient opportunities for young people to find work that utilised their skills and education.

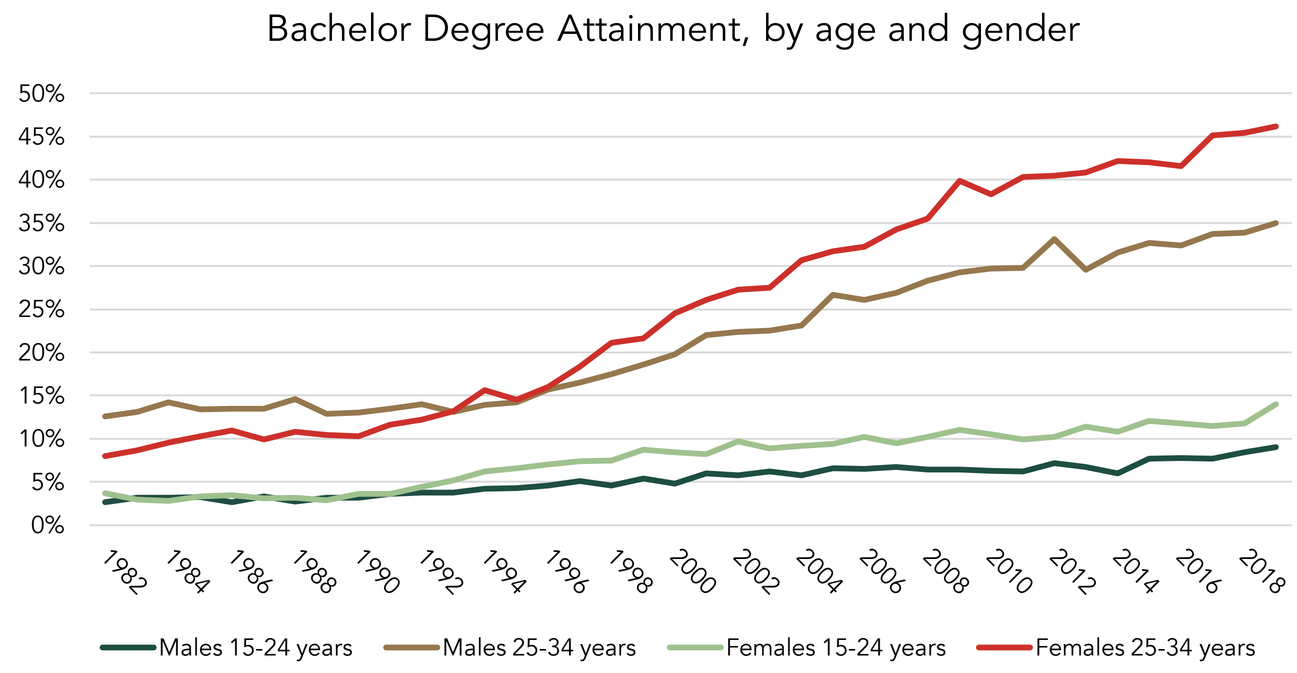

Figure 3. Bachelor Degree Attainment. Source: Australian Bureau of Statistics 6227.0 Table 28.

While there is a correlation between recessions and declines in graduate employment, the current generation is experiencing a much longer crisis than did previous generations (Figure 4). Across the previous four decades since the reference year of 1983, there have been three significant recessions, the "*Recession We Had To Have*" in 1990, the GFC in 2007 and the COVID-19 Crisis in 2019.

For Gen X, the associated graduate employment recession began in 1990, dropping from a growth rate of 11.3% in 1989 to -9.4% in 1992, a drop of over 20%. Employment growth didn't hit positive digits until 1996, demonstrating a recovery time of approximately six years.

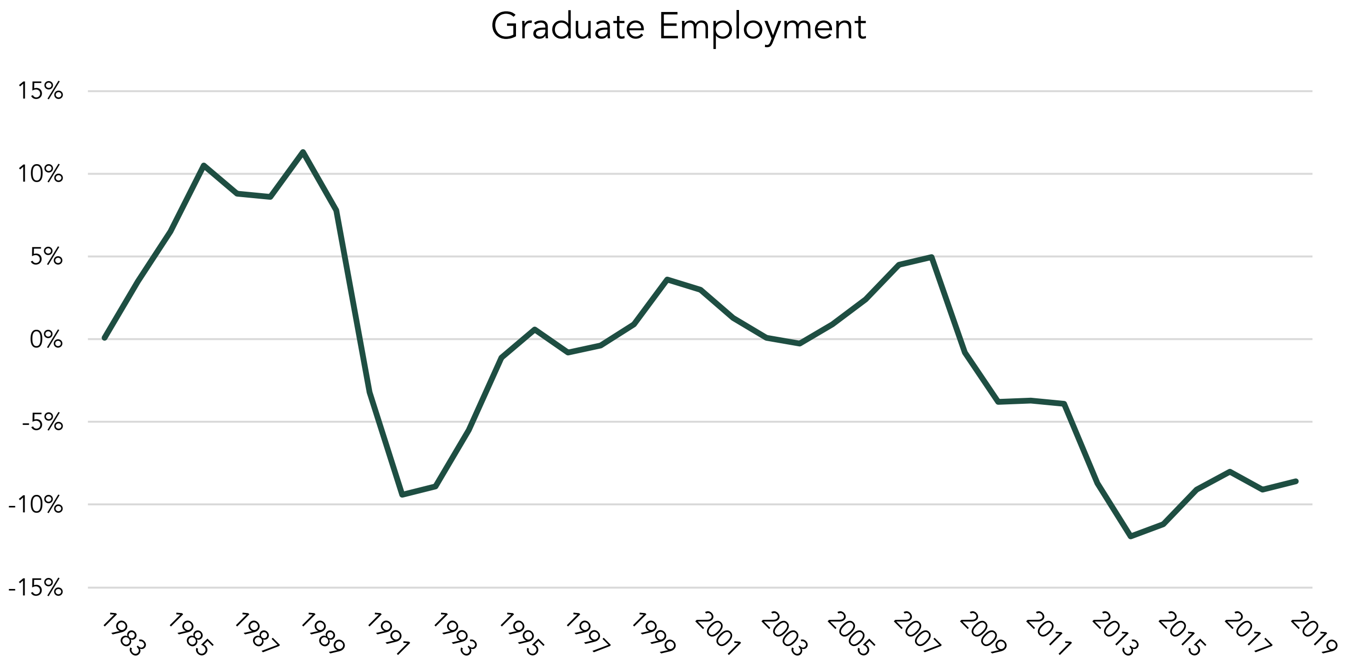

Figure 4. Graduate Employment. Source: Australian Bureau of Statistics 6291.0.55.003 LQ1.

