



# Cracks in the Foundation

Exploring barriers to successful  
sectoral programs for young workers

**Centre for  
New Industry**  
A Per Capita initiative

Shirley Jackson  
and Dr May Lam  
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## About the Centre

The Centre for New Industry is an applied research centre that aims to propose policy solutions that support a mission-oriented approach to industrial policy, and advocate for economic diversification, decarbonisation and democratisation.

We believe that Australia needs a vision of the future that provides greater employment opportunities for workers and their families, greater stability and security for regional communities, and better equips Australia to respond and adapt to economic and industrial change.

### *About the Authors*

**Shirley Jackson** is the Director of the Centre for New Industry and a renowned policy expert in the fields of industry policy, employment, and skills formation. His work has helped shape new approaches to industrial development and is widely cited by government and media sources. Shirley has extensive experience in not only thought leadership and public policy, but has spent a decade working in government engagement, political campaigning, and stakeholder relations. This expertise is grounded in years of lived experience relating to the issues that he is so passionate about.

Prior to his public facing work, Shirley spent years working in warehousing and logistics, hospitality, retail, academia, the print industry and being unemployed. These experiences have guided Shirley's research and policy work, and shaped his approach to inclusive, participatory methodologies.

Dr **May Lam** has worked in policy, research and strategy for 30 years, with a focus on services for people who are unemployed and disadvantaged in the labour market. After teaching at Melbourne and Monash Universities, she worked for 14 years at Jobs Australia, the national peak body for not-for-profit providers of employment, training and community services, where she was Policy Manager and Deputy CEO. She has also worked for the private company Ingeus in the UK, the Department of Work and Pensions (UK), the Brotherhood of St Laurence, Marist Youth Care, and other organisations, on various projects related to service design, development, procurement, contracting and performance reporting. More recently she has worked for the Vincent Fairfax Family Foundation.

May is currently Chair of Youth Development Australia and was a contributor to its National Youth Commission on Youth Transitions and Unemployment. She has previously been Deputy Chair of the Board of Adult Community and Further Education in Victoria.

This report was commissioned by Social Ventures Australia, Apprenticeship Employment Network (Vic) and the Global Apprenticeship Network (Australia).

## Executive Summary

Young people aged 15 – 25 have for decades been the generation most at risk of unemployment and underemployment. The industries this generation are most likely to enter - most notably the retail trades and accommodation and food services - are characterised by precarity, with poor prospects for certified skills training and progression.

The chances of young people accessing decent work with good prospects are significantly lower for those who have not completed secondary school or are not at university or other higher education. That disadvantage is compounded by the current Australian system of employment services, because mutual obligations policy requires people on income support to look for jobs and take available work or risk losing their income support. Careers information and vocational skills training are not well coordinated, and wage subsidies by themselves are not sufficient incentives for employers to hire inexperienced candidates.

At the same time, some industry sectors are suffering from serious skills shortages. These sectors have scope to offer entry level jobs backed up by industry-relevant, workplace-based skills training, with pathways to formal qualifications and opportunities to progress, within firms or on to other roles in growing industries. These are not skills shortages that can – or should – be met through skilled migration, when unemployed young people in Australia could be connected and supported into quality employment. This would return broader benefits to the Australian economy while achieving greater social inclusion, diversity in workplaces, and equity of employment outcomes across generations and for those at risk of being left behind.

This paper reports on interviews with executives and managers in the rapidly expanding IT sector, who are struggling to find the talent they need, and recognise the need for a sustained and systematic approach to finding, placing, training and retaining employees. The interviews reveal the need for the IT sector to take fresh approaches to attract that talent, and to design recruitment and education pathways that will support staff to flourish and progress into the skilled jobs that need to be filled.

The programs described in the interviews reveal a diverse range of formal and informal learning models adopted by firms to support the learning pathways of new recruits. Interviews also illustrate the ways that workplace-based supports can be provided through partnerships with community organisations, to ensure that wrap-around social and educational services maximise each individual's chances of success.

The paper compares these promising directions with the nature of existing services and resources in Australia's current employment services systems. It finds that most IT firms lack the employment support services they need: the in-house capacity to recruit from a more diverse candidate base; to manage government wage subsidies; to aggregate and broker formal qualifications with Registered Training Organisations; and to support employees with the broader social supports they might need.

There is opportunity and urgent need for the IT sector to take a more coordinated approach to recruitment and skills development, through collaboration between the IT industry, government, skills training providers, and community organisations. This calls for intermediary organisations to manage and support workforce development, as an effective way to realise inclusion and diversity goals for firms. These findings are not unique to the IT sector. Other expanding industry sectors are experiencing skills shortages, and future growth and productivity will call for increased development of higher-level skills. This report points to the opportunity to extend sector-based programs to industries beyond IT, to improve equal access to quality jobs and realise goals for stronger productivity and full employment.

## Summary of recommendations

1. Consider the intermediary structures that can bring government funding and wage subsidies together to support industry-sector based coordination of recruitment, skills pathways and wrap around supports for young people to access quality jobs with progression prospects.
2. Reform the design of employment services to enable sector-based programs.
3. Ensure that outcome measures for funded employment services, including wage subsidies, take account of job security, income growth, and skills qualifications.
4. Boost the representation of diverse candidates into quality jobs in growth sectors.

## Introduction

As Australia emerged from the long tail of the COVID-19 pandemic and its associated economic crisis, the hidden fault lines in our economy were exposed. Long after the lockdown ended and the economy was said to have ‘snapped back’ to life, the enduring scarring effects of the labour market contraction are still being intensely felt,<sup>1</sup> particularly by young workers, recently arrived migrants and other new entrants to the labour market. In particular, the complications of a labour market with generations of slack in the system have been exacerbated by a crisis that pushed our economy to breaking point.<sup>2</sup>

For young people in Australia, the transition from school to work is increasingly defined by insecurity. In some senses, school-to-work transitions have always been characterised by periods of instability. New entrants to the labour market have always been expected to learn skills, earn respect, and prove their value before achieving employment stability. However, the labour market deregulation policies of the 1980s and 1990s have contributed to young people in the 21st century remaining in precarious positions well into their late 20s and increasingly into their 30s.<sup>3</sup>

These cracks in the foundation have been driven in large part by a long-term and underdiagnosed skills deficit that came to the fore in the aftermath of the pandemic. This deficit has been driven by two main opposing pressures. Too many recent entrants to the labour market have been locked into cycles of unemployment, under-employment, or in short term, insecure service jobs. At the same time, the economy has been plagued by nation-wide skills shortages in crucial industries, including multiple trades, the burgeoning technology sector and in crucial care work.

### *The difference a decent job can make*

For more than a decade, the approach to addressing the slack so obvious in our system has been a privatised employment services sector that incentivises a ‘work first’ attitude to labour market transitions. Young people who have not been successful in secondary school, or do not go on to complete degree qualifications, can end up in employment services because they are claiming unemployment benefits. This makes them particularly vulnerable to the ‘work first/ any job will do’ message.

The terms of contracting fees for employment services lead providers to prioritise getting unemployed people off income support and into work – any work – regardless of its security or long-time viability. Young people who do not have formal qualifications or a job are characterised as suffering from a deficiency of skills, experience, or the right attitude and orientation to employment, to be remedied by mutual obligations policies that require compulsory attendance in federal employment programs and, typically, quotas of job applications to make, for whichever jobs are going.

Yet a significant shortcoming of the government’s employment services system, along with the usual practices in the private recruitment market, is the notable absence of good information for young people about the very wide range of occupations that they could consider, even without a degree. Identifying where there are good jobs, along with the earn and learn pathways that represent a strong start for working life, also means reshaping the recruitment strategies of employers, something employers participating in successful sector programs have shown themselves willing to do.

Recognising that more attention should be paid to mapping and responding to industry skill requirements for a more productive economy, the Australian government’s Workforce Australia Inquiry in 2023 is reviewing the objectives, design and delivery of employment services,<sup>4</sup> complemented by Jobs and Skills Australia (replacing the National Skills

<sup>1</sup> Jeff Borland, ‘Scarring Effects: A Review of Australian and International Literature’ (2020) 23 (2) *Australian Journal of Labour Economics* 174; Hernan Cuervo and Johanna Wyn, ‘An Unspoken Crisis: The “Scarring Effects” of the Complex Nexus between Education and Work on Two Generations of Young Australians’ (2016) 35(2) <https://doi.org/10.1080/02601370.2016.1164467> 122 <<https://www.tandfonline.com/doi/abs/10.1080/02601370.2016.1164467>>; Hanan Morsy, ‘Generation Scarred?’ (2012) (March) *Finance & Development* 15; Dan Andrews et al, *The Career Effects of Labour Market Conditions at Entry* (2020); Nicole Adams et al, *Preventing Scarring in the Post-Pandemic Youth Labour Market* (2022).

<sup>2</sup> Matthew Lloyd-Cape, *Slack In The System: The Economic Cost of Underemployment* (Per Capita, 2020).

<sup>3</sup> Dan Woodman and Johanna Wyn, *Youth and Generation: Rethinking Change and Inequality in the Lives of Young People* (Sage, 2015) <[https://books.google.com.au/books/about/Youth\\_and\\_Generation.html?id=FMClCwAAQBAJ&printsec=frontcover&source=kp\\_read\\_button&redir\\_esc=y#v=onepage&q&f=false](https://books.google.com.au/books/about/Youth_and_Generation.html?id=FMClCwAAQBAJ&printsec=frontcover&source=kp_read_button&redir_esc=y#v=onepage&q&f=false)>; Jessica Crofts et al, ‘Life Patterns Ten Years Following Generation Y’.

<sup>4</sup> House Select Committee on Workforce Australia Employment Services, established August 2022 <[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Workforce\\_Australia\\_Employment\\_Services/WorkforceAustralia](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Workforce_Australia_Employment_Services/WorkforceAustralia)>



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Commission) with a broader remit for strategy and working with State governments and the skills system. Though these are good directions, it will be some time before improved policies and publicly funded delivery systems are re-engineered and operational.

### *Why employers, skills providers, and civil society need to join forces*

In the meantime, employers and industry groups have compelling reasons and many opportunities to take the initiative to remedy the structural skills deficits holding back their performance, while achieving the broader social benefits that will come with reduced employment precarity and better-quality employment experiences for young people. This will call for longer term approaches than the current cycle of 'work first' employment programs. It will mean understanding and working with interests, aspirations, and the potential of young people for skilled work, and following through with longer term programs, instead of returning people to the churn of more random job search just to get into any job, or skills training courses with murky destinations. It means that civil society organisations will need to work with young people while they work through and resolve a range of their life challenges that can get in the way of sustaining work, such as a lack of transport or housing security, literacy and foundation skills, mental health and self-care.

Some commentators point to the low unemployment rate as a sign that the Australian economy is at 'Full Employment', arguing that we are experiencing a labour shortage that can only be filled by migration. But the headline unemployment rate of five per cent that has served as the benchmark for 'full employment' is a figure devised to serve the management of inflation through monetary policy,<sup>5</sup> and masks the evidence of unemployment and under-employment for some groups who face structural barriers to getting the work they need. It also fails to reflect the lived experience of the significant number of people who cannot get enough hours and access to a living wage.

'Full Employment' would be better characterised as a context in which the people who comprise the economy and our society are able to live well, with secure, safe and satisfying work that enables them to build a good life. The short-term demand spikes that have occurred within the labour market as a result of the pandemic have receded as the inflation and cost of living crisis dampens demand. Without effective structural reform to our economy, the productivity and widespread prosperity that true full employment promises will not be realised.

### *Labour market conditions for young people are a call to action*

The Australian economy is experiencing nationwide skills shortages in midwifery, nursing, metal trades and technology related occupations<sup>6</sup>. At the same time, the Australian economy is failing to provide for everyone who has capacity and good reasons to get started in employment. Employers have been allowed to shirk their responsibilities to invest in skills, putting the onus on the state to train the next generation of skilled workers. As a result, Australia had close to half a million young workers who were either unemployed (178,800) or under-employed (336,500) in May 2023.<sup>7</sup>

While the impacts of this once in a generation pandemic have upended many aspects of our economic and social lives, and we may never return to the same kind of 'normal' we had before, we must also realise that these developments are not entirely negative. The crisis and its aftermath are an opportunity to interrogate and challenge the orthodoxies and shibboleths of our political economy, that rely on market forces to achieve the optimal matching between employers and people looking for quality jobs. Each big disruption holds lessons, and we have an opportunity to rethink some entrenched ideas and practices. Though these may once have seemed unchangeable, they stopped being fit for purpose in a modern, innovative, and inclusive economy a long time ago.

### *Industry sector programs that point the way*

This paper analyses the complex material conditions that young workers confront in the labour market, and investigates some promising approaches emerging in industry sector programs that enable them to overcome the difficulties they face. In summary, such new approaches overcome the hazards of the *sequential* norm of 'train then place' by better integrating training and employment concurrently, working directly with employers. Especially in view of current skills and worker shortages, such sector-based programs enable employers to look freshly at their ideas and attitudes

<sup>5</sup> Emma Dawson and Matthew Lloyd-Cape, *Full Employment in 21st Century Australia: a lode star policy in an age of uncertainty* (2022)

<sup>6</sup> National Skills Commission, *National Skills Priority List: Key Findings Report* (2022) <<https://www.nationalskillscommission.gov.au/reports/2022-skills-priority-list-key-findings-report>>

<sup>7</sup> Australian Bureau of Statistics, '6202.0 Labour Force, Australia, Table 13.' (2023) <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>>; Australian Bureau of Statistics, '6202.0 Labour Force, Australia, Table 22.' (2023).

towards hiring young people, and their practices in recruitment, placement, supervision and support. Civil society organisations can build bridges between these actors, enabling young people facing disadvantage to escape from poverty associated with unemployment and poor-quality jobs.

The tech industry is currently trialling education and employment pathways, inspired by the earn and learn model that has made apprenticeships such a salient feature of the construction, manufacturing and other heavy industries. Higher level apprenticeships have also been implemented in Australia by companies such as PriceWaterhouseCoopers and Siemens.<sup>8</sup> In the US, sectoral program trials, as reported by the MDRC, are delivering strong outcomes – not just in employment placements, but in longer term income growth. A key feature and requirement of such programs is that they ensure that any training and employment preparation are grounded in industry-relevant skills, demonstrated in operational workplace contexts. In addition, they are designed with equity in mind – integrating wider social and employability supports into program design.

This paper explores both the opportunities that lie in such sectoral programs and the kinds of interventions needed to support the development and growth of programs like these. It shows that industry-driven, employer-informed programs represent a promising approach to provide secure, skilled, meaningful employment for young people, while addressing emerging skills shortages. This points to barriers to the successful uptake of programs, and some fruitful directions for further research and development.