For Gen Y, the GFC saw the graduate employment rate drop from 4.95% in 2008 to -11.9% in 2014, for an overall decline of 16.85%. The recovery has been much slower, and six years after the trough, graduate employment growth is still at -8.6% of 1982 employment levels, a similar level to the depth of the 1990s recession. The coronavirus crisis will almost certainly see another decline, one which will be much deeper and longer again, without government intervention.

Furthermore, concerns about job security have increased across the generations. A recent report by the *Youth Research Centre* highlights the prominence of this issue amongst the younger generations. While approximately 68% of both the Gen X and Gen Y cohorts were employed on permanent contracts, only one in ten Gen X participants saw job security as an important issue compared with one in three Gen Y participants (Chesters, Cook, Cuervo, & Wyn, 2018).

However, a myth still persists that education is the best predictor of future employment outcomes, despite recent research shows that the causal relationship between education and employment has been eroded over time (Cuervo & Wyn, 2016). Detailed data from the Graduate Outcomes Survey, which canvasses graduates four months after they finish their studies, offers some insight.

Apart from providing essential employment information, this survey covers more complex issues, such as skills utilisation, demographic inequalities and how well study prepares graduates for work. While the overall number of undergraduates in full-time employment in 2019 has risen to 72.2% from 68.1% in 2014, this is still well below the pre-GFC employment level of 85.2% in 2008 (Challice et al., 2019, p. 2).

Worse still, the latest HILDA survey data shows graduate wages are shrinking over time. For those who graduated between 2006 and 2009, the average weekly wage was A$947.31 in their first year of graduate employment. For those who finished university between 2012 and 2013, that figure had shrunk to A$791.58 (Wilkins, 2017, p. 58).

Arguably the declining rate of wages and employment opportunities amongst young workers has been driven by a skills underutilisation within the Australian economy. Almost one in three graduates employed full time said they were working in a job that did not fully utilise their skills or education because there were no appropriate jobs available (see Figure 5).

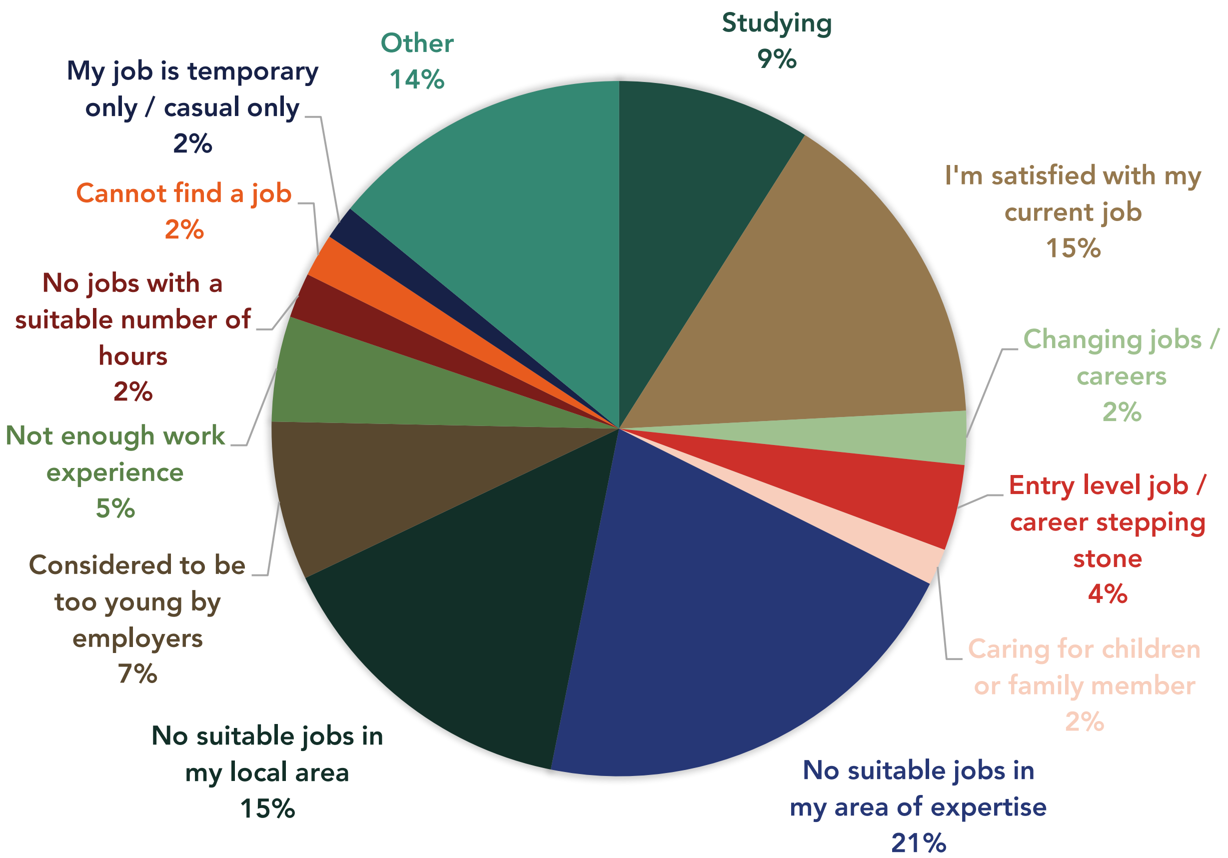

Figure 5. Main reason for working in job in 2019 that doesn't fully use skills and education, 2019 (Full Time Workers). Source: QILT.

Underutilisation is more pronounced when graduate employment figures are broken down by occupational grouping and study area (see Figure 6). Graduates with health-related professional degrees in Medicine, Nursing, Pharmacy, Rehabilitation were overwhelmingly employed in professional roles that utilised their skills, as are graduates with Information System, Engineering and Education degrees. However almost half of those with Psychology, Legal Studies, Humanities, Social Science or Communication degrees were working in non-professional occupations that were less likely to utilise their skillset.