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<sup>8</sup> National Centre for Vocational Education Research, “Higher apprenticeships in Australia: what are we talking about?” NCVET Research Report, 2019, p31

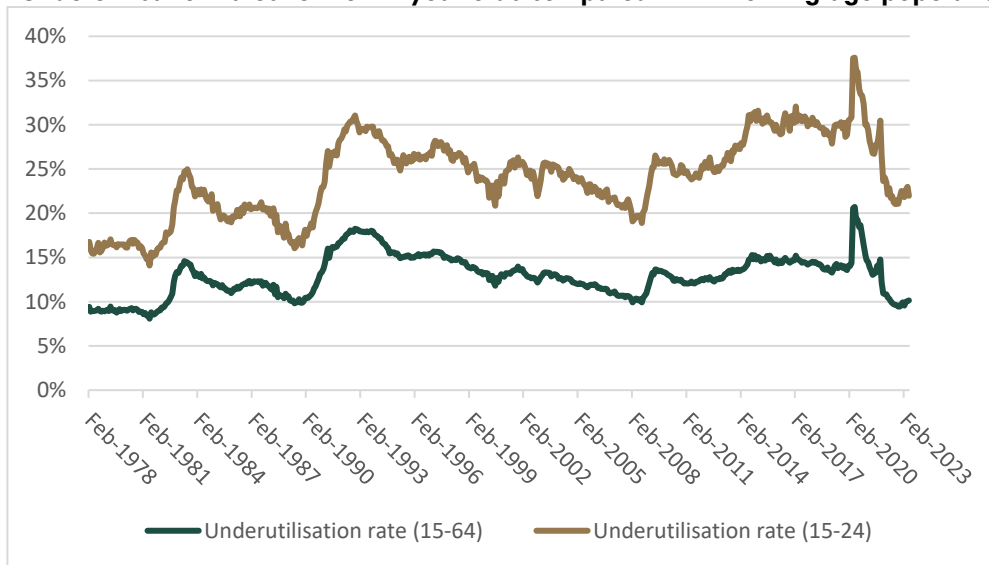
## Background

For young people in 21st century Australia, the transition from school to work has been defined by insecurity. School-to-work transitions have always been characterised by initial 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, structural changes in the economy combined with the labour market deregulation policies of the 1980s and 1990s have contributed to a situation in which young people in the 21st century remain in precarious positions well into their late 20s and increasingly into their 30s<sup>9</sup> – much later than did previous generations.

There are several ways to recognise this precarity. One is illustrated at Figure 1, which shows the employment underutilisation rates for young people compared with the working age population overall. This graph includes both those who are unemployed and underemployed.<sup>10</sup>

**Figure 1: Underutilisation rates for 15-24 year olds compared with working age population overall**



However, Figure 1 only shows the data for people counted as being ‘in the labour force’. Figure 2<sup>11</sup> shows what we can call the *true* rate of underutilisation, by including in the picture those who have dropped out of the labour market.

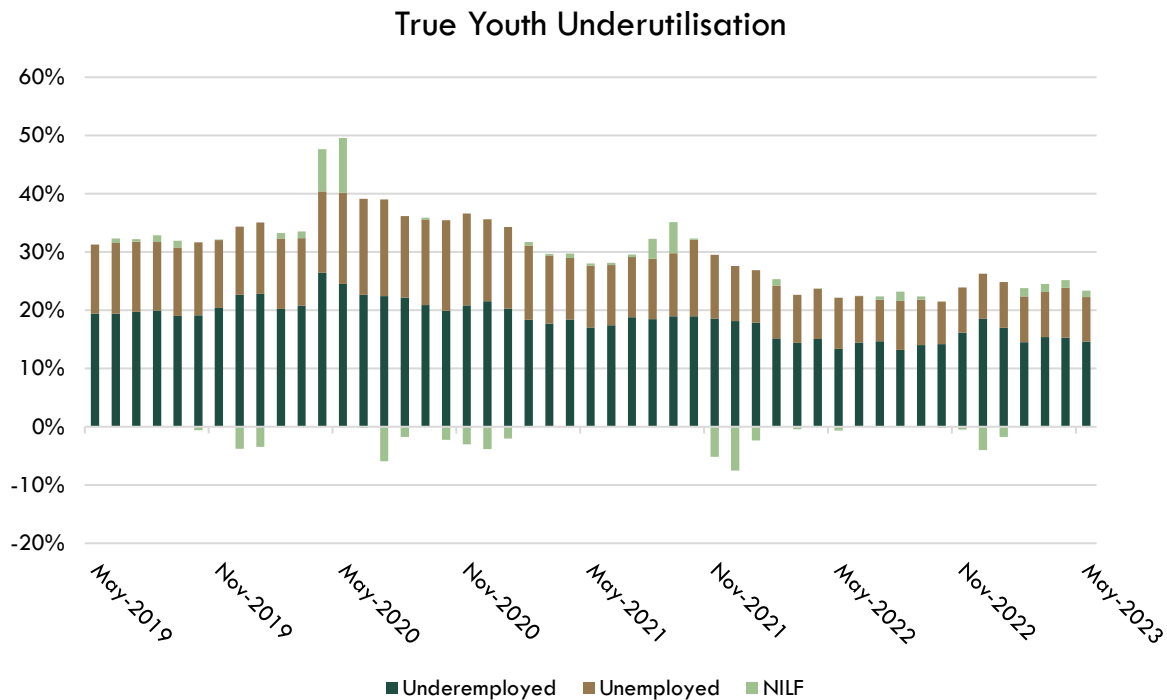
<sup>9</sup> Crofts, J., Cuervo, H., Wyn, J., Smith, G., & Woodman, D. (2015). *Life Patterns Ten years following Generation Y*; Woodman, D. (2012). Life out of Sync: How New Patterns of Further Education and the Rise of Precarious Employment Are Reshaping Young People’s Relationships. *Sociology*, 46(6), 1074–1090. <https://doi.org/10.1177/0038038511428755>; Woodman, D., & Wyn, J. (2015). *Youth and Generation: Rethinking change and inequality in the lives of young people*. Sage.

<sup>10</sup> Australian Bureau of Statistics, ‘Labour Force, Australia, (May 2023) <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>>.

<sup>11</sup> Ibid.



**Figure 2: Employment underutilisation 15-24 year olds**



Usually the number of people outside the labour market remains relatively constant, fluctuating within fractions of a percentage. However as Figure 2 shows, unemployment and underemployment are understated. For a true picture of youth employment it is important also to hold in view the proportion of young people who drop out of the labour market altogether. This is represented as NILF, meaning Not In Labour Force, and was most marked around May in 2020. The percentages for NILF above 0% are those who were previously employed; the percentage below 0% are those who were previously unemployed or underemployed. Both categories of NILF represent discouraged young people no longer in the labour force.<sup>12</sup>

Another way to recognise the precarity of youth employment is the types of employment arrangements experienced by young people. Recent 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.<sup>13</sup> While three quarters of casual workers in this demographic are also engaged in study, there is a troubling rise in job insecurity. Almost 40% of workers aged 25-34 were employed in a casual, fixed term or part-time arrangement.

This is one of the contributing factors to why young people bear the brunt of employment losses in the case of economic shock, as illustrated in Figure 2. In 2020, Per Capita analysed the impact of COVID on youth employment, adding together the unemployment rate, the underemployment rate and the additional loss of labour market attachment of more than 290,000 affected young workers.<sup>14</sup> At May 2020, the rate of youth underutilisation rose to 37.6% - the highest rate since the Great Depression. This meant that at the height of the crisis, half of Australia’s young people did not have enough work to meet their needs.<sup>15</sup>

<sup>12</sup> Australian Bureau of Statistics, ‘Labour Force, Australia, (May 2023) <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>>

<sup>13</sup> Wilkins, R., Laß, I., Butterworth, P., & Vera-Toscano, E. (2019). *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17*, p.77.

<sup>14</sup> Jackson, S. (2020). *Coming of Age in a Crisis: Young Workers, COVID-19, and the Youth Guarantee*. Per Capita.

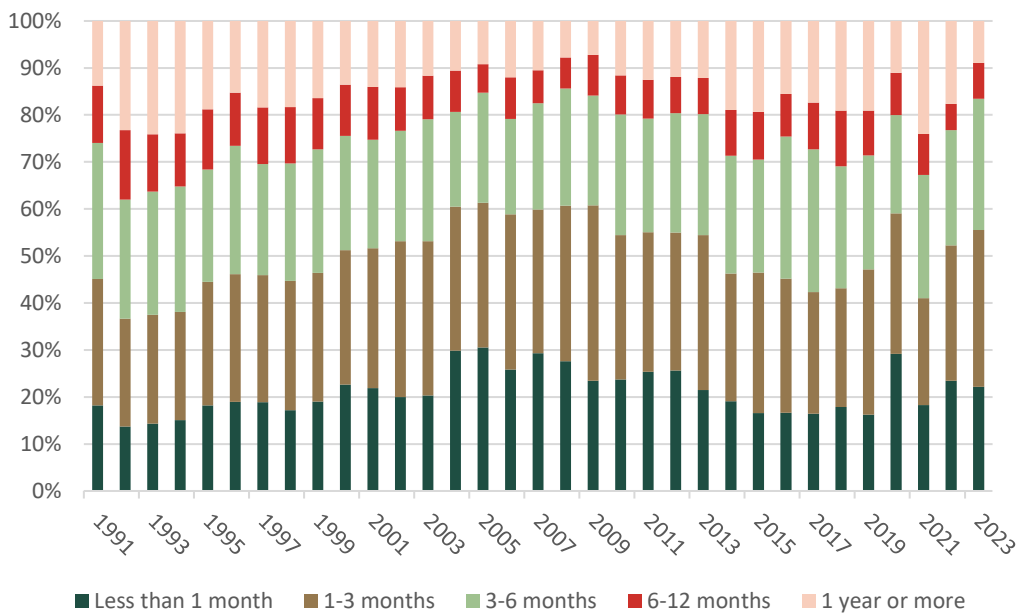
<sup>15</sup> Ibid.

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Although the youth unemployment rate has fallen from 14.6% in mid-2020 to 7.8% at the end of May 2023, Figure 3 shows how the effect of a spike in unemployment also significantly affects the time it takes young people to get into – or back into - work, especially during 2021. Before Australia was plunged into lockdown in March 2020, most unemployed young workers had been out of work for less than 6 months, but by October that year, 64% of young workers had been out of work for more than 6 months. By March 2021, around a quarter of all unemployed young workers had been out of work for at least a year.

This picture in terms of unemployment duration is improving somewhat, though as Figure 1 indicates, *underemployment* remains a risk for young people. Both unemployment and underemployment put young people at a significant disadvantage in this early stage of career development. This takes us to their particular vulnerability to economic scarring in any conditions of economic contraction.

**Figure 3. Youth unemployment by duration**



. Source: Author's calculations based on ABS 6202.0, Tables 13 & 22 (seasonally adjusted).

### Economic Scarring

Economic scarring is a term becoming increasingly relevant in a crisis prone economy. It describes the long term negative impacts on workers that arise from adverse labour market conditions outside their control, during an economic downturn or some kind of crisis.<sup>16</sup> In those contexts, when job openings plunge, people trying to establish a foothold in the economy are impeded, and will experience reduced income and/or living standards for years, compared to those who can enter the labour market during a boom.<sup>17</sup> Scarring is not just an outcome of unemployment; people who have been in low-wage jobs, or jobs that do not fully use their skills are at higher risk of unemployment or reduced future wages growth.<sup>18</sup>

<sup>16</sup> Andrews et al (n 1); Jenny Chesters and Hernan Cuervo, 'Adjusting to New Employment Landscapes: Consequences of Precarious Employment for Young Australians' (2019) 30(2) *Economic and Labour Relations Review* 222; Adams et al (n 1).

<sup>17</sup> Shirley Jackson, *Coming of Age in a Crisis: Young Workers, COVID-19, and the Youth Guarantee* (2020).

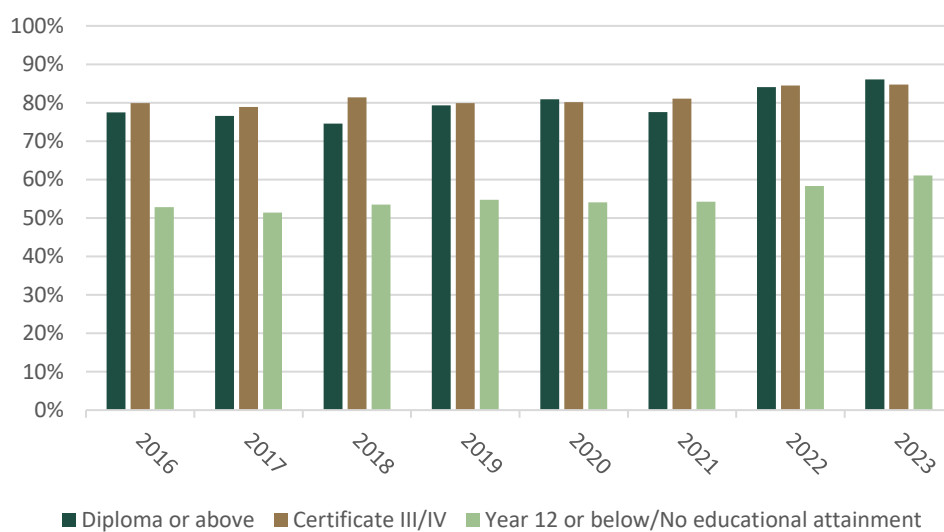
<sup>18</sup> Catherine De Fontenay et al, *Climbing the Jobs Ladder Slower: Young People in a Weak Labour Market* Productivity Commission (2020) p.3.

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Economic scarring has various characteristics. One is the increased competition between different segments of the labour force as new young entrants encounter difficulties finding a job when the market is contracting, and existing workers in entry level and early career positions are faced with redundancy or retrenchment.<sup>19</sup> This leads to longer periods of unemployment or it forces many to give up on looking for work, dropping out of the labour market entirely. Another kind of scarring is the increased underutilisation of skills for young workers who spend long periods in unemployment; these become less desirable candidates for employment compared with other workers whose work histories do not reflect gaps in employment experience and career development.

Figure 4 illustrates the lower rates of employment for young people with lower levels of education attainment.<sup>20</sup> This also indicates the greater risk for those with lower qualifications, who are least likely to get a foothold in the market when people with higher levels of qualification (even if not entering jobs that use their higher qualifications) displace those with lower levels of education attainment.

**Figure 4. Employment to population rates for 15-24 year olds by education level**



Taken together, Figures 1 to 4 illustrate the precarity of employment prospects for young workers, which have never really recovered since the Global Financial Crisis in 2008. While in nations around the globe young workers are particularly vulnerable to exogenous shocks and economic crises, Australia's youth labour market is distinctive in manifesting structural features that, taken together, compound high levels of relative disadvantage for this group, who are: more likely to be employed in insecure, casual and/or short term work on low wages; more likely to be underemployed or unemployed; and more likely to spend longer periods in unemployment.

All those features of precarity have negative impacts in the longer term, and not just in terms of income and employment prospects. People employed in less secure job roles are less likely to receive workplace training, negatively impacting on their ability to meet future skill needs and achieve career progression. Employment precarity delays transitions into adult life.<sup>21</sup> Traditional markers of adulthood, such as starting a family and home ownership are pushed back, so much that a majority of young people now mark such adult milestones well into their 30s, and in some cases their 40s, if at all.

For the nation more broadly, policy failure to address youth unemployment will have various wide ranging impacts: on governmental revenue, trade opportunities, the health and mental health of a generation, and the expenditures that will be called upon for income support and social services.

<sup>19</sup> Borland (n 1) 175.

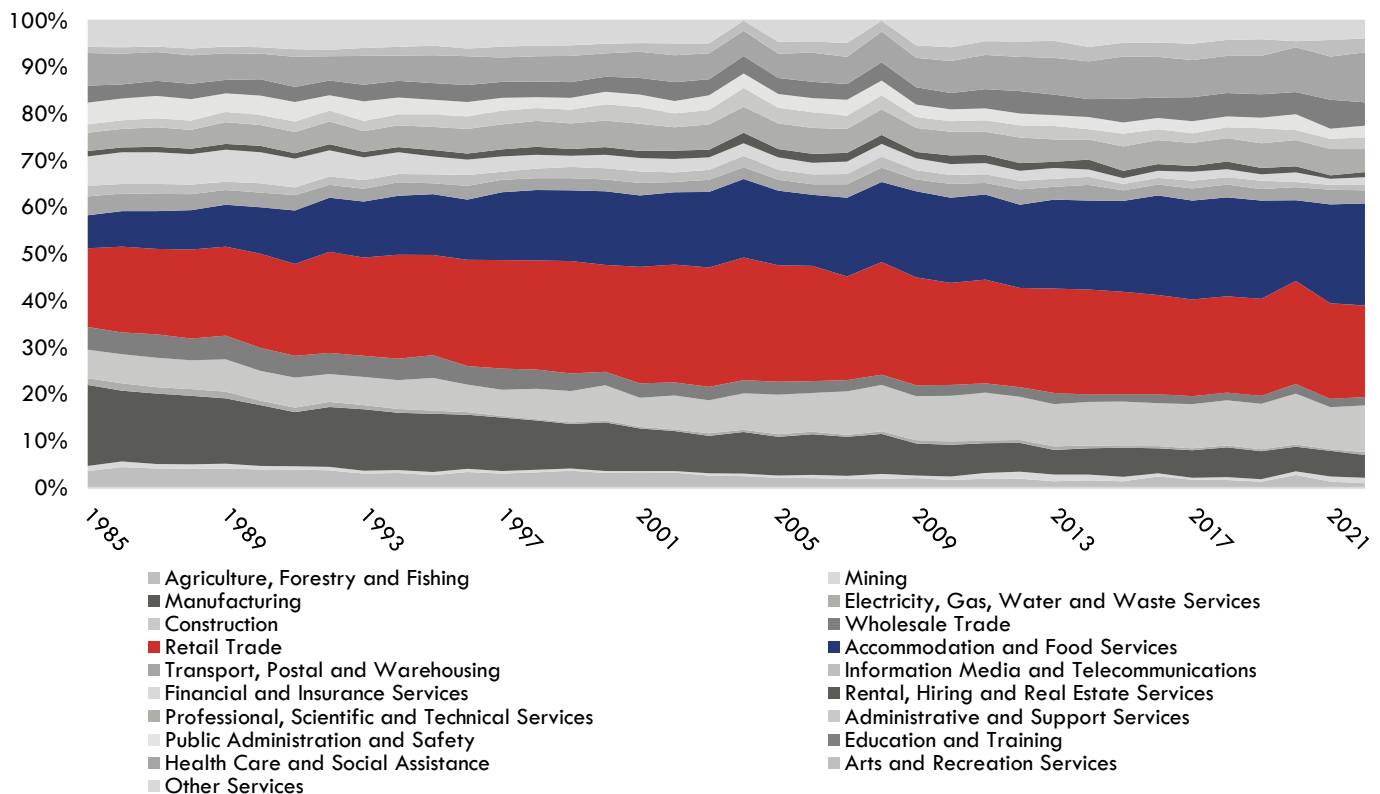
<sup>20</sup> Australian Bureau of Statistics, *6202.0 Labour Force, Australia, Table 13*. (n 7).

<sup>21</sup> Cuervo and Wyn (n 1) 125–6.

## Changing patterns of employment by industry

Australia's economy has been consistently shaped by global market fluctuations. Throughout much of the late 20<sup>th</sup> and early 21<sup>st</sup> century, young workers have had their career paths dictated by force far outside of their control. Taking a generational approach to the analysis of industrial change reveals a stark contrast in how young workers experience their labour market transitions (see Figure 5 and 6).

**Figure 5. Industries employing 15-24 year olds 1985 - 2022**



*Source: Author's calculations based on ABS 6291.0.55.001, EQ12.*

From the mid-1980s till around the mid-1990s, Gen X were primarily employed in manufacturing (14.92% in 1994). This was a predominantly male, largely unionised workforce, employed in large factories by large employers. It meant jobs that were well paid, secure and permanent. Retail (8.98%) was the second largest employer by 1994, employing mostly young women but a reasonable number of young men. The jobs at that point were still largely full time, even if they were less secure and less likely to be unionised. Health care (8.84%) was the next largest employer in 1994, mostly of young women, mostly working in state-based health systems, with hospitals being a leading employer. Such jobs were similarly unionised, particularly in the case of nurses, offered competitive rates of pay, and were full time and ongoing jobs. At that time in 1994, accommodation and food services (5.03% of workers) were only the 11<sup>th</sup> largest source of employment for young workers, at that stage mostly focused on jobs in hotels and other accommodation.

By the time the Gen Y cohort (also known as Millennials, born 1981-1996) finished studying and were looking to move into their careers during the late 2000s and early 2010s, manufacturing was still reeling from the GFC and in any case was no longer a significant sector of the economy. The industrial profile of the youth labour market changed, with growth in the proportion of those employed in healthcare and social assistance (10.35%), professional, scientific and technical services (10.11%) and construction (9.36%) each accounting for about 1 in 10 young workers. Concerningly, the same proportion of young workers were still in retail jobs (9.84%). Though it would be reasonable to assume that some of those would be in retail management or other professional careers in the corporate structure of larger retail concerns, the vast majority of retail workers are shop front workers, employed casually, insecurely and with few career progression opportunities.

For Gen Z, the overwhelming growth has been in Health care and Social Assistance (16.75%). However, unlike the period when Gen X entered the workforce, jobs growth in this sector for Gen Z has been mainly driven by insecure work in the aged and disability care sectors. These jobs are now more to be offered in the form of casual work and, increasingly, gig economy contracts,<sup>22</sup> providing little stability or security for the young workers who care for our increasingly ageing population. Other key industries for young people are Professional, scientific and technical services (11.75%), Construction (9.36%), Education and training (8.37%), and Retail (8.18%).

The two largest employing sectors for 15-24 year olds in 2021, hospitality and retail, do not represent good prospects for long term quality employment options for most people. Though jobs in these industries can be accessible in that they don't necessarily require formal qualifications or previous experience, these kinds of jobs tend to pay low wages and are subject to seasonal demand fluctuations and just-in-time rostering week to week. Over the past three decades, jobs like these have been offered less and less on a full-time basis, with reliable terms of employment and opportunities for skills development and career advancement.<sup>23</sup> This means that the two main industries currently employing young people are those least likely to lead to job security and living wages. Nor do they offer the kinds of skills development that is needed to address current and future higher order skills needs.

The landscape of opportunities for young people without university qualifications to access a good range of quality jobs has changed profoundly. Until the last quarter of the 20<sup>th</sup> century Australia was able to ensure a significantly greater volume of high-quality job opportunities at entry level through a range of government instrumentalities: water, gas and electricity utilities; road, rail and transport authorities; defence; broadcasting and telecommunications bodies. These were large employers of apprentices in traditional trades, until privatisation and government outsourcing later in the last three decades of the century saw the withdrawal of those instrumentalities from the important role they played as a source of training.<sup>24</sup>

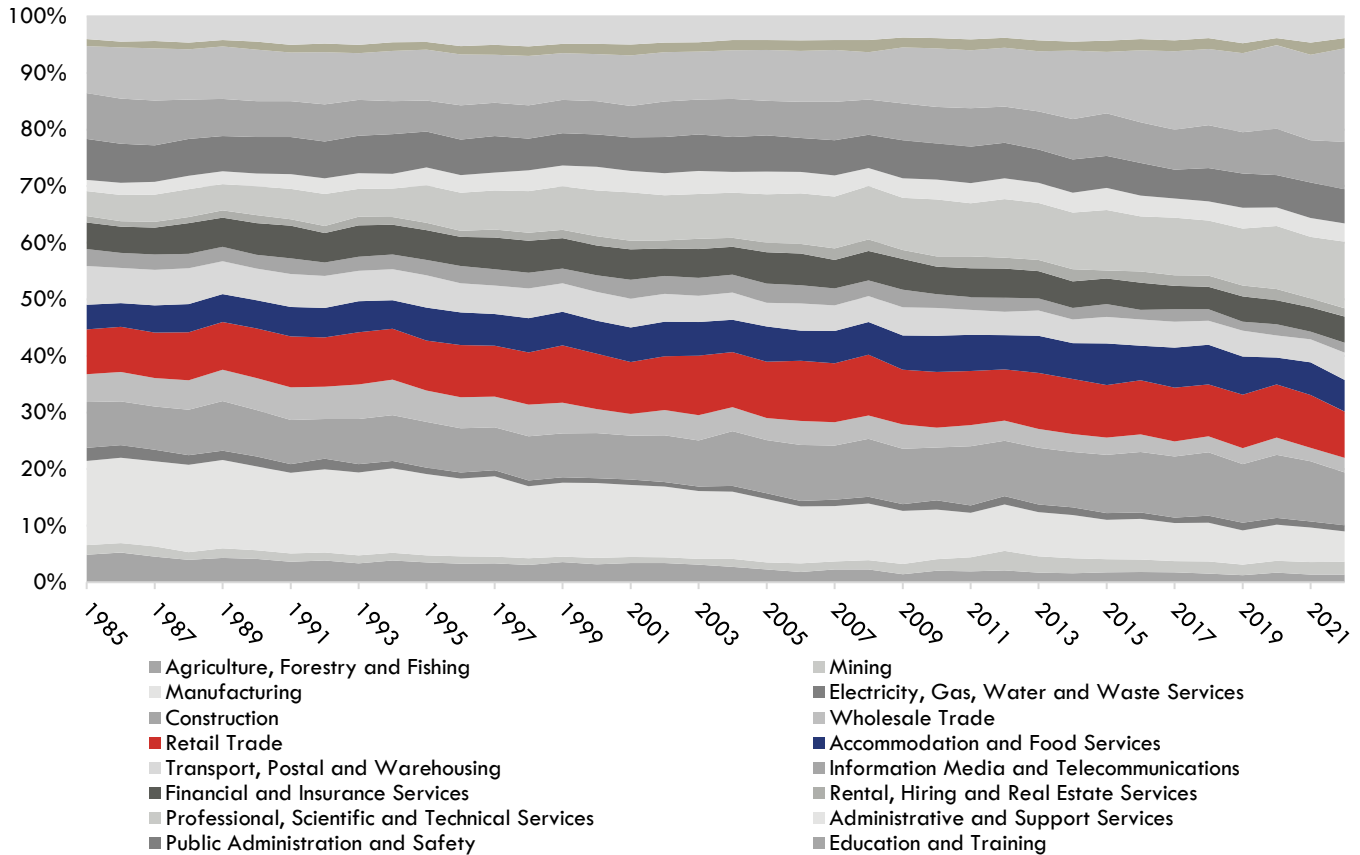
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<sup>22</sup> Per Capita, *Contracting Care: The Rise and Risks of Digital Contractor Work in the NDIS* (2022).

<sup>23</sup> At worst, these are the industries commonly in the scope of Fair Work Ombudsman investigations and prosecutions for wage theft.

<sup>24</sup> Brian Knight, 'Evolution of apprenticeships and traineeships in Australia: an unfinished history', National Centre for Vocational Education Research Occasional Paper, 2012, p.18.

**Figure 6. Industries employing 25-34 year olds 1985 - 2022**



Source: Author's calculations based on ABS 6291.0.55.001, EQ12.

This graph illustrates how 25-34 year olds are at risk of getting trapped into high-volume-employing but low-skill industries. This is especially a risk for those from lower socio-economic backgrounds, who can be increasingly locked into such entry level positions well into adulthood.

### Growth in Precarious Work

In this section we investigate the evidence of job precarity and its implications for young people, which profoundly affects them. It is vital to pay more attention to the incidence and consequences of job precarity for young people. Not only does this signal the labour market and economic status of young people, it also points to the health and fairness of our society overall. Precarity of employment runs alongside so many other risks that unfairly impact on young people, now and in the future, especially young people not well endowed with the life chances bestowed by birth or the privileges of place or race. With access to housing increasingly unaffordable for young people, the future expected impacts of climate change, and the tax burden that younger generations are likely to be subject to with an ageing population, doing something about job quality and security is one way to offer young people hope for the future.<sup>25</sup>

How to determine the extent and nature of job precarity can be a matter of debate, but some high level guidance arose from the report of the Senate Select Inquiry into Job Security (March 2022). The Committee concluded that 'based on a rigorous analysis of the best available evidence... insecure and precarious forms of work have increased, and are increasing.'<sup>26</sup>

<sup>25</sup> Per Capita Inequality Index, May 2023 < <https://percapita.org.au/inequalityindex/> >

<sup>26</sup> The Senate Select Committee on Job Security, *The job insecurity report*, Feb 2022, Commonwealth of Australia, Chapter 2, p.13.



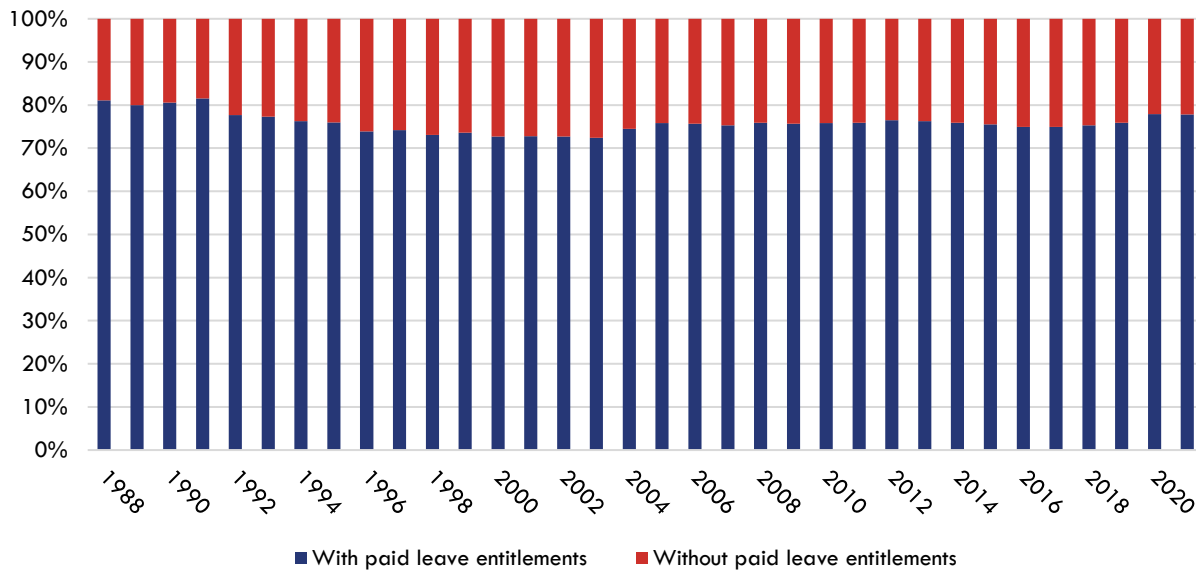
# CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

In reaching this conclusion, the Committee took account of increases in four categories of work, besides the usual headline indicator of casual work, which can be misleading taken on its own. Four other important indicators of increasingly precarious and insecure work noted by the Committee are: part-time employment; indirect employment, outsourcing and labour hire; on-demand and ‘independent’ contractor jobs; and fixed term contract roles.<sup>27</sup>

### Casual employment

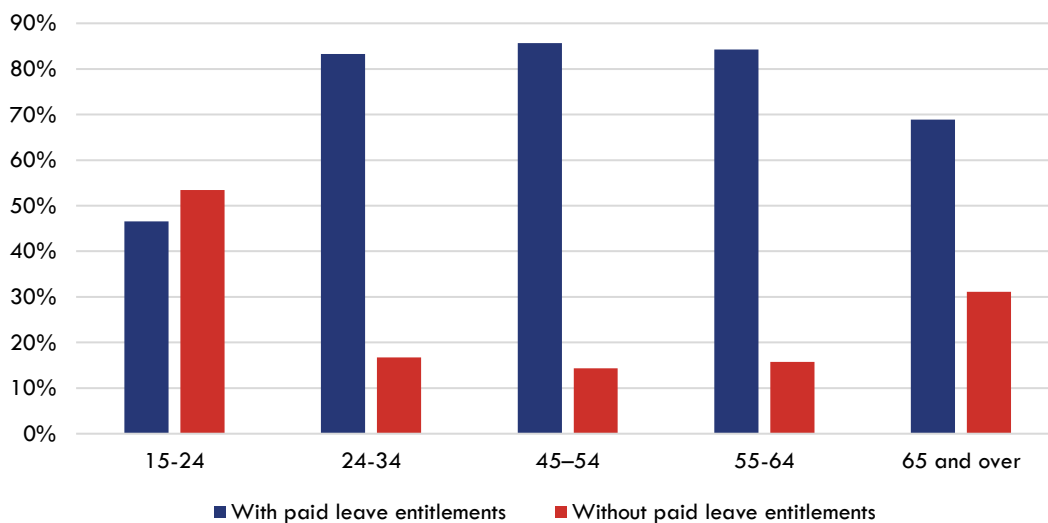
The rate of casual employment has held constant for much of the 21<sup>st</sup> century (Figure 7), with 1 in 4 workers consistently employed casually. But young people are significantly over-represented among those who are casually employed, revealing the inequity within the system. A concerning number of young people have remained stuck in working arrangements that are inadequate and insufficient (see Figure 88).