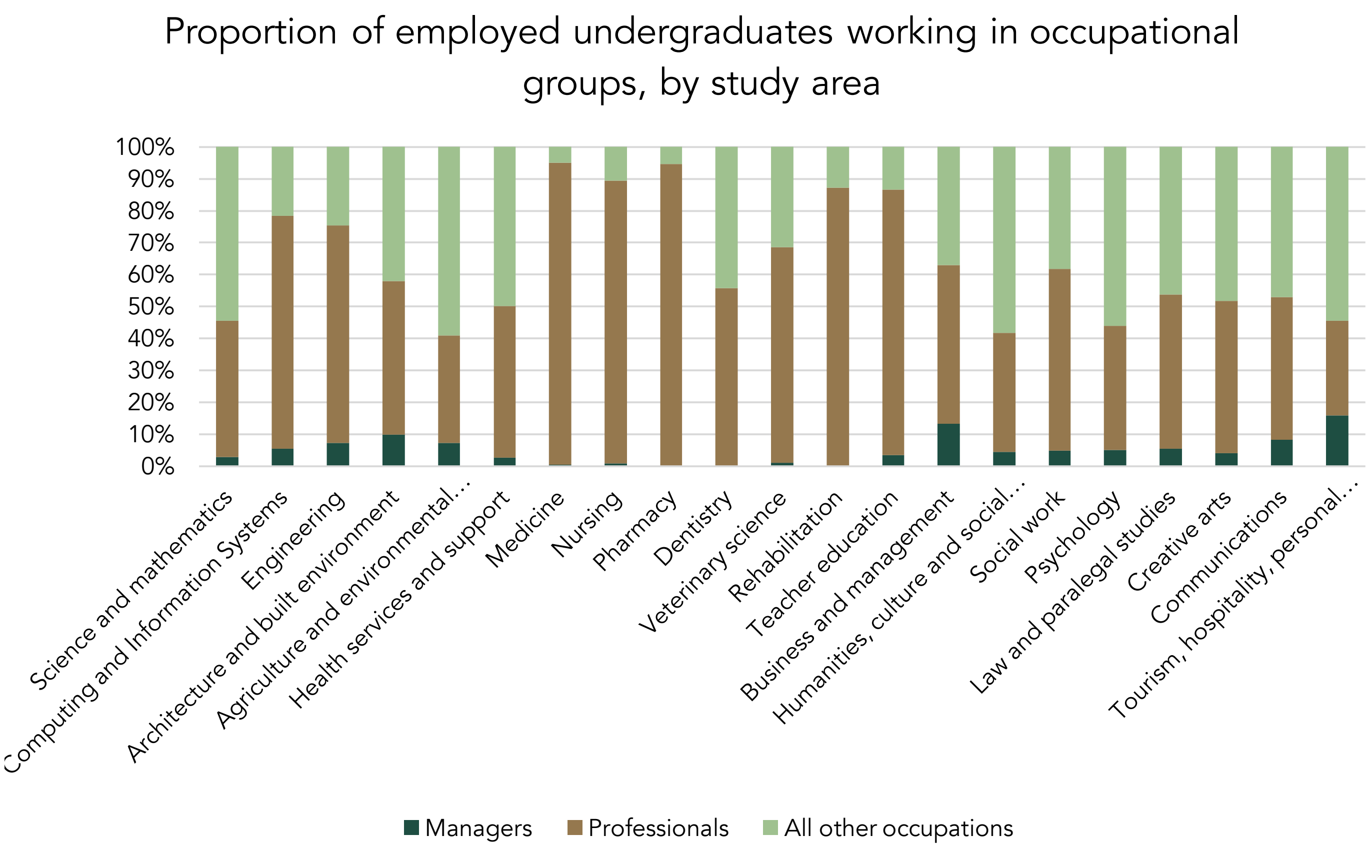

Figure 6. Proportion of employed undergraduates working in occupational groups, by study area. Source: QILT.

Not only does underutilisation saddle young workers with debt for degrees that have not improved their labour market outcomes, it also creates a reliance on non-career industries that are plagued by insecurity, low wages and exploitation. This has serious ramifications not only for the youth labour market, but also for the Higher Education Contribution Scheme (HECS).

The implementation of a system of income contingent loans (ICLs) in exchange for education was first implemented in Australia in 1989, following an options paper proposing the scheme that was commissioned by the Minister the previous year (Chapman, 1988). Embedded within this document was the assumption that by engaging in higher education, young people will receive considerable financial benefit from their studies in the future, and therefore should share the cost associated with their studies.

Indeed, when introducing the Bill, John Dawkins then Minister for Employment, Education and Training in the Hawke Government, described how the bill would ensure that "…people who *benefit* from participation in higher education will be required to make a small contribution towards the cost of their study…[and] increase the *fairness* of funding arrangements for higher education, ensuring that the total burden of funding does not fall entirely on the taxpayer" (Dawkins, 1988).[1]

Yet, as discussed previously, the benefit that young people are receiving from their education is being delayed and, in an alarming number of cases, denied. The reasons for this have already been outlined by the author of the original options paper commissioned by Minister Dawkins, Bruce Chapman, who

[1] Italics added for emphasis.

acknowledges that the design and implementation of ICLs contains inherent risks. Most importantly, he describes the uncertainty that surrounds the future value of educational investment, and notes that *…what looked like a good investment at the time it began might turn out to be a poor choice when the process is finished…many prospective students, particularly those from disadvantaged backgrounds, may not have much information concerning graduate incomes"* (Chapman, 2014, p. 15).

Therefore, under the current regime, people entering into university at the age of 17 or 18 are not just learning about a subject area that interests them and entering into a financial arrangement, but they're also expected to shoulder the responsibility for an investment that they might not understand.

Yet despite the external origins of domestic recessions over the past 12 years (which countless professionals and politicians weren't able to predict) coupled with an ongoing breakdown of the relationship between education and employment, the current government is choosing to decrease the threshold for repayments of these debts.

Just last year, the government lowered the repayment threshold from $52,000 to $45,881 – just $7,360 above the minimum wage (Zhou, 2019).