**Figure 7: Casualisation of the Labour Force.**



*Source: Author's own based on ABS 6291.0.55.001, 6334.0, 6310.0, and 6333.0.*

**Figure 8: Casualisation by age group.**



*Source: Author's own based on ABS 6333.0.*

<sup>27</sup> Ibid.

Of all the age groups, young people are the most likely to work casually (53.4%). Further, while young people (aged 15-24) make up a small fraction of the total labour force (16.2%), they make up the majority of all casual work (38.5%). This growth in casualisation has been driven by the broader changes to Australia's industrial composition, in particular by the growth in employment in the retail and hospitality industries, where young people are employed in large numbers.

Most concerning, we are fast becoming an outlier amongst the developed economies of the world, as one of the least secure places to work. Among OECD countries, Australia has one of the highest rates of casual workers.<sup>28</sup> Approximately 2.4 million Australian workers are casually employed, representing almost one in four workers.<sup>29</sup> Casual employment has also expanded past its traditional use for irregular work and has become business as usual for many employers. Unfortunately, these risks have been shifted downwards, onto the predominantly young people who make up the casual workforce.

Consequences of casual work, or observable concomitant experiences of casual workers, reported by various submissions to the Inquiry into Job Security are: a greater likelihood of holding multiple jobs; low wages growth; greater anxiety about whether the worker will be assigned work hours; lower rates of union membership; anxiety about work performance related to unwillingness to query management decisions; greater risks of exploitation and harassment, and, especially important for young people, reduced access to training and development opportunities that could consolidate and build skills and progression potential.<sup>30</sup>

#### *Labour Hire*

Another increasingly common form of employment that young workers encounter in the weak or precarious labour market they navigate is the labour hire system. Labour hire arrangements in Australia generally involve a triangular relationship where a work contract exists between the worker and the labour hire agency, and a commercial contract exists between the labour hire agency and the host employer.<sup>31</sup> Agency workers will generally perform work under the direction, and for the benefit, of the host employer. Yet outside few exceptional situations,<sup>32</sup> these workers are not deemed to be employees of the host employer. They are not therefore protected by the unfair dismissal provisions in the *Fair Work Act*,<sup>33</sup> even in situations where a worker has worked on a full-time basis for a considerable period of time. These kinds of relationships are not conducive to workers' ability to raise concerns about pay and conditions, or occupational health and safety, yet such matters are part of the induction into working life that young people need and should get.

Labour hire has expanded far beyond its traditional use: to provide short term or temporary labour, or workers with specific expertise for specific time-sensitive projects. Now labour hire has become a practice on which entire operations and industries are built, and as an industry itself, labour hire was in 2021 valued at approximately \$19 billion a year.<sup>34</sup> This expansion, married with the lack of regulation, has opened the door for the triangular relationship to be utilised as a tool for reducing wages and conditions. No longer is labour hire a tool available to employers experiencing discrete and distinct shortages or skill deficits. It is a business model that is planned for, maintained and sustained by the intention to reduce labour costs and return ever more profits.

Further exacerbating the insecurity of labour hire workers is the fact that they are most often employed by agencies on a casual basis.<sup>35</sup> As such, labour hire has become a major contributor to the growth in casualisation in Australia. Recent statistics from the ABS indicate that 86% of workers paid by a labour hire firm or employment agency are employed on a casual basis.<sup>36</sup>

<sup>28</sup> OECD, *OECD Employment Outlook 2019: The Future of Work* (Report, 2019) 59-60.

<sup>29</sup> Australian Bureau of Statistics, *Working Arrangements*, (Catalogue No 6336.0, 14 December 2021).

<sup>30</sup> Pp. 79-85.

<sup>31</sup> Andrew Stewart, *Stewart's Guide to Employment Law* (Federation Press, 7<sup>th</sup> ed, 2021) 76 [4.9].

<sup>32</sup> See, eg, *Damevski v Giudice* (2003) 133 FCR 438.

<sup>33</sup> *Fair Work Act 2009* (Commonwealth) pt 3-2.

<sup>34</sup> Australian Council of Trade Unions, 'Labour Hire 2021' (policy paper, ACTU congress 2021, 2021).

<sup>35</sup> *Kool v Adecco Industrial Pty Ltd* [2016] FWC 925 [45].

<sup>36</sup> As they have no paid leave entitlements: Australian Bureau of Statistics, *Characteristics of Employment*, (Catalogue No 6333.0, 11 December 2020).

## CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

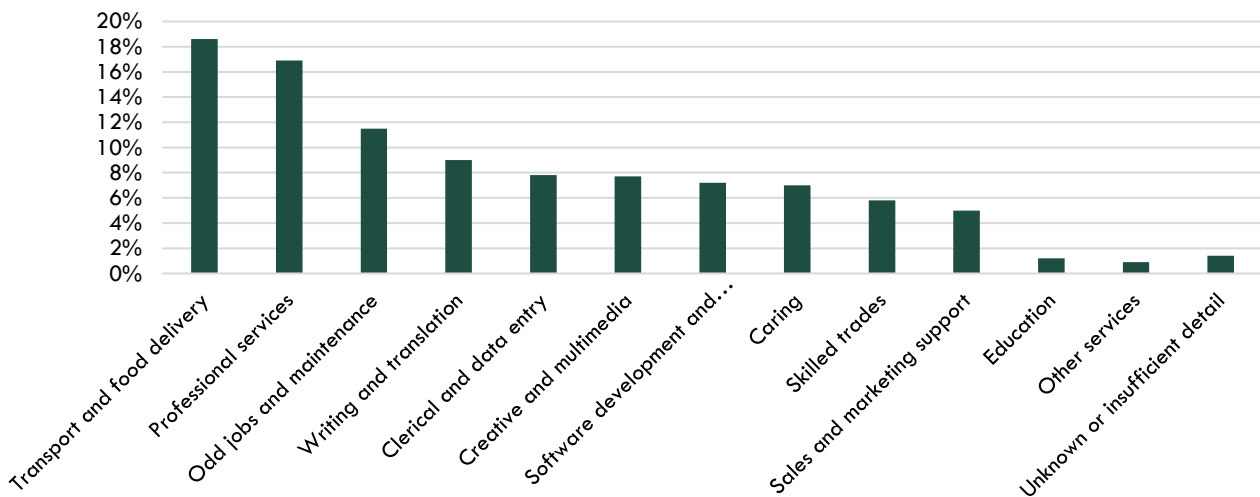
For young people in particular, labour hire contributes not only to uncertain continuity of income. The terms of their employment mean that employers will not assume responsibility for training new workers, expecting them to come equipped to do the job for exactly the hours for which they are paid. This ‘just in time’ approach to labour literally does not have time to offer deep skills development, let alone avenues for career advancement.

### Gig Economy

The gig economy, or platform economy, is a relatively new phenomenon in Australia. This sector enables individuals to provide primarily services to consumers for a fee via a digital intermediary,<sup>37</sup> and arguably covers ‘all economic activity related to on-demand work by individuals, where these individuals are classified as independent contractors’,<sup>38</sup> most commonly associated with now familiar brands like Uber, Deliveroo and Air Tasker.

A 2020 study by the Foundation for Young Australians found that young workers represent 53% of all gig workers,<sup>39</sup> and while its most visible forms of work are services like ride sharing and food delivery are the most visible forms of gig work (18.6%), increasingly professional services are being subjected to this new employment arrangement (see Figure 9:9).

**Figure 9: Gig Economy, by Industry**



Source : Stewart, A. et al. 2019. ‘Digital Platform Work in Australia Preliminary Findings from a National Survey’.

Per Capita recently published a report on the growth of gig work in the disability services industry, which found that workers in this sector are subject to considerable risks,<sup>40</sup> including: lower income security; more complex administrative requirements; fewer training and peer-to-peer support opportunities; higher personal liability risks; and fewer social protections like sick pay, maternity pay and superannuation contributions. Such risks are especially problematic for young workers.<sup>41</sup>

While much of the work performed within the gig economy does not require formal education, most of the gig economy workforce have skills and training that are being underutilised. More than half of gig workers on digital platforms had a bachelors or higher degree, indicating that this form of work is masking a large segment of skills underutilisation.

<sup>37</sup> Fair Work Ombudsman, ‘Gig Economy’.

<sup>38</sup> Donald Freudenstein and Becca Duane, ‘The Rise of the Gig Economy and Its Impact on the Australian Workforce’ (December) 9 <<https://actuaries.>>.

<sup>39</sup> Foundation for Young Australians, *The New Work Standard: How Young People Are Engaging with Flexible Work* (2020) 15.

<sup>40</sup> Shirley Jackson and Sarah Mackenzie, *Contracting Care: The rise - and risks - of digital contractor work in the NDIS*, (Per Capita, 2022).

<sup>41</sup> Foundation for Young Australians (n 40) 15.

### Vocational skills vs university pathways

The prevalence of young people undertaking gig economy work who cannot utilise their university qualifications is one of the perverse outcomes of a tertiary education market that uncapped the number of university places, starting in 2010. Between 2001 and 2016, student enrolments in bachelor degrees increased by 58%,<sup>42</sup> with growth in enrolments helped by the option for students to defer fee payments via the Higher Education Loan Program.

These developments occurred in the absence of an effective system for informing and guiding young people about career options and qualifications pathways. A report by the National Youth Commission Inquiry into Youth Employment and Transitions in 2020 noted the large number of submissions from individuals and organisations around Australia pointing out how generally uninformed young people are about the range of possible occupations and industry types where they might find work.<sup>43</sup>

This in part due to the limited nature of careers information and guidance at secondary school, meaning that young people tend to get their ideas about work options from other sources. One survey of Australian youth at year 13 in 2017 found that young people get their careers advice and information, in order, from parents/caregivers (48%), internet (42%), friends (32%), then careers advisors (25%).<sup>44</sup> This picture is unlikely to be different, and may be even more concerning, for young people who leave school earlier.

A 2020 report commissioned by the federal government to review post-secondary education pathways cited these survey results as a matter of concern, noting that such important influencers of young people often possess limited understanding of the labour market and how it is likely to develop. This can undermine the decisions of young people and lead them to work towards options that neither align with their actual skills and interests, nor with future workforce skills needs.<sup>45</sup>

In the meantime, higher level qualifications continue to be regarded as a route to more secure and better paying employment. But this more qualified labour supply did not always realise those goals, taking longer to get into jobs relevant to their qualifications, and often at lower rates of pay and progression than was the case for previous generations. As the Productivity Commission Working Paper 'Climbing the Jobs Ladder Slower' put it in 2020, 'labour demand did not adjust to the mix of skills in the market [emphasis added].'<sup>46</sup> School surveys of 15 year olds continue to show both their preference for higher education, along with their negative perceptions of vocational education.<sup>47</sup>

In general, VET has not enjoyed as good a brand as an employment pathway as university does. This is in part due to the outdated perception that VET is for male-dominated, blue-collar working class jobs. It is also due to the education system's reversion to the VET pathway options for students who have proved to be struggling with academic studies, which has framed VET as a 'negative choice' rather than a positive one. The Grattan Institute's education director Andrew Norton characterises the problem as the tendency of young people to 'overestimate the chances of a positive outcome from higher education and underestimate the benefits of vocational education.'<sup>48</sup>

Yet, poor perceptions of vocational education pathways are at odds with the strong – and growing – capacity of the VET system to train the future workforce based on an understanding of both evolving and declining skills. The National Centre for Vocational Education Research has noted the vital role played by the National Skills Commission (NSC) in

<sup>42</sup> Commonwealth Department of Education <<https://www.education.gov.au/higher-education-statistics/student-data/selected-higher-education-statistics-2021-student-data>>, downloaded June 16, 2023.

<sup>43</sup> National Youth Commission (NYC) Inquiry into Youth Employment and Transitions report, 2020, and a series of subsequent NYC reports, 2020-2022.

<sup>44</sup> R Bisson and W Stublely. 'After the ATAR: Understanding how Gen Z transition into further education and employment', cited in *Looking to the future: Report of the review of senior secondary pathways into work, further education and training*, COAG Education Council, June 2020

<sup>45</sup> *Looking to the future*, COAG Education Council, June 2020

<sup>46</sup> Catherine De Fontenay et al, *Climbing the Jobs Ladder Slower: Young People in a Weak Labour Market* Productivity Commission (2020) p2.

<sup>47</sup> Hillman, K. (2018). PISA Australia in Focus Number 2: Educational expectations. Australian Council for Educational Research. <https://research.acer.edu.au/ozpisa/31>

<sup>48</sup> Andrew Norton, Grattan Institute, 2018. <https://grattan.edu.au/news/vocational-education-can-solve-oversupply-of-graduates/>

identifying and enumerating the jobs and skills that will be required in Australia in the coming years.<sup>49</sup> That work identifies demand for all occupations over five years, and because of strong ties between vocational education and industry, this information can be used to guide updates to training packages; for example, revisions to qualifications and new units of competency.<sup>50</sup>

The NSC also created the Australian Skills Classification, which identifies specialist tasks, technology tools (software) and core competencies for all occupations. To help in identifying occupations where there may be skill transferability, the Commission also established skills clusters and skills cluster families. This builds on the work of State/Territory governments who have for many years been generating skills and priority occupation lists, informed by consultation with businesses and peak industry bodies, as well as community input and labour market analysis.

Young people and those who influence their post-school destinations need to catch up with these developments and the strong labour market relevance of VET qualifications. The existence of skills shortages in some industry sectors is a significant opportunity to lead the way with new programs to attract young people to their jobs.

## Employment Services

In Australia, sectoral programs are not part of the employment services landscape, mainly because of the predominantly work-first principle underpinning the approach to service design and the terms on which employment services providers are paid. That work first emphasis is also realised in payment and contracting terms for providers, whereby any job is better than no job and where wage subsidies are funded for individuals but without funding the organisational forms to support the coordination and development work needed to successfully connect jobseeker cohort groups to companies in an industry sector with employment and career opportunities to offer.