Repeated reductions in the HECS repayment threshold, which successive governments have justified in the pursuit of budget surpluses, have effectively destroyed the underlying principle of the design of HECS, which was that people should contribute to the cost of higher education when they realised an economic benefit from their tertiary qualifications. It was never intended that university graduates would be required to pay back HECS debts from lower than average wages earned in jobs they could have obtained without their qualifications, such as retail and hospitality work.

Rather than ensuring fairness within the system, as was the original intention of the scheme, these changes effectively punish young workers for being reliant on non-career industries that don't deliver the financial security that their education was supposed to provide.

Hospitality and COVID-19

Hospitality is arguably the most important industry for young workers. Australia's changing industrial profile has created a lack of opportunities, increasing a reliance on non-career industries like hospitality and retail (see Figure 7). In 1986, the spread of employment was reasonably equal. The Manufacturing, Construction and Financial industries employed a third of young workers, Retail Trade employed over a quarter, and less than 5% worked in Accommodation & Food Services, under which hospitality is grouped.

By 2016, nearly a quarter of all young workers were employed in hospitality, and for 15-19 year olds, this figure increases to 36.4% (Australian Bureau of Statistics, 2020a). 45% of the total hospitality workforce is made up of by 15-24 year olds (Figure 8).

	Manufacturing	Construction	Finance and Insurance	Retail Trade	Hospitality
1986	14.8%	11.2%	11.0%	26.5%[2]	4.7%[3]
1996	11.6%	5.9%	3.7%	29.0%	8.7%
2006	8.5%	8.1%	2.8%	24.1%	16.3%
2016	4.9%	9.1%	1.8%	21.8%	21.5%

Figure 7. Industrial Changes to Youth Employment. Source: Australian Bureau of Statistics *6291.0.55.003.*

While there is little doubt that the fall in manufacturing jobs is reflective of broader economic changes over recent decades, the growth in hospitality work has not been as pronounced in other age cohorts. Furthermore, the primacy of hospitality in the youth labour market means that any structural inequalities within the hospitality industry will disproportionately affect the lives of young workers in Australia.

Figure 8. Hospitality Youth Workforce. Source: ABS 6291.0.55.003 (EQ12.)

Unfortunately for the approximately 442,500 young workers who are employed within the food services industry, the coronavirus pandemic has had a widespread impact. Approximately 78% of businesses have been affected by the sudden collapse in demand for services, and over 70% of workers report that they have lost hours as a result (Australian Bureau of Statistics, 2020b).

[2] 1986 figures are Wholesale and Retail Trade combined

[3] 1986 figures group Cafes & Restaurants under Recreation, Personal and Other Services

Superannuation withdrawals

Since the government announced that changes to legislation made on April 20 would allow early superannuation withdrawals of up to $10,000 for affected workers, the Treasury estimates over 2.3m workers will apply for early withdrawal. It is overwhelmingly young workers who are withdrawing their super funds early (Roddan & Cranston, 2020), as work dries up and an additional 211,886 Australians under 25 are claiming a social security payment to survive (Figure 9).

Payment	6-Mar	22-May	Increase	% increase
ABSTUDY (Living Allowance)	5,071	6,951	1,880	37%
Carer Payment	8,310	8,503	193	2%
Disability Support Pension	46,835	47,608	773	2%
JobSeeker Payment	60,885	162,965	102,080	168%
Parenting Payment Partnered	9,727	11,464	1,737	18%
Parenting Payment Single	34,770	35764	994	3%
Sickness Allowance	279	48	-231	-83%
Special Benefit	881	1,205	324	37%
Widow Allowance	6,538	5,763	-775	-12%
Youth Allowance (other)	66,526	127,611	61,085	92%
Youth Allowance (student and apprentice)	152,401	196,227	43,826	29%
TOTAL	**385,685**	**598,346**	**211,886**	**55%**

Figure 9. Youth Social Security Payment Changes. Source: Department of Social Services, 2020.

Given that the average young worker under 25 has a superannuation balance of approximately $5,118, many are effectively wiping out their retirement savings. This will have huge ramifications for their eventual retirement incomes (see Figure 10). If a worker with an average wage withdraws their maximum savings of $7,420.75 at age 24, by 65 their superannuation balance will be $32,078.37 lower than it would have been.

This substantial reduction in retirement savings is driven by the loss of compound interest on the amount withdrawn that young workers would have received over their lifetime. For every dollar that is placed into a superannuation account, it will return an average yield of 5% per year. This means that every dollar place into the account in Year One will be worth approximately $1.05, or $1.037 after fees in Year Two, $1.076 in Year Three, $1.117 in Year Four, and so on.

While this might seem a minuscule amount of growth, when that single dollar is replaced by thousands of dollars every year, that small return on the original investment can mean tens of thousands of dollars by the time the depositor retirees – unless of course they access their funds early to pay for rent, in which case the loss is compounded the same way that gains are.