In Australia, young people who do not find their place in the labour market – a greater risk for those who have not completed secondary school to Year 12 or post-secondary qualifications – are referred to federal employment services when they claim JobSeeker Payment or Youth Allowance because they are unemployed. These are mainly *Workforce Australia* services,<sup>51</sup> either online self-help or case management linked to a series of job search, training, or other compulsory activities. Except for the online self-help component, services have been contracted for delivery by not-for-profit organisations or private companies. In the case of the main program, *Workforce Australia*, contracts have been awarded to 47 for-profit and not-for-profit organisations.

At the end of April in 2023 there were 965,846 people registered with the system for services,<sup>52</sup> most of whom receive the JobSeeker payment (formerly known as Newstart) or Youth Allowance. Of these, 149,058 people in employment services are under 25. The 965,846 includes those in the Community Development Program (CDP), a program for remote areas of Australia that has approximately 40,000 participants. CDP numbers are not included in the chart below.

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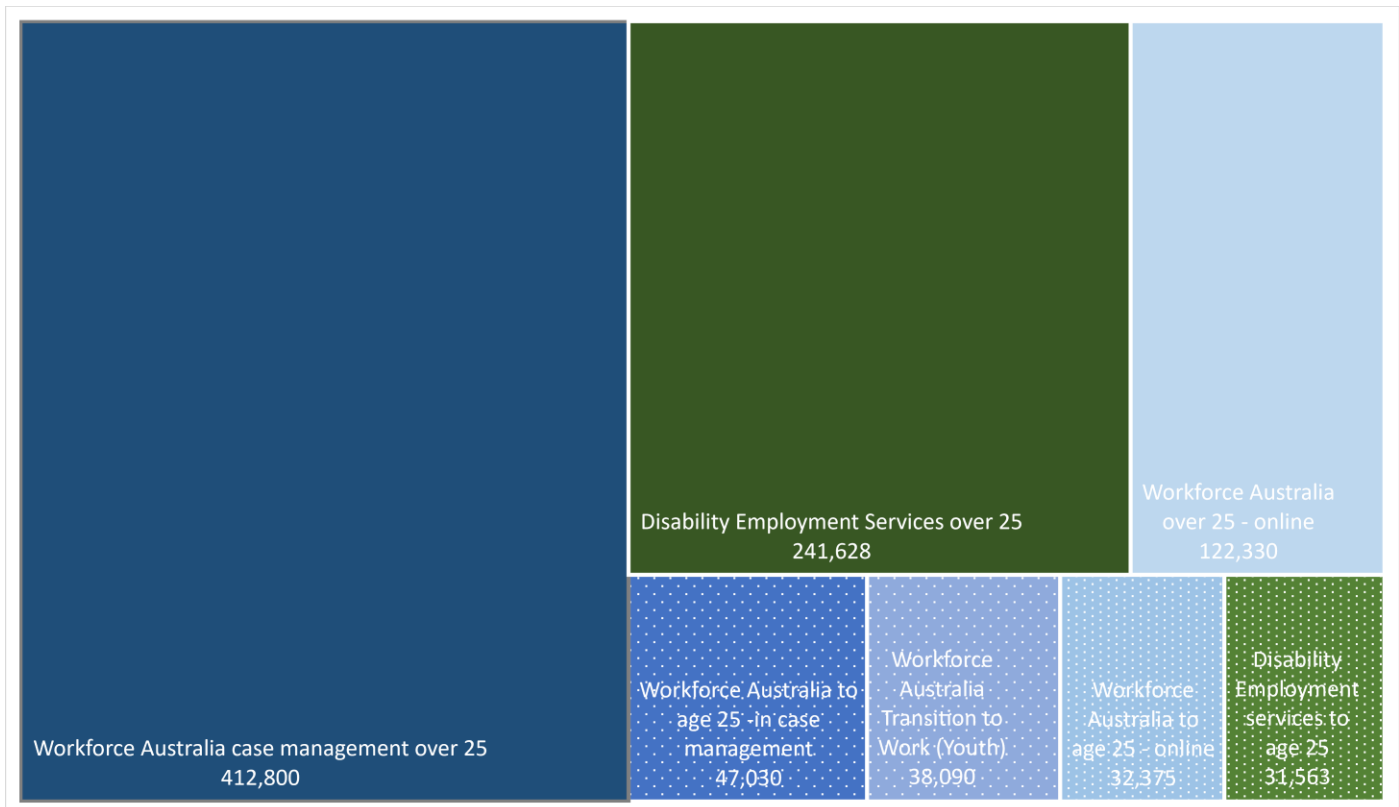
<sup>49</sup> The state of Australia's skills 2021: now and into the future report and Skill Priority List 2021, and National Skills Commission, 2022. Note that the National Skills Commission was renamed Jobs and Skills Australia in 2022, and given a broader remit by the incoming federal government in 2022.

<sup>50</sup> Bridget Wibrow, Discussion Paper for NCVER No Frills national conference, 2022.

<sup>51</sup> These were previously called jobactive, Job Services Australia, and Job Network.

<sup>52</sup> Department of Social Services, *Annual Report (2022)* 24.

**Figure 10: Employment services registration numbers, April 2023**



Community Development Program c40,000 (NIAA) - under 25s numbers unknown

Employment services funded by the federal government to help people in their search for work cost approximately \$1.3 billion per year, making it the second largest area of government procurement outside the defence portfolio.<sup>53</sup> The stated goal of these services is to 'Encourage self-reliance and support people who cannot fully support themselves'.<sup>54</sup> They include:<sup>55</sup>

- Help to look for work, write a résumé and prepare for interviews;
- Referrals to jobs in the local area and help to relocate for work if they are interested;
- Help to become job ready, including targeted training that is suited to the skills that local employers need
- Individualised support (called case management) so they are ready to take up and keep a job; and
- Support to complete Work for the Dole, or other eligible activities, which provide work-like experiences, help to learn new skills and improve the job seeker's chances to find a job.

Backing up this system is a strict enforcement and compliance framework whereby income support payments from Centrelink are conditional on people fulfilling various activities, such as job search, study or training to meet their 'mutual obligation requirements', which are set according to the level of their weekly capacity to undertake work, at 8, 15 or 30 hour benchmarks. Financial penalties by way of income support reduction or cancellation are imposed if these requirements are not met.<sup>56</sup> In practice, providers spend most of their time on what the government terms 'activation' services; that is, issuing job plans and monitoring compliance with mutual obligation requirements. Actual assistance with job search, résumé preparation, or vocational counselling has been limited.

<sup>53</sup> The Treasury, 'Budget Measures Budget Paper No . 2'.

<sup>54</sup> Department of Social Services (n 53) 17.

<sup>55</sup> The Australian Government, 'Workforce Australia' <<https://www.workforceaustralia.gov.au/individuals/>>.

<sup>56</sup> Simone Casey, *Mutual Obligation after COVID-19* (Per Capita, 2020).



The Transition To Work (TTW) program was introduced in 2016 for under 25 year olds as a program without mutual obligations requirements. Participation in TTW is voluntary in the sense that if participants do not fulfill the mix of services, training, or other activities that make up their required activity hours, they will revert to Workforce Australia, with its tougher regime for activity reporting and sanctions. TTW is intended to address the needs of young people to learn life skills and get work experience. TTW communications advise young people the program will ‘...build your skills and confidence to continue your education or get you ready to start a new job’. This includes services such as career guidance, job-specific training, as well as ‘capability development and adult life skills’. Participants in the TTW program are generally expected to participate in TTW services for 25 hours per week (reduced for those with part-time Mutual Obligation Requirements).

*Focus is on mutual obligations rather than quality matching*

In 2023, the Workforce Australia Inquiry is reviewing the objectives and operations of the federal employment services system, with its report due to the federal parliament by September. This is a significant review based on the government’s recognition that the system has not worked as intended, either for unemployed people or employers. The Chair of the Committee called for bold and courageous ideas from stakeholders making submissions, saying that ‘historically, it is clear the system has paid insufficient attention to the needs of employers, and has failed to provide businesses with the candidates needed to respond to challenges of an increasingly dynamic labour market.’<sup>57</sup> In large part these problems have arisen from mutual obligations requirements that have generated high-volume but low-quality applications from unemployed people to meet their mutual obligations requirements, an approach explained further below in the section on labour market approaches. Employers have also lost trust in the value of the system because of the complexity and often confusion arising from the multiple uncoordinated employment services programs and providers operating in the market, who very often operate in competition.

In these conditions, it is also instructive to consider spending priorities. Currently, the Workforce Australia system invests more funding in jobseeker activation and compliance than it does in building connections with employers. Yet there is significant development and delivery work needed to understand skills needs by industry and by location, training and work experience opportunities, employer recruitment processes, and the kinds of placement and in-work supports that would work both for employers and the people they might hire. Two data points illustrate the government’s under-investment in the identification of skilled jobs offering good pay and conditions. Expenditure on jobseeker case management through Workforce Australia services (except Workforce Australia online) and Employability Skills Training has been projected at \$1 billion for 2022-2023 alone.<sup>58</sup> By contrast, spending on the Local Jobs Program – an initiative with the laudable goal of creating tailored local approaches to employment and reskilling across all 51 Australian Employment Regions – is projected at \$49million. This is around a twentieth of the expenditure.<sup>59</sup>

Some minor Department of Employment programs have been created to provide coordination or industry services, such as special projects under the National Priority Fund (\$12.5million per year nationally) or through the Workforce Specialists (\$12.5million for this current year).<sup>60</sup> These typically sporadic, time-limited projects are heavy on submission, approval and reporting processes.

These kinds of resource constraints combine with several other factors to seriously constrain the chances of unemployed people to get good information and services that provide skill development that can lead to decent jobs: the focus of the system on mutual obligations and a ‘work first’ service priority as discussed earlier; fee incentives for providers to get people into any job and off the dole as soon as possible; and the declining expertise of advisors working at the frontline of services most of whom lack the skills, relationships or knowledge to guide young people into quality employment options.<sup>61</sup>

<sup>57</sup> Workforce Australia Select Committee Inquiry Submission Guide, p4.

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Workforce\\_Australia\\_Employment\\_Services/WorkforceAustralia/Submission\\_Guide](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Workforce_Australia_Employment_Services/WorkforceAustralia/Submission_Guide)

<sup>58</sup> FOI Incoming Government Minister Briefing 2022 prepared by DESE includes Budget and Forward Estimates as at the 2022-2023 Budget, p477.

<sup>59</sup> Ibid.

<sup>60</sup> Incoming Government Minister Briefing 2022 prepared by DESE (FOI), which includes Budget and Forward Estimates as at the 2022-2023 Budget, p477.

<sup>61</sup> Siobhan O’Sullivan, Michael McGann, Mark Considine, *Buying and Selling the Poor: Inside Australia’s privatised welfare-to-work market*, Sydney University Press, 2021

The results are not encouraging. Those who are most disadvantaged in the labour market - so many of whom are young<sup>62</sup> or who otherwise stand to gain most from a 'second chance' skills pathway - have been relegated to the lowest rung of job quality. Data published by the government in 2018 showed that 14 out of 20 top employers in the jobactive system (the precursor to Workforce Australia) were labour hire companies (listed in this footnote).<sup>63</sup> More than half of those who participate in employment services are placed in casual, rather than ongoing employment.<sup>64</sup>

To date there has been inadequate analysis of the occupations, skill levels, and income of those placed in jobs with labour hire, and some minimal analysis of outcomes by industry has shown that the Health Care and Social Assistance industry yielded the highest proportion of sustained 26-week outcomes – more than 54 percent of those originally placed – though whether these jobs were full-time and how long they lasted after 26 weeks is unclear.<sup>65</sup>

A great deal more research and analysis are needed to understand which industries offer the best quality jobs and which have the greatest rates of conversion to ongoing employment and progression. Meanwhile, young workers are largely left to plan for their career paths themselves, receiving inadequate support from the employment service system.

This points to the need for significant interventions to build stronger, smoother, and more secure labour market options for young workers.

## Labour Market Approaches

The context in which young workers enter the labour force is largely determined by forces outside of their control. Not only are they unable to change this context, they are also unable to solve the problems they face in navigating it individually. The government's primary responsibility is to ensure macroeconomic stability, and an economy that operates to maximize our collective capacity and capabilities towards collectively beneficial outcomes.

To smooth the labour market transitions of *individuals* subject to economic forces that can impact them negatively, the government operates the income support system and publicly funded employment services, as just outlined. This system represents the interconnected social services and support payments intended to assist individuals to transition from unemployment to employment. Investments in vocational skills development are managed outside this system. However, there are differing approaches to the management and maintenance of labour market programs that have far reaching consequences for both the economy as a whole and the individuals who navigate it. These different approaches to labour market program design and management are described below, as a way to differentiate between the current 'work first' orientation of the Australian system, and the greater potential that lies in sectoral approaches.

### Work First

Australia's contemporary welfare state is best described as adhering to a *work first* approach to labour market transitions. This approach is characterised as a 'thin' approach to labour market activation (see Figure 11),<sup>66</sup> which emphasises a swift return to work regardless of the suitability or quality of the employment offered to the unemployed worker.

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<sup>62</sup> Refer to Figure 11 in this paper.

<sup>64</sup> Department of Education Skills and Employment, Employment Services Outcomes Report (jobactive), April 2019 – March 2019

<sup>65</sup> Ibid, p104. Health Care and Social Assistance, over that 2015-2018 period, was the 5<sup>th</sup>-largest employing industry, after accommodation and food, retail, and manufacturing. It is worth considering how to commission and pay for employment outcomes that distinguish between high-volume, low quality jobs, and lower-volume but higher-quality jobs - or employment/salary trajectories.

<sup>66</sup> Eleanor Carter and Adam Whitworth, 'Work Activation Regimes and Well-Being of Unemployed People: Rhetoric, Risk and Reality of Quasi-Marketization in the UK Work Programme' (2017) 51(5) *Social Policy & Administration* 796 <<https://onlinelibrary.wiley.com/doi/full/10.1111/spol.12206>>.

**Figure 11: Work First Approach.**

DIMENSION	‘Work First’
Aims	Quick return to labour market
Programme targets	Job transitions
Intervention model	Job-search, basic skills training and focus on rapid transitions into jobs
Relationship to labour market	Focus is on inserting jobseekers into available opportunities quickly. Work experience limited, often mandatory and typically unpaid where exists
Relationship with individuals	Emphasis on pushing claimants into rapid job transitions largely irrespective of quality or sustainability

*Source: Carter & Whitworth 2017*

This approach often contains punitive measures to enforce compliance, including penalties for non-compliance that often lead to a withholding or cessation of support payments. Skills development is meagre, usually focusing on ‘job readiness’ training rather than on specific technical or occupational knowledge. Unfortunately for Australia’s unemployed workers, the outcomes of employment services privatisation since 1997 have been sub-optimal. In 2018, the federal government launched a Senate Standing Committee Inquiry into the performance of Australia’s main active labour market program, jobactive. The report, published in 2019, found the program to be woefully inadequate and not fit for purpose.<sup>67</sup> Rather than moving people into sustainable career paths in skilled areas that will experience growth into the future, inquiry found that there has been significant churn of unemployed people back and forth into precarious, insecure, short term employment.<sup>68</sup>

The final report of that inquiry process included the concerning data point that for the reference year of 2017-18, almost 60% of participants in the program had not achieved the 26 week benchmark for sustained employment, cycling back into unemployment before getting there.<sup>69</sup> Similarly, a recent review of ALMPs in a range of jurisdictions found that Work First approaches have an efficacy of nearly 0 in the short term, and that alternative approaches had much greater outcomes for employees in the short to medium term.<sup>70</sup>

## Human Capital Development

One alternative approach to labour market transitions is the ‘human capital development’ (HCD) approach. This ‘thick’ approach to labour market activation aims to improve the employability of unemployed workers, making them more attractive potential employees (see Figure 12).<sup>71</sup>

<sup>67</sup> Education and Employment References Committee (Australian Senate), *Jobactive: Failing Those It Is Intended to Serve* (2019) 173–5  
<[https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc\\_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf)>.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid 173.

<sup>70</sup> David Card, Jochen Kluge and Andrea Weber, ‘What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations’ (2018) 16(3) *Journal of the European Economic Association* 894.

<sup>71</sup> Carter and Whitworth (n 66).

**Figure 12: Human Capital Development Approach.**

DIMENSION	‘Human Capital Development’
Aims	Greater focus on employability (ie: upskilling), job quality and in-work progression
Programme targets	Sustained employment transitions; reducing distance to labour market for the ‘harder to help’
Intervention model	More intensive, longer-term and personalised training and supports
Relationship to labour market	Supply-side focus on upskilling jobseekers to improve their short- and long-term labour market prospects. Work experience likely to be available, claimants having greater choice and often paid (whether by employers or government subsidies)
Relationship with individuals	Greater emphasis on pulling claimants into employment via building employability and higher quality job opportunities (in terms of pay, conditions, progression etc)

*Source: Carter & Whitworth 2017*

Traditionally aimed at workers with more complex needs, such as long-term unemployed workers, the differently abled and recently arrived migrants, interventions that conform to this approach include more intensive, personalised and longer-term training and supports which focus on upskilling for long-term labour market prospects. However, while this approach is preferable to the work-first alternative, by focusing only on labour supply, these approaches fail to account for the economic conditions into which workers enter the labour market. Increasing the overall skill level of unemployed workers does little to create opportunities in a labour market that is contracting within a recession. While it may lead to better outcomes for individual workers, it does little to increase the employment prospects in aggregate.

### Human Capabilities

The final approach, gaining traction in welfare literature, is described as a ‘human capabilities’ approach and is based on the theoretical work of Amartya Sen<sup>72</sup> and Martha Nussbaum.<sup>73</sup> This approach inverts the traditional views on unemployment, encouraging a focus on ‘what people can be, rather than on their limitations or problems’ (Figure 13).<sup>74</sup>

<sup>72</sup> Amartya Kumar Sen, *Development as Freedom* (1999) (‘Dev. as Free.’).

<sup>73</sup> Martha C Nussbaum, *Creating Capabilities: The Human Development Approach* (2011).

<sup>74</sup> Miranda Cross, ‘Who Gets What Where: Review of Government-Funded Youth Employment Programs across Australia’ 1, 13.

**Figure 13: Human Capabilities Approach.**

DIMENSION	‘Human Capabilities’
Aims	Optimising potential
Programme targets	Building and consolidating capability
Intervention model	Most intensive individualised support packages
Relationship to labour market	Dual sided approach, which brings together labour market actors to connect employers and employees, bridging gaps with targeted supports
Relationship with individuals	Emphasis placed on wholistic approaches to labour market development that seek to maximise individual potential and match said potential to gaps in the labour market

This approach focuses on the development of policies and interventions that promote the individual’s internal capabilities, while grounding the individual’s experience in the broader material conditions in which they exist, on the basis that ‘without effective opportunities and resources, jobseekers are effectively denied the freedom and ability to develop their capabilities for economic and social participation’.<sup>75</sup>

This approach grounds employment services in their local community context, bringing together employers, employees, community and governmental institutions in a collaborative way to identify opportunities and local solutions. It is a more resource-intensive approach, and though it cannot inherently solve the problem of aggregate labour demand, it is one way to think freshly about industries that can utilise, redevelop or redeploy local worker experiences and capabilities, primary resources, and capital infrastructure, with the potential to introduce new industry development/redevelopment, especially into local economies forced into restructuring.

We believe that sectoral programs offer a way to invest in a human capabilities approach to skills development that offers benefits to both the young workers who enter the labour market in times of crisis while addressing the shortages currently being experienced across our economy.

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<sup>75</sup> Ibid 14.

## Sectoral Programs

New developments in sector programs are emerging overseas that promise better outcomes for both individuals needing quality jobs and industries needing skilled workers. Monitoring and reporting on these in states across the US, MDRC have noted their significant features:

*Sector programs train people for high-quality jobs in industries and occupational clusters that have strong local demand and offer the opportunity for career advancement. Most programs offer a similar set of services: job-readiness training (including 21st-century professional skills development), occupational skills training, and support services. Many programs also assist with job searches and job placement, and some continue to work with participants after they find a job. Perhaps the most valuable component of sector programs is the occupational skills training that in most cases leads to an industry- or locally recognized credential or certification.*

*Sector programs can improve the education and economic outcomes of low-income adults trying to enter and advance in the labor market. Research shows many sector programs have increased training completion and credential or certification receipt, critical first steps toward obtaining a high-quality job.*

*Support services - including transportation vouchers, child care assistance, tuition assistance, and other supports - are critically important to help participants engage in the training programs. (Emphases added.)<sup>76</sup>*

Sector programs are different from traditional approaches to labour market transitions that tend to see skills development as the responsibility of the individual, encouraging students to learn skills through tertiary or vocational institutions before looking for employment opportunities out on their own in the labour market. Sector programs change the role and conventional practices of employers in the recruitment and hiring process in that employers design entry level positions for their future workers, positions that combine education and employment. Sector programs also activate the combined efforts of business, skills providers, labour/unions, community and government in a series of networked relationships, built for long term sector development and social goals, not just a single employer-employee contract.

### *A paradigm shift from traditional labour market exchange*

This is a fundamental paradigm shift. In the logical of the conventional labour market exchange relationship, employers have grown used to treating workers as expendable. But if they are to attract and retain a diverse, productive and inclusive workforce, it is employers that need to learn, adapt, and change, recognising that their workforce can be drawn from people who have faced structural barriers to exclusion from the workforce: people with disability; people who may not have finished secondary education; single parents with caring hours responsibilities.

This approach is gathering momentum. Sector strategies were a key component of the 2014 federal Workforce Innovation and Opportunity Act, and 32 States in the US now have policies in place to support local sectoral training partnerships.

Delivery partnerships for sector programs rely on joint responsibility being taken by government, local firms, social partners and individuals to deliver on mutually beneficial economic and social objectives.<sup>77</sup> In the same way that sector programs change the paradigm from the single individual who must navigate their labour market on their own to find a job, neither is a firm regarded as an individual actor in the economy. A sectoral program recognises that firms are interconnected parts of an industrial ecosystem with a common interest in building a sustainable skilled labour force. That means that sector programs are underpinned by a collaborative approach to skills development that encourages what advocates describe as 'a different set of cost-benefit calculations such that high-skills and high value-added forms of production become attractive propositions'.<sup>78</sup> This moves away from conceiving of economic development in terms that see success in terms of profitability, towards an approach that realises the collective benefits a high skills base creates across industry, both economic and social.

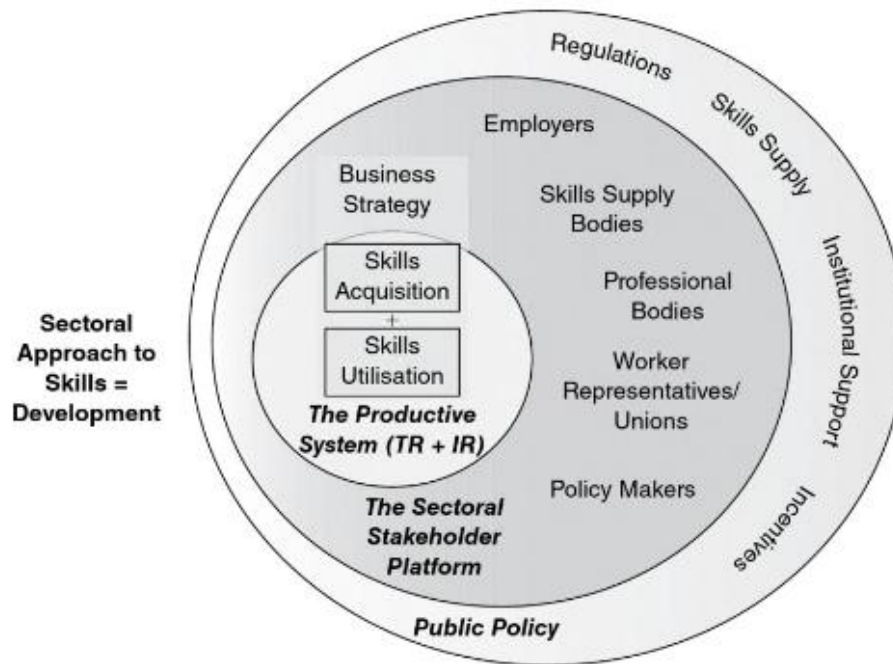
<sup>76</sup> Schaberg, K. (2021). *Sector Strategies for Success* (Issue November 2020), p.1. – update to MDRC webpage on sector programs

<sup>77</sup> Arwen Raddon and Johnny Sung, *The Role of Employers in Sectoral Skills Development: International Approaches* (2006).

<sup>78</sup> Johnny Sung and DN Ashton, *Skills in Business : The Role of Business Strategy, Sectoral Skills Development and Skills Policy* (Sage Publications, 2014) 173.



**Figure 14: Sectoral Approach to Skills Development.**



Source: Sung & Ashton (2014), 173

*Agents and actors in the sector program system*

Figure 14 illustrates the multiple levels at which a sectoral program operates.<sup>79</sup> At the productive system level, where the material operations of a sector are conducted, there are differentiated levels of skills needs, notable the current utilisation and ongoing acquisition aspects of this complicated ecosystem. However, where the current approach is for employers to fill gaps only when they appear and to fragment skills into the smallest and most readily useable functions, sectoral programs encourage a business strategy at the sectoral stakeholder platform level that is shaped by collaborative, coordinated efforts conducted by the relevant stakeholders. These include employers, professional bodies, unions, skills bodies and policy makers. To support this strategy at the public policy level, numerous incentives, institutional supports, skills supply pipelines and regulations are designed to maximize social and economic outcomes across the sector.

Sectoral programs require a strong and active government to enable industry bodies, firms and unions to create mutually beneficial outcomes. The role of government is one of active coordination, harmonising the competing needs of relevant stakeholders across a sector to facilitate the creation of long-term employment and education pathways. This must be backed up by the important role to be played by civil society, to bring its experience in providing wrap around supports, such as assistance with things like transport, childcare, good health, mental health and nutrition, cultural safety practices for First Nations people, coaching and tuition in language, literacy, numeracy and digital skills. All these types of support are a condition of capacity to work and are vital to building and supporting inclusive workplaces. All this means of course that sectoral approaches require significant buy in from employers and their relevant industry peak bodies to succeed.

<sup>79</sup> Ibid.

### *Case studies of sector programs*

The Year Up program in the US is a full-time, year-long workforce training program for economically disadvantaged young workers that focuses on economic sectors with jobs in high demand, notably in the tech sector. The program is split into two distinct 6 month phases, first by allowing participants to attend ‘full-time training that emphasizes the development of professional skills (e.g., writing, giving presentations, business etiquette) as well as technical skills (e.g., IT, quality assurance, financial operations)’.<sup>80</sup> The second phase provides a full-time internship in entry-level positions at local employers, that includes extensive supports, including case management, a weekly stipend (approximately A\$224 per week during the training phase and A\$328 per week during the internship phase), workplace mentoring, and post-program job search and placement services. Additionally, Year Up partners with local colleges to provide training opportunities that award college credit for successful completion of Year Up courses.<sup>81</sup>

An example of improved participation and earnings impacts has been reported from the work of Per Scholas, a non-profit information technology training and employment services provider in the Bronx, New York. As part of MDRC’s WorkAdvance evaluation, which targeted unemployed and low wage working adults, Per Scholas was found to have increased both IT training completion and achievement of an IT credential by more than 46 percent. The program also increased employment in IT and average annual earnings by over \$6,000 (USD), or 20 percent.<sup>82</sup>

### *How young people can benefit from these approaches*

Earlier sections of this report have identified the material risks for youth labour market transitions to show how the time is ripe for a reorientation of our approach to education and employment, but in the current Australian context, employer appetite for reform is mixed at best. In order to better understand how sectoral programs can be developed in mutually beneficial ways, the following section analyses the IT sector in Australia, which is moving towards some elements of a sectoral program approach to skills development: the tech sector.

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<sup>80</sup> Arnold Ventures, *Evidence Summary for the Year Up Program — Workforce Training for Economically Disadvantaged Young Adults* (2022) 2.

<sup>81</sup> MDRC, Sector strategies for success. <https://www.mdrc.org/publication/sector-strategies-success>, downloaded June 2023.

<sup>82</sup> Ibid.

## Tech Sector: Innovation and Industry Participation in Skills Development

At first glance, the technology sector might not be an obvious fit for a sectoral program solution. The industry is fast paced and growing, the work requires a high degree of technical ability, and the workforce is well remunerated. However, the industry faces local and global competition for workers which is only expected to increase over time. This 'burning platform' has prompted employers to rethink traditional approaches to recruiting workers, to increase their direct investment in skilling up new industry entrants, and consider how they can diversify their talent pools.

This case study of the tech sector raises questions about why other industry sectors facing critical skills shortages have not pursued similar solutions – or not done so at scale - a point we return to in the conclusion.

### The Tech Sector: A Brief Overview

The Australian tech sector is made up of technology-focused businesses in the information sector and workers who service a range of technological needs across a variety of sectors in our economy (from financial services and telecommunications to care work and education). The sector produces significant value in the economy, contributing \$167bn to the nation's gross domestic product (GDP)<sup>83</sup> and comprising approximately 8.5% of the national productive output. The growth of this sector is pronounced, with productive output quadrupled since 2017 when it was approximately \$43bn.<sup>84</sup> Some estimates anticipate future growth of up to \$244bn by 2031.<sup>85</sup>

The sector is diverse, with market actors at various levels, from domestic offices of recognisable global tech firms like Google and Microsoft, through to Australian success stories Atlassian, Canva and Afterpay.<sup>86</sup> However, while big name brands are readily visible, it is worth noting that approximately 98% firms in the sector are small to medium enterprises (SMEs). The sector produces services across the economy, with 733 fintech, 600 edtech, 500 medtech, and 400 agriculture/foodtech firms across the country.<sup>87</sup>

Critically, the tech industry is a large employer in the economy and one that is growing (see Figure 5). The sector had fewer than 100,000 workers in 1986, growing to nearly 600,000 in 2022, with a 150% increase in the past 5 years alone. Workers in this sector cover a diverse skillset, from graphic designers and web developers through to technicians, electronic engineers and software developers.

Given this rapid rate of growth in the sector, the Tech Council of Australia and the newly elected Government agree an estimate that by 2030 there will be a demand for 1.2m workers across the various occupations that comprise the sector.<sup>88</sup>

<sup>83</sup> Tech Council of Australia, *The Economic Contribution of Australia's Tech Sector* (2021) <<https://techcouncil.com.au/wp-content/uploads/2021/08/TCA-Tech-sectors-economic-contribution-full-res.pdf>>.

<sup>84</sup> Export Council of Australia, *From Resource Boom to Digital Boom: Capturing Australia's Digital Trade Opportunity at Home and Abroad* (2017) <<https://www.export.org.au/publications/from-resource-boom-to-digital-boom-capturing-australias-digital-trade-opportunity-at-home-and-abroad>>.