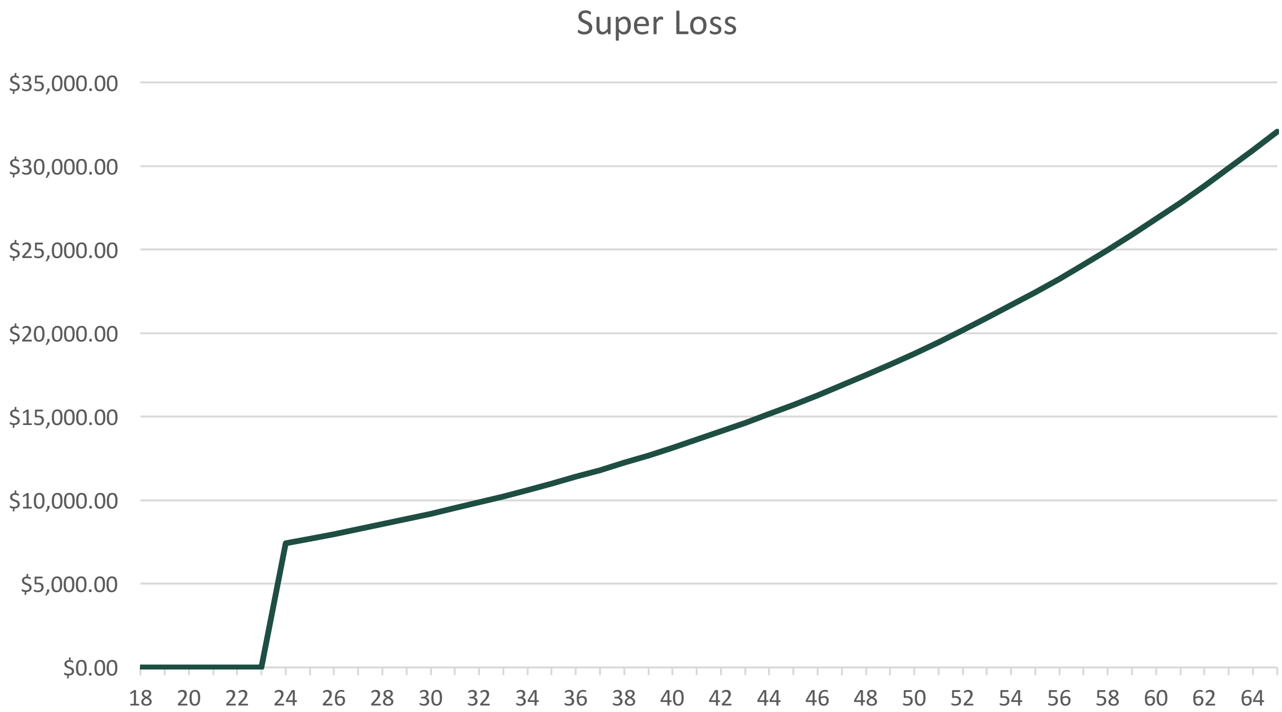

Figure 10. Super balance at retirement. Source: Author's own.[4]

[4] Assuming that wages remain stagnant at $10,000 from ages 18-24, $52,000 between 24-30, and $72,000 between 30-65 with an average return of 5% and an average fee reduction of 0.13%.

Creating a reconstruction plan for the youth labour market

In order to build an economy that works for young people, the government will need to be bold in the face of crisis. If it fails to intervene, young workers are likely to experience the ill effects of the recession for decades to come.

Current programs to address youth unemployment are failing

Existing programs aimed at increasing employment and opportunities for young people in the Australian labour market are unlikely to be adequate in the wake of COVID-19. Even before the crisis hit, the Coalition Government's flagship youth employment program, *Youth Jobs PaTH*, proved to be woefully ineffective in getting young people into secure, long-term employment.[5]

The Government promised that, in its first year of operation, the PaTH program would deliver upwards of 30,000 jobs for young workers; in reality, fewer than 5,000 internships were offered in 18 months (Henriques-Gomes, 2018).

Worse still, rather than providing young workers with career opportunities in diverse fields, 45% of PaTH interns were employed in the hospitality industry. Rather than diversify the youth labour market, the PaTH program has apparently entrenched the dependence of young workers on hospitality jobs, and arguably has simply subsidised wages that employers would have paid without the existence of the program. It has done little to create skills or give young people work experience they would otherwise not have had.

In order to address the high underutilisation of skills, and endemic low wages, amongst young workers that existed long before the COVID-19 crisis, it is imperative that the Government take a more active role in providing opportunities for young people to utilise their education and training in the workforce, and to access careers that offer a vocational pathway to long-term, secure employment.

That is, if we want to rebuild a better economy on the other side of this crisis, it is not enough to simply create more low-paid, low-skilled jobs that don't enable young people to develop sustainable and meaningful careers, and to reach their full potential. While increasing the number of entry-level jobs is an important objective, a pathway out of minimum-wage, insecure work must be the goal of government programs to support youth employment.

Per Capita argues that through the implementation of a *Youth Guarantee* (Jackson, 2020), which offers every young person under 25 a place in employment, education or training, Australia can establish a strong foundation upon which full employment can be built. Crucially, the Youth Guarantee offers both supply and demand side solutions, built around a core suite of active labour market policies (ALMP). If implemented, this policy agenda has real potential to smooth the youth labour market, increase government revenue, and provide stable, safe and secure transitions for young workers in an increasingly crisis prone economy.

[5] https://www.employment.gov.au/youth-jobs-path

The Youth Guarantee as a policy option for Australia

A Youth Guarantee is characterised by four key pillars that distinguish it from other types of youth labour market intervention. These are:

1. **Publicly funded post-secondary education and training systems;**
2. **Study and training allowances that provide a living wage;**
3. **Increased demand for entry level positions; and**
4. **Employment services that direct young workers towards skills shortages.**

These four pillars provide a basis upon which to design policy that ensures every young person under the age of 25, and every recently graduated person under the age of 30, is offered either a place in employment, education or training no later than three months after registering as unemployed.

Among the lessons that Australian policy makers can learn from the approach of other countries that have implemented a Youth Guarantee is the potential to make youth labour markets more resistant to recession. By investing in debt-free, competence-based skills training, combined with on-the-job experience and financial support, the Australian government could reduce the long-term unemployment rate of young people coming out of the current crisis, and address the longer-term systemic underutilisation of young workers that has characterised the Australian labour market since the GFC.

Political will is needed to engage in these significant reforms, with buy-in not just from policy makers, but from trade unions, business leaders and community groups. While the theoretical Youth Guarantee approach provides some insights into how a future Australian system might be structured, there is also some local evidence to support the validity of these reforms.

The Victorian Government is strongly investing in Vocational Education and Training (VET) as a key pillar of its policy agenda. Although there has been little academic analysis of the outcome of that investment as yet, initial reports are positive. In January 2019 over 3,000 Victorians had enrolled in 'Free TAFE' priority courses since they were announced (Victorian Government, 2018b).

Similarly, the Victorian Government's *Youth Employment Scheme* has been popular. This innovative policy offers a credible hand-up by giving long term unemployed young people a year-long traineeship in the Victorian public service. This affords participants the opportunity to earn money and learn both hard and soft skills.

The early success of these programs in Victoria indicate that a Youth Guarantee could be implemented more widely in Australia, stabilising the youth labour market and increasing security for young workers in the post-crisis economy.

Recommendations

Publicly funded post-secondary education and training systems

Free TAFE

As the Australian Government looks to invest in major projects to help stimulate the economy, it must also address the 'hollowing out' of the labour market and arrest the decline in intermediate or technical skills across our economy. A recent review of the skills profiles of the OECD has found Australia is ranked (Macklin, 2020, p. 17).:

- 8th in the proportion of workers with high skills (tertiary education above Certificate III) (46%);
- 29th in the proportion of workers with intermediate skills (Year 12 completion to Certificate III) (36%); and
- 16th in the proportion of workers with low skills (did not complete Year 12) (18%).