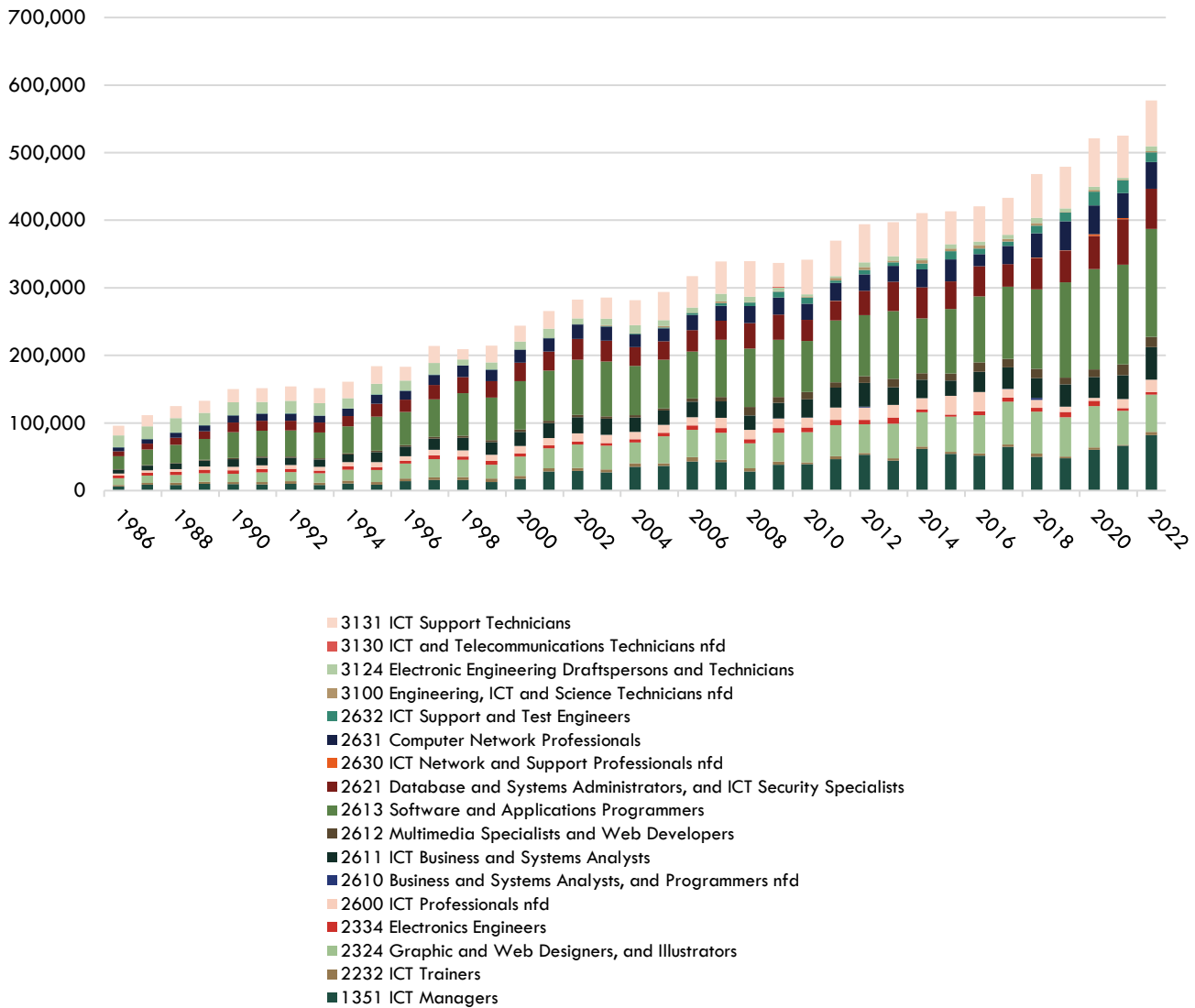
<sup>85</sup> Tech Council of Australia (n 83).

<sup>86</sup> Paul Smith, 'Australia Gets Its Second Shot at Being a Tech Nation', *Australian Financial Review* (online, 25 May 2022) <<https://www.afr.com/technology/australia-gets-its-second-shot-at-being-a-tech-nation-20220523-p5ants>>.

<sup>87</sup> Australian Trade and Investment Commission, 'Why Australia Benchmark Report: Tech Industry' (2022) <<https://www.austrade.gov.au/benchmark-report/dynamic-industries/dynamic-industries>>.

<sup>88</sup> Tech Council of Australia, *Getting to 1.2 Million: Our Roadmap to Create a Thriving Australian Tech Workforce* (2022); Australian Labor Party, 'Labor's Plan for 1.2 Million Tech Jobs by 2030' (2022) <<https://www.alp.org.au/policies/growing-tech-jobs>>.

**Figure 15: Tech Workers by Occupational Subdivision.**



*Source: Authors own, based on ABS 6291.0.55.001, EQ08.*

One significant gap in the capability and capacity of the sector threatens its future success. In 2022, almost all occupations within the tech sector were experiencing national or regional skills shortages.<sup>89</sup> These factors combined make the tech sector an ideal case study for analysis when considering a sectoral program for skills development. There is a genuine skills and labour shortage, there is existing harmonisation between industry actors and government,<sup>90</sup> and there are many larger firms in the sector trialling programs that adopt elements of the sectoral program approach.

So what has been getting in the way of sector approaches to date? Australia's universities, vocational education and training providers, and employment services providers have had little incentive and even less opportunity to work with employers and industry in a coordinated way as they have sought to compete for learners and registrations - the source of their funding. Australia's employers and industry have until more recently have had access to pools of candidates looking for vacancies in ways that have worked well enough to supply for recruitment needs. Also, as our brief discussion of higher education indicated, School leavers have been encouraged to focus on acquiring a university credential but largely left on their own to navigate their way into a job that uses their skills.

<sup>89</sup> National Skills Commission (n 6) 26–8.

<sup>90</sup> Tech Council of Australia (n 88); Australian Labor Party (n 88).

Finally, unemployed people in the employment services system - especially those who have not completed secondary education - do not see much of a chance to get better than a minimum wage, unskilled jobs. Sadly, their employment services providers have little time and incentive, or experience to the contrary, to challenge that assumption. A different way to envisage the work prospects of the 65 percent of the caseload in the Transition To Work program (15-24 year olds) who have not completed secondary education is to recognise the locked-up capacity for learning, motivation, and focus for those who are given a new chance to succeed, especially with a job and a hospitable workplace in line of sight.

## Exploring Sectoral Programs at the Firm Level

To analyse the potential for a sectoral program, we conducted a series of qualitative interviews with representatives of businesses in the tech sector, eliciting responses about the challenges faced by the sector, their experiences with education and employment pathways, and the barriers firms face when designing, implementing and operating sectoral programs.

Programs selected for analysis shared a number of common features. They all targeted people who had no previous experience in the tech sector, and had no educational prerequisites. They all offered earn and learn opportunities that combined paid work with vocational study through recognised providers. They all had a relationship to the peak body of the industry, and all utilised government supports at varying levels. Critically, they all participated in collaborative discussions through the peak body, and had a sectoral frame of reference for program design.

Participants were recruited from across the sector using a snowball sampling method after identifying key organisations in the sector participating in pilots that could inform a sectoral program. Participants included representatives from large brands, SMEs, non-tech businesses that employed tech workers and one peak body. All identifying data has been changed to protect the privacy of participants.

Qualitative data was collected through semi-structured interviews with informed consent, lasting approximately 60 minutes. These interviews were conducted remotely between August and October of 2022, utilising digital technology to capture, transcribe and analyse the data. The responses were coded thematically, using an inductive method and analysed to interpret the challenges and opportunities of sectoral programs.

## Results

Questions for qualitative data collection were designed to elicit responses related to program justification, design, and operation, as well as opening discussion about the opportunities and challenges faced by the sector when approaching a sectoral approach to skills development. The results below show a sector that is grappling with being a victim of its own growth and success, trying to respond to rapid changes in both technological and economic climates that often outpace regulatory responses.

### *Justification*

There was considerable agreement among interviewees as to why a new approach was needed for the sector. First, labour and skills shortages, as described earlier in this report, were highlighted by most participants. These were often involved in the day-to-day operations of the firm and were experiencing the impact of such shortages first hand. There was a marked consensus that traditional approaches to skills development are not fit for purpose in filling the capability gap that many in the tech sector are grappling with.

*I would just say **there is a talent shortage, huge talent shortage**, so it's kind of forced us to find different and alternate pathways, because there are people who are struggling [to find skilled workers] and that is from top tier technology companies all the way down to SMEs as well.*

Jake, Global Tech Brand

***Everyone is struggling to find the right talent in the right market.** So they are open to casting the net wider and thinking about non-traditional pathways to come in.*

Mark, Fintech SME

## CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

While the problems are common, the causes are many, and in some cases are specific to the industry. Executives in particular cited the problem of rapid growth in the sector, and challenges in attracting appropriate numbers of workers with the necessary skills base.

*Well, the industry is growing more quickly than the supply has grown. So, in terms of the reasons why we think that employment hasn't grown as quickly, one is just that the industry has grown really quickly.*  
Karl, Business Service SME

**The sector is growing so fast it's crazy and we need to build a large pipeline of talent...a large, diverse and quality pipeline of talent – and quickly!**  
Jake, Global Tech Brand

*We desperately need to engage people at multiple skilling areas to upskill reskill refocus energy and effort for people to be able to thrive in the new in the new world that we're in... if we don't do something now, then we're going to not have the talent that we need in the market.*  
Mark, Fintech SME

Frustration about the challenges of finding staff to keep pace with the growing market for tech services was evident, especially for those who are above day to day operations. However, discussion of this problem with a representative from a peak body in the sector, revealed a more nuanced understanding of the unique challenges to sectoral skills development. While some other sectors are able to poach workers through higher wages, many of the specialist skills needed by these employers are simply not available:

*And the jobs, particularly at the more technical end, the jobs are sufficiently different from other occupations, so you can't just suck people in through higher wages [from other industries]. If there was a lot of adjacent occupations where minimal retraining was required, you could just sort of pull them in with higher salaries. But when we've looked at things like, both on a on a task basis, but also using the census longitudinal data set, there's just not an obvious adjacent workforce that can be brought in particularly at that technical end, whereas, you know, on the sort of less technical end of the spectrum, you know, you can, using my job as an example, I work in policy in the tech sector, so I can be just brought in, I don't need some specific training, I can just learn on the job, marketing, legal, that sort of stuff is pretty easy to get into the industry.*  
Aaron, Peak Body

Another common problem offered as justification for piloting alternative pathways is that the current pathways weren't able to deliver the right skills mix for the sector.

*The candidates that are coming forward, even those traditional pathways...I'm not gonna say there's not a great quality, but [tech firms] are looking for different areas.*  
Jake, Global Tech Brand

**Current traditional pathways may not be feeding the technical needs in industry at this moment - not all of them anyway. So, for example, if an individual firm was looking for an IT graduate, because technology moves so fast, there is always a need to upskill and rescale when they come inside of their organisation as well. So there's a need to look differently about the way that we bring in talent.**  
Chen, Global Tech Brand

*Another key problem is just that, particularly in the vocational space, the education pathway is not working properly. So although there's been this big demand, we've seen, like the tech workforce grow at about twice the overall labour market, since 2005. But if you look at like the last five years, when tech jobs have been absolutely booming in Australia, the number of people doing tech related, that qualification is basically stagnant. So there's been no growth. And we know from the NCVET data on outcomes that only 40% of people doing tech related vet qualifications in Australia go on to get a better job than when they started, which is pretty bad.*  
Aaron, Peak Body



Traditional education pathways are not producing enough diversity of workers.

*There's a real skills gap. We've got students coming in as graduates, all applying for the same roles, all university trained, you know, **same structure, same [lack of] creative thinking, almost like robots**, and I don't want to sound rude, but they are, they're very linear.*

Chloe, Large Consultancy Firm

These myriad problems with attraction and recruitment of workers with the necessary skills were all cited as key justifications for the implementation of alternative pathways.

### Design

The design of the pilot programs was heavily influenced by the justifications outlined in the previous section. When faced with a rapidly growing industry, a lack of available suitable workers in complementary sectors and an inadequate traditional skills pipeline that is unable to produce graduates with the requisite skillset, the tech sector has begun to experiment with sectoral approaches. These approaches have been supported by a peak body and governmental interventions at the federal and state level, offering unique opportunities for pilot programs to be developed and trialled. Several also include partnerships with NGOs, who bring expertise and connections in working with people experiencing various kinds of disadvantage.

*[Our sectoral program] was designed so that it is really similar to any other apprenticeship programme. **The basic concept was to provide a non-traditional pathway into tech employment, which structurally follows a really similar program to an apprenticeship or traineeship programme.** The easiest way to explain it, is that it's an Earn and Learn model instead of a Learn and Then Earn model, if that makes sense.*

Jake, Global Tech Brand

*We decided we should be investing in those [alternate pathways] just like we'd invest in anybody else [from a traditional, university pathway]; **why not capture them early, and train them and teach them and give them all the internal processes that they can get from working here, and let them develop their own style**, essentially, rather than having it been taught at them.*

Chloe, Large Consultancy Firm

***We're advocating for modern digital apprenticeship, which is effectively how we get the VET system to actually provide this pathway for many more people to come into tech jobs** - and that can be people coming out of school, but also people looking to retrain. We really think that we need a pathway that is not just a multi-year university degree because frankly, if you've got financial responsibilities, that's not the sort of thing you can manage.*

Aaron, Peak Body

Many participants mentioned the apprenticeship model offered by traditionally manual trades in blue collar industries as examples to be learned from. The concept of learning on the job, and gaining valuable practical experience was seen as just as, if not more, important than traditional textbook learning. There was also some nuance offered in which kinds of jobs this model is most suited to within the sectoral context.

***There are a lot of jobs in tech that require ridiculous qualifications – for example, if you want to be at the forefront of machine learning and AI, you probably need a PhD. But there are lots of jobs, which are kind of digital trades jobs that require [more vocational] training and a practical understanding**, but don't necessarily require advanced mathematics and years of university study. we just think there's an opportunity to grow the talent pool in a way that's much faster than just insisting that everyone does a degree. We also know that the outcomes for those people who do go through that [vocational] pathway are quite good. For entry level workers who have done VET related training, versus university training, there's actually a really small pay gap.*

Aaron, Peak Body

## CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

*Obviously, if you're going to specialise in something, you have to go to uni, it's as simple as that. But these are for this particular pathway. For those much broader consultancy roles, you just don't need [a 4 year degree]. These roles are not tax specialists, lawyers, or cloud engineers, like that sort of specialised stuff - but we can give you a taster of it, and you can then go okay, I definitely want to know more about that sector. So I'm gonna go and learn more.*

Chloe, Large Consultancy Firm

Another aspect of these alternative pathways that participants raised was the need for equity and diversity in recruitment. The majority of participants acknowledge that the sector as a whole has a diversity problem, and that they saw it as a social obligation to actively try to recruit from underrepresented groups who are often dissuaded from approaching the industry through traditional pathways.

*There is a really strong desire and intent and, and genuine intention to create a workforce for the future that reflects our community and the diversity of our community - and **the traditional pathways sometimes don't have that diversity angle that individual organisations are looking for**, so they're not always a great way to [encourage greater diversity].*

Karl, Business Service SME

*One of the big problems we've got, which is that we have a skewed demographic pipeline. So lots of boys are interested in careers in tech, then they study Software Engineering at uni, and they end up going into software engineering jobs, something like 90% of the students at university studying IT qualifications are men. Which means that **only one in four people working in the industry are women. So we're kind of ignoring half of the population when it comes to talent.** And there's no physical reason why women can't be very successful in tech careers, right? Like, there's an equal distributed distribution of talent between men and women - we're just ignoring half the population. So that's something we need to do better at.*

Aaron, Peak Body

*I mean, yeah, **it's a pretty white space here in Australia.** Some of us make it through, but we need to do more to get people of colour and other marginalised groups into tech jobs.*

Chen, Global Tech Brand

However, some organisations were taking concrete steps to actively recruit from these underrepresented areas.