This low ranking for the intermediately skilled workforce points to the need for investment in the vocational education and training (VET) industry, to ensure that our domestic capabilities are in equilibrium with our economic needs. Victoria and New South Wales have already announced priority courses will be offered fee free through their public TAFE institutions, which will be linked to ongoing and planned infrastructure projects.

The Federal Government should coordinate the extension of these programs into other jurisdictions, in order to ensure that the skills gap can be addressed at the national level, and not left to uneven development by state governments. By linking skills shortages to unemployment, skills training programs offer the best value for money investment in recovery, and will ensure that young workers are given the opportunity to move into new careers without financial barriers.

HECS reform

Given the breakdown of the relationship between education and income on which HECS is based (Dayman, 2018), the case for reforming HECS is strong. The reduction in the repayment threshold should immediately be reversed, and reinstated at the 2019 median graduate salary of $62,900 (Challice et al., 2019, p. 2). This will recommit the HECS system to the fairness that it was originally designed to engender, and ensure that graduates aren't unfairly punished for changes to the labour market that are entirely outside their control.

Further, to ensure that financial barriers to entry are removed, we propose that HECS be means tested, and tertiary education places in priority skill areas be offered free of charge to students from low socio-economic backgrounds. This reform would not only incentivize students to enroll in priority skills training that will maximize their employment opportunities, it will also increase generational social mobility, offering security to the children of Australians from low SES backgrounds and breaking cycles of poverty and disadvantage.

Study and training allowances that provide a living wage

A permanent increase to the rate of *Youth Allowance*, *JobSeeker* and related payments is needed to ensure that people who are locked out of work during the long tail of this economic crisis can live a life of security and dignity, but also to support a level of consumption within our economy that will help aid our recovery.

In 2018 Per Capita (2018) produced a major report, *Working It Out*, assessing the state of support services for unemployed Australians. During this research, we spoke to unemployed workers around the country and heard numerous stories of deprivation and struggle. Skipping meals or living mostly on "two-minute noodles" were routine experiences, as was making use of charity drop-in centres for food and clothes.

Prior to the COVID-19 crisis and the government's temporary supplement, the rate of Newstart payments, as they were then known, were so low that unemployed workers were unable to effectively search for jobs, with the costs of transport, internet access, phone credit and decent clothing, all of which are necessary to applying for work and attending job interviews, often outside their budget.

Newstart, even including associated payments such as Commonwealth Rent Assistance (CRA), was insufficient to support an acceptable standard of living for anyone living independently in Australia. The single rate of Newstart ($277.85 per week) and associated payments were $183 per week below the Henderson Poverty Line in March 20192 and were, on average about $96 per week below the Minimum Income for Healthy Living (MIHL) standard in 2016.

Most concerningly, Youth Allowance, the payment made to unemployed workers below the age of 22, was even lower than Newstart at $227.60 per week (plus $68.60 maximum CRA where applicable) for single independent individuals in 2019. At $50 less per week than Newstart, Youth Allowance was $233 per week below the Henderson poverty line and about $146 per week below the MIHL.

There should be no doubt that the youth unemployment figures that will plague Australia for the next 12 to 18 months will be a direct result of the crisis, and not because young workers aren't looking for work.

It is essential that the income support provided to all unemployed workers while the underutilisation rate remains so high is set at a rate that enables people to live with dignity, and to take up opportunities for work when they are available. Further, by providing a stable demand base within the economy, a permanent increase to *JobSeeker,* of at least 50% of the current supplement, will shore up consumption in the immediate aftermath of the economic shut-down, which should see local businesses regain confidence, start to recover from the economic downturn, and hire more workers.

Increased demand for entry level positions

Graduate employment programs

Per Capita recommends an immediate expansion of government graduate programs. Currently, the Federal Government's graduate program offers less than 1,400 entry level positions across a range of federal departments, independent commissions and statutory authorities, making up little more than 1% of the total ongoing employees of the Australian Public Service (Australian Public Service Commission, 2019).

If the Federal Government expanded the graduate program to 2% of total ongoing employment, by offering an additional 1,247 across a range of disciplines and departments (see Figure 11), the Government could build capacity in key recovery areas (notably in the Departments of Health; Agriculture; Industry, Innovation and Science; Infrastructure, Transport, Cities and Regional Development; and Environment and Energy) and provide additional stimulus to the economy.

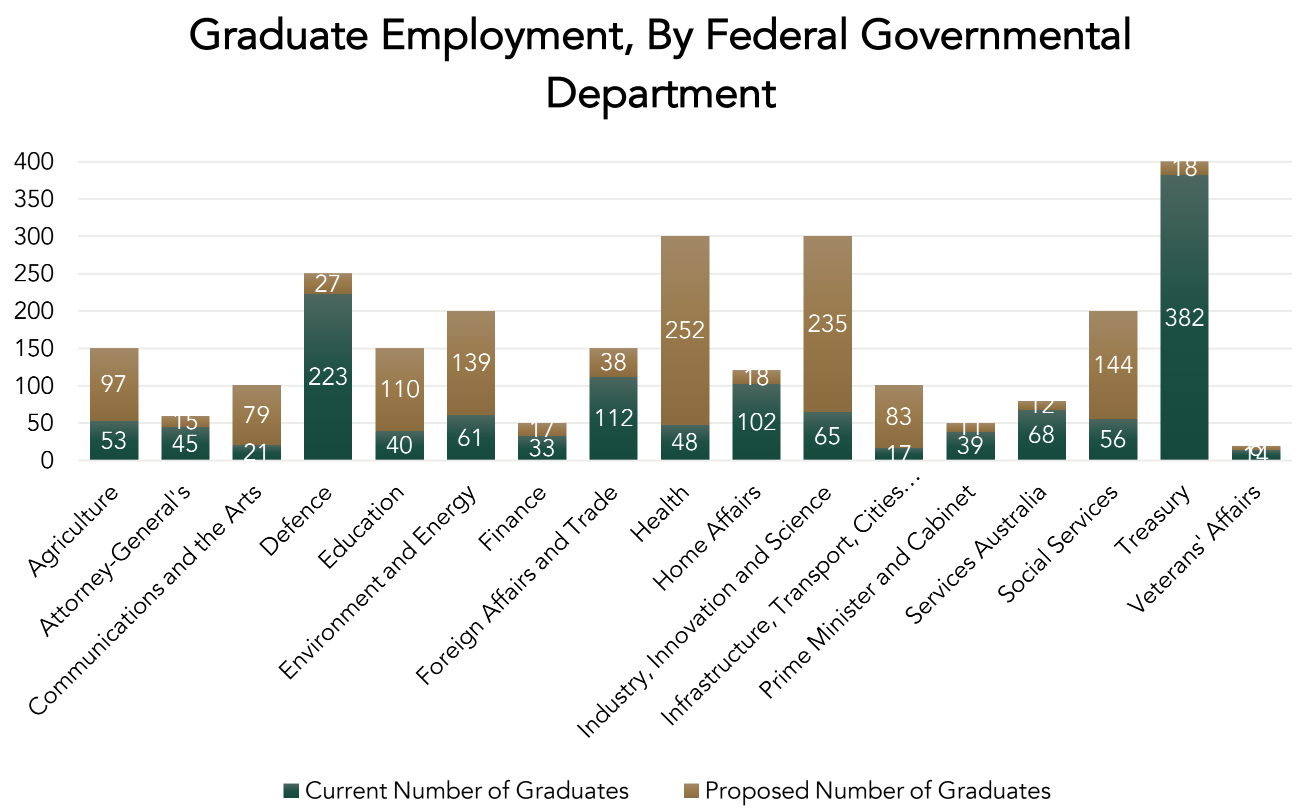

Figure 11. Graduate Employment. Source: Author's own, based on data from the Australian Public Service Commission, 2019.

By investing in the departmental graduate programs, the government could inject an additional $175,744,764 into the economy through graduate wages, including a return of approximately $34,462,656 per annum in tax revenue.[6]

Social procurement policy

Procurement policies will be an essential aspect of any recovery plan that seeks to maximise benefits to the Australian workforce. Local content requirements in combination with apprenticeship, traineeship and cadetship ratios hold the potential to maximize employment opportunities for young workers.

Large scale infrastructure projects are a common way for governments to invest in job creation and targeted economic stimulation. Famously, the Curtin government invested in the creation of the Snowy Mountains Hydro Scheme following World War II and created an estimated 100,000 jobs through an investment of $820m (which equates to approximately $6.77bn in today's money).

The current government's Inland Rail project, which has been discussed for generations, saw an investment of $9.3bn over 10 years from 2017 to build the additional 600km of freight rail tracks needed to connect the 1,700km Brisbane-to-Melbourne commercial railway line (Inland Rail, 2020).

However, where the Snowy Hydro provided electricity and drought relief as well as jobs for 100,000 workers, Inland Rail will largely provide logistical efficiencies to companies in the resource, defence and agriculture industries and will create only an estimated 16,000 jobs.

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6 Based on a graduate wage of $65,576.41 per annum

For young workers, there is no guarantee that jobs will be shared equally across age demographics, and recently, apprenticeship numbers have been dropping across Australia.

Graduate employment programs across the private sector are increasingly rare. Despite the private sector employing the vast majority of young Australians - almost 95% (Australian Bureau of Statistics, 2020a [Table 26b]) - there are remarkably few dedicated graduate positions across the private sector (Figure 12).

Analysis of WGEA data reveals that only 17,000 graduate positions are offered by private sector companies with 100 employees or more (Pennington & Stanford, 2019, p. 76). While almost half are offered in Professional, Scientific and Technical services, there are few entry level positions offered in Manufacturing (738), Information Media and Telecommunications (548), and Education and Training (543).

Number of graduate program positions in private sector companies (>100 employees)		
Industry	**2015-16**	**2016-17**
Professional, Scientific and Technical Services	7,481	7,650
Health Care and Social Assistance	3,018	2,710
Mining	1,558	1,221
Financial and Insurance Services	1,154	1,209
Construction	1,099	1,143
Manufacturing	677	738
Retail Trade	460	625
Information Media and Telecommunications	411	548
Education and Training	397	543
Rental, Hiring and Real Estate Services	125	159
Transport, Postal and Warehousing	125	113
Wholesale Trade	90	99
Public Administration and Safety	111	90
Electricity, Gas, Water and Waste Services	120	82
Other Services	77	51
Administrative and Support Services	23	19
Arts and Recreation Services	24	14
Agriculture, Forestry and Fishing	92	11
Accommodation and Food Services	59	10
TOTAL	**17,101**	**17,035**

Figure 12. Number of Graduate Program Positions in Private Sector Companies (+100 Employees) By Industry. Source:

(Pennington & Stanford, 2019, p. 76).

Furthermore, data collected by the Global Apprenticeship Network (2020) shows that the crisis has cut the number of apprenticeships being advertised by almost 75% (see Figure 13). Construction related trades, which are the most popular industry for apprenticeships, have seen vacancies halve in the last 12 months.

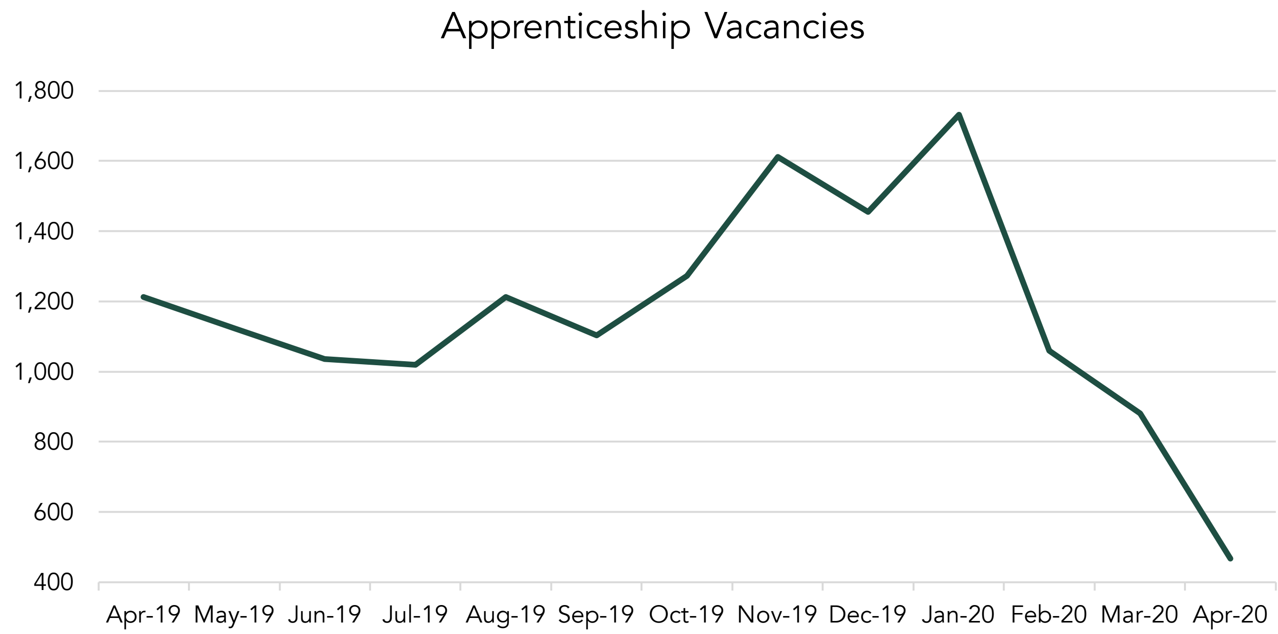

Figure 13. Apprenticeship Vacancies. Source: GAN 2020.

If the government wants to invest in the economy and reduce generational scarring for young workers, procurement policy should be implemented that guarantees an increase in apprenticeships, traineeships and cadetships through compulsory quotas on all government infrastructure projects.

Since 1 January 2016, the Victorian Government (2018, p. 5) has enacted its *Major Projects Skills Guarantee*, which requires 'all construction projects greater than $20 million to utilise Victorian registered apprentices, Victorian registered trainees or cadets for at least 10 per cent of the contract works' total estimated labour hours'.

While the aim of the policy is sound, the design and execution have failed to achieve the intended policy outcome. While employment in construction has grown by 37,300 Victorian workers in the last 12 months, only 1,432 apprenticeships were advertised in the same year – approximately 3.84% of the total growth in construction employment (Australian Bureau of Statistics, 2020a; Global Apprenticeship Network, 2020).

The calculations that are applied to estimated labour hours has proved to be ineffectual. A ratio that ensured 1 in 10 workers was an entry level position, either an apprenticeship, a traineeship or cadetship, would give young workers a pathway into sustainable career in construction.

Training levy

The increasingly low number of graduate, apprenticeship and traineeship positions being offered by the private sector is a key problem in the labour market. Private sector employers demand skilled worker, but are unwilling to voluntarily share the costs of training their staff, and successive governments have proved disinclined to intervene in the market to compel private sector employers to contribute to the training system.

The government should impose a levy to fund training by reinstating a system similar to the Training Guarantee Levy (TGL). Originally proposed in 1989, the TGL was a compulsory internal levy that required all employers with a payroll of over $200,000 to spend at least 1.5% of payroll on structured employment related training (Hall, Buchanan, & Considine, 2002).

Employers who failed to spend the required amount on entry level positions and related training programs would be charged a levy of 1.5%, which would be collected by the Australian Tax Office and placed into a Training Guarantee Fund. The money would then be used to cover administrative and compliance costs within the department, and to help fund the vocational education and training system.

A review of the system in 1996 found that 57% of eligible employers reported that their training expenditure had increased over the four years of the operation of the scheme, and training expenditure increased by 15% for businesses above the $200,000 threshold (Hall et al., 2002).

A reinstatement of the LGT has the potential to significantly increase the number of entry level positions offered to young workers, as well as to significantly reduce the cost of operating the youth guarantee.

Employment services that direct young workers towards skills shortages

The skills mismatch that young workers are experiencing is endemic. Australia has the largest cohort of law graduates in our history, yet we have nationwide skill shortages in midwifery, automotive trades and welding (Challice et al., 2019; Department of Jobs and Small Business, 2019c, 2019a, 2019b). Young workers need employment services that are designed to assist them in finding sustainable careers in areas with labour market shortages.

Instead, young people are rushed through the current *JobActive* system and are too often pushed into low paid, insecure jobs that don't utilise their skills. Under the current system, long-term unemployed people are referred to private and non-government providers that are funded by government revenue, which incentivizes providers to maximize profit by receiving multiple payments for placing the same unemployed person in a number of short term jobs (Hutchens, 2019).

While 59% of young people who go through the employment services system are placed in employment, tens of thousands find themselves back in the system within a year of leaving it (Dias, 2018; Senate Standing Committee on Education and Employment, 2018).

We recommend that the Government urgently review the employment services system, as recommended in our reports *Working It Out* and *Redesigning Employment Services After COVID-19*, and use the findings to build an system that is built around finding unemployed workers sustainable careers in areas of labour market skills shortages.

Conclusion

Before the onset of COVID-19, Australia had enjoyed almost three decades of uninterrupted economic growth – a record unparalleled at any time in history, anywhere in the world.

Yet even before the pandemic hit, young Australians were not enjoying their fair share of our national prosperity.

The fact is, the employment conditions and economic security of a generation of young Australians were significantly weakened by years of labour market deregulation, and inequitable social and economic policies.

Our existing systems of education, training, employment services and industrial relations have failed to provide the same opportunities to young Australians in the 21st Century as were given to their parents and grandparents, so that, when the most severe economic shock in our history arrives, they were already dangerously exposed to a lifetime of falling living standards, housing insecurity and unreliable work.

It is imperative that the Government implements a bold new agenda to support the creation of good, secure jobs for Australians starting out in life. The implementation of a Youth Guarantee, made up of a suite of labour market, social and economic policy reforms aimed at giving every young Australian the best start in life, must be at the centre of our economic reconstruction in the months and years ahead.

This is no time for tinkering with failed systems, or leaving the fortunes of future generations to the vagaries of an unregulated market that fails to recognise the structural weaknesses that have plagued our economy for years.

Only through a concerted investment in our young people as we emerge from this crisis can we ensure that they are able to realise the same promise of Australia that was afforded to previous generations. We must not fail them.

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