*We have **strategic partnerships with community organisations that have programmes of activities that potentially funnel into our program, so individuals from marginalised or vulnerable background or women** [who are underrepresented in the sector]. **We also provide support with digital literacy capability, and skills over an intensive period in the communities...** kind of like broad base targeted, strategic partnerships that we invest money into to build capabilities of individuals [who might apply to our program].*

Jake, Global Tech Brand

This touches on the need and rationale for wrap around support services from community organisation partners, to source more diverse candidates and meet their needs for basic skills and other supports. These are important features of sector programs. At their best, sector partnerships enable employers to work with community organisations to optimise the ways workplaces can be hospitable and inclusive.

*We've got a relationship with an Indigenous organisation that we work with to try and boost their representation in the sector. **We don't do quotas per se, but we try to make sure that we're recruiting people from different backgrounds into the program...** ultimately, it's about making sure you've got people with different ideas, different viewpoints who are going to come up with unique solutions to problems.*

Mark, Fintech SME

These economic and social objectives create shared aims across the sector, which leads to a more collaborative approach to skills development. By investing in a earn and learn approach, the programs are reducing barriers to entry that not only stop the education system from keeping pace with sectoral growth, but that often lock out underrepresented communities from these potentially rewarding jobs in high wage industries.

## Operations

Day to day operations of the programs were unique to each firm or provider, but a number of commonalities emerged in arrangements to blend study for qualifications and on-the-job learning in the context of employment. Some used the services of Group Training Organisations who support both the learner and the employer to provide a range of wrap around supports to manage people's ability to be successful in work and study. Whether GTOs are involved or not, such supports tend to be largely formal arrangements.

*It's a two year program, where individuals will work within an organisation that could be a large multinational, it could be a local IT company, it could be a finance institution or professional service firms, but also could be non-profit or even the local school. **The individual employees work for their host organisation for the four days and then they get a certification or cert IV in IT and learn at their RTO the other one day a week.***

Jake, Global Tech Brand

*So basically, it's an eighteen month program that gives them a mix of on the job experience and vocational education. **They usually spend a couple of days a week in the office and then one or two days doing their study, which strikes a pretty good balance.** Takes it from being dry, boring theoretical stuff to something that's living and breathing.*

Karl, Business Service SME

*The programme itself is a traineeship pathway in the eyes of the Australian Government, where we put you through a qualification for the first year, but you're taken on as a full time staff member at the same time. And you're given every Friday off to study a qualification and, in this instance, we have the Cert IV in IT with business units built in; however, I am looking at changing that in the future. Just to make it more broad, maybe a business qual with IT units built in perhaps.*

Chloe, Large Consultancy Firm

While most programs used private RTOs, a mix of public and private providers were being trialled across different programs. The firms were actively searching for the best fit for their needs, with some larger organisations actively putting cohorts in different RTOs to test their comparative efficacy.

*We want to make sure that we're working with really high quality providers, and, you know, we in the industry are agnostic as to whether that's through the TAFE system, or through, innovative private providers. Frankly, what **we're concerned about the quality, rather than what their current RTO registration status is.***

Aaron, Peak Body

**We work with multiple RTOs, both public, state-based and private, online RTOs.** *The reason why we have a suite of RTOs is really down to two factors. First is individual learning style, so if an individual has a preference, for face-to-face learning and more of a cohort type experience, then we have that structure set up. Also the other one would be organisational context, so some organisations like to have individuals go through that state based TAFE, but some organisations where we work with a national company, might have taken on multiple apprentices or trainees in one cohort, and might take 10 across the country. But each state-based RTO has a slightly different curriculum and slightly different way and they do it in slightly different variants. So an online RTO provides some flexibility about when they can start and also gives consistency around the curriculum across all of their trainees across the country.*

Jake, Global Tech Brand

**At the moment, for us it's TAFE Chisholm, but previous to that was Sydney TAFE. But then we may use a private RTO in the future, if it is a nationally recognised qualification through the traineeship scheme.**

Chloe, Large Consultancy Firm

While formal learning was universally seen as providing value, the larger organisations noted a range of other learning opportunities, less formal than enrolment in qualifications, but no less important. These might take the form of things like direct mentorships, learning lunches, or networking opportunities. These were reported to be valuable assets in program design.

## CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

We offer multiple levels of additional support. So industry lunch is one example, where we get guest speakers to come in once a month, to talk about different areas of technology, **the intent of that is to get people to connect as a community, if that makes sense, for the individuals to feel like they're part of something bigger as part of this program.** But more importantly, it allows them to understand the multifaceted approach that technology can play, especially if they want to go in a certain area in their career. And that could be around sustainability. That could be around AI, administration, project management, design thinking, whatever these areas are, it means people can understand the breadth of the opportunity that's in front of them.

Jake, Global Tech Brand

We always try to pair our trainees up with a buddy who's a little further along in their career, you know, so they've got someone other than a peer or a manager to go to for advice or like for problem solving. **So much of what they're encountering is routine stuff, so often it's easy for someone else to give them the inside word and get them used to the useful solutions to common problems.**

Mark, Fintech SME

### Challenges

While all participants in this study reported success in their pilot programs, and some were in the process of expanding them, they noted multiple implementation challenges, in particular, the capacity to manage and invest in the ongoing training of participants.

*I think another challenge for the industry regarding entry level roles is just how much space you have for them, to help and support right? Like, [as a participant] if I'm not billable from day 1 am I seen as a bad kind of resource? Will the organisation be okay with spending seven months in development of me as a resource?*

Jake, Global Tech Brand

*I think the challenges are that because the industry is growing so quickly, people are just under a lot of pressure to deliver their projects. And so that doesn't leave a lot of scope for bringing on junior employees, particularly ones who don't necessarily, you know, have the same educational background that perhaps their manager does. For example, if you've done a four-year degree, and you've got someone come through on your team who hasn't done that - it's frustrating, you know? Because next thing, you're behind on deadlines, and you don't have the time to mentor people.*

Aaron, Peak Body

*When we're in a talent shortage, everyone is working round the clock to keep up with the pace of the business. It's hard to allocate time to training people up, and all the time you see people in the program bring problems to higher ups and they end up just fixing it for them, because it's quicker and easier. Then they can get back to the s\*\*t that their lead is waiting on, you know?*

Chen, Global Tech Brand

Another key element that was highlighted by one participant related to confidence and soft skills. These factors were seen as things that needed to be addressed before entering the program, and might be used to screen out participants.

*Do you know what, for me? I'd have to say it'd be a 60/40 split in soft skills, first and foremost, because I can teach you what you need to know in terms of study component, but I need you to be willing to give it a go. And if you haven't got those skill sets, then, you know, you're really going to struggle from the get-go...those who still need a bit of guidance are those ones that are really quite quiet, and still unable to speak up for themselves. They're the ones that, you know, still need that coaching. But it all comes down to confidence in yourself, and if you haven't got that coming into a company like this, it's not fair to put you into that.*

Chloe, Large Consultancy Firm

Similarly, cultural awareness was seen by some as crucial, given the unrepresentativeness of the workforce and the sectoral push to increase diversity.

## CRACKS IN THE FOUNDATION: Exploring barriers to successful sectoral programs for young workers

*I can give you a really specific example. We're trying to build a traineeship program specific to Aboriginal and Torres Strait Islander people in Queensland. **A crucial part of that pilot project is around what kinds of support may be needed for the individuals in this program.** I think, 'how do we understand all of our workers, especially people from varied backgrounds?', through the lens of every design choice? **We need to ensure the individual thrives inside of that organisation, so if that's means creating psychological safety and cultural competency inside of the teams, or building different work schedules for the first couple of months to ensure people can land on their feet and get a sense of belonging inside of their organisation, then we need to do it.** A lot of what I've mentioned is around cultural competency of the line manager, cultural awareness, and so forth, but **it's also about the individual getting to really understand their value with their culture, and how we make sure that they can feel comfortable bringing their whole selves to an organisation.***

Jake, Global Tech Brand

These challenges aren't unique to the industry, particularly the issues concerning cultural awareness and competency concerning First Nations people. However, it was clear that these issues were being considered and actively reviewed as the programs were being piloted.

### Government assistance

The participants were both beneficiaries of existing government support, but also were actively thinking about ways that future program design encourage further uptake of sector initiatives.

Some were in favour of wage subsidies, and would welcome more investment in the intervention.

*So I think the biggest barrier at the moment, for scaling these initiatives, is encouraging host partners to want to employ people this way. I think there are ways like **wage subsidies incentives or other incentives in the short term that will enable a mass involvement of individual organisations, I think that's a really good thing in a short-term, probably short to medium, if that makes sense.***

Mark, Fintech SME

I mean, it never hurts to lower the wage bill, you know? **If the government can make it cheaper to bring on an extra pair of hands, it makes them a bit more attractive.**

Karl, Business Service SME

*I think that there is definitely a role for government subsidies to be provided, both for the training and also potentially for part of salary. **You know, bringing people through a non-traditional pathway is a really great idea, but it's not cost free for employers, right? Like, if you're bringing people in who aren't necessarily productive from day one, it's challenging.** It's something that the industry is keen on, but I think that, you know, **going some way to offsetting that productivity cost, I think is, is something that's worth considering.***

Aaron, Peak Body

A very common area for reform was in the way vocational education was designed and funded. Many participants expressed a desire to see the courses updated to suit industry needs.

**We really just need to rethink the whole VET sector: how those things get funded and what the courses looks like, to, number one, make it easier for traineeships. It's not about just getting money for the course, but if I think about the cert IV in IT, there's some elements there that just aren't relevant for industry at the moment - but that's the only thing that's funded.** So that's where we go...but, if there was more flexibility on microcredit, and skilling stacks and things along those lines, I actually think that would be a far better programmatic structure that would probably help both the individual and the host partners, and offer more flexibility...to ensure that it's relevant for individuals and industry.

Jake, Global Tech Brand

Similarly, there was concern from the peak body that the vocational training was not able to prepare the participants for the work in a way that was relevant for employers

*There's idiosyncrasies of design and scale and, you know, people have had challenges with partnering with the right kind of training organisations...I think the biggest concern [from employers] is that they'll get people who are just too green, and who won't be able to actually be involved and helpful. **One difference with kind of the traditional construction trades is that you can be productive on a job site with a broom, right? You know, yeah, maybe you're not being as helpful as a skilled experienced tradesperson, but you can do something useful from word go - that's not the case in tech, if you don't have a baseline skill set, you're just getting in the way.***

Aaron, Peak Body

Ultimately, government funding is recognised as a powerful way to incentivise, or disincentivise, different aspects of the program.

## Discussion

The analysis of the above qualitative data reveals a number of key insights for the design and delivery of sectoral programs, which have ramifications not only for the successful uptake of the program within the sector, but also for other areas of the economy that could benefit from a sectoral approach to skills development.

The first and most clear problem in the tech case study is the issue of scale and scope. While there is a peak body clearly committed to coordinating and facilitating the continued roll out of this approach, activities vary widely firm by firm. If the sector is to share the costs and benefits of sector program efforts and what is being learned, and if young people are to be enabled to navigate the opportunities being created, greater coordination is needed.

Similarly, there is no compulsion mechanism to require employers to invest in skilled pathways. Employers who consider investing in skilling up young workers are often concerned that they are subsidising 'free riders' who would prefer to poach. One way that these pathways can be created is through the use of social procurement strategies –like the Australian Skills Guarantee, announced in the 2023-24 Budget. Skills Guarantees have been used extensively in civil construction at the State level. They generally include a training ratio so that one in ten workers on a project is a trainee, apprentice or graduate. The Australian Skills Guarantee will initially apply to major construction and information and communication technology (ICT) projects with a total contract value of \$10 million or more. This is a very welcome development. However, as noted, skills shortages exist across many sectors (including in government). There may be scope for extension of these obligations to other contracts and to government agencies themselves.

Another way to encourage greater uptake in the private sector would be to support 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.<sup>91</sup> 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.<sup>92</sup> A reinstatement of the TGL has the potential to significantly increase the number of entry level positions offered to young workers, not just in the tech sector, but across the economy.

<sup>91</sup> Richard Hall, John Buchanan and Gillian Considine, 'You Value What You Pay for': Enhancing Employers' Contributions to Skill Formation and Use: A Discussion Paper for the Dusseldorp Skills Forum (2002).

<sup>92</sup> Ibid.



*First principles for sector programs and steps to realise them*

Sectoral programs provide for a mix and balance of general, portable skillsets that have value across the sector, combined with firm-specific training that adds value to host organisations and encourages staff retention following completion of the training program. The recently established Jobs and Skills Councils<sup>93</sup> are an important first step to enable consultation with firms, unions and government to design a vocational qualification that provides adequate, industry relevant general skills in specific disciplines, and that offer qualification pathways for future study and specialization.

While many emphasise the importance of 'soft skills', they often suggest that these must be taught exclusively through external training bodies. However, the development of these skills comes through experience. Soft skills are not learned in a textbook, but come through interacting with employment, employers and other employees. There is little evidence to suggest that young people, even those from diverse or complex backgrounds, lack capacity to learn these soft skills. Rather, the implication has been that employers still want to hire fully functioning, experienced and skilled workers when and where they please, and would rather not shoulder the burden of training workers with patience while they develop these soft skills.

This highlights a significant gap that falls between companies and the available forms of employment services and skills training. It is significant that interviewees did not mention employment services, a point that highlights the need for considerably more attention to sector program capacity building by government. This includes the ways government could resource community organisations and skills providers to work more closely with industry.

In its current form, government funding largely comes in the form of wage subsidies and apprenticeship incentives for employers. These resources are packaged and attached to individuals participating in programs. Yet it is obvious from the foregoing that several aspects of program design and delivery call for broader organisational systems, partnerships, and the ability to work with skills providers and – optimally – community organisations, where diverse candidates are supported to participate in these sector initiatives.

That point is underlined by the fact that interviewees in this study identified their own organisation's capacity for training and management as a common problem. Even large firms don't always have ongoing or in-house training departments. While smaller firms could hire training officers to oversee the training and career development of entry level employees, there is a strong case for intermediary organisations specialising in industry sectors, to ensure that skills training linked to wage subsidies and other wraparound supports will ensure the employment of more diverse candidates, those who have more complex needs, such as the differently abled and the long term unemployed, and people who might have been consigned to precarious employment without opportunities for formal skills or employment progression.

Wage subsidies by themselves will not achieve the goals of inclusive employment. Long term collaborations are needed between organisations like Year Up and employers, because changes to hiring practices, workplaces and work cultures are needed. This calls for a different type of investment. Rigorous evaluation, properly resourced, should be incorporated into this broader and longer term strategy.

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<sup>93</sup> Department of Employment and Workplace Relations, Industry Engagement Reforms <<https://www.dewr.gov.au/skills-reform/industry-engagement-reforms>>



LONG TERM COLLABORATION IS NEEDED BETWEEN GOVERNMENT, INDUSTRY AND CIVIL SOCIETY

The need for coordination and collaboration is paramount if sectoral programs are to succeed in specific industry sectors. The needs of workers, firms and other actors dependent upon the sector must be included in the planning, design, implantation and operation to ensure equitable outcomes. To that end, government and industry bodies could collaborate to create dedicated business support units to assist businesses interested in starting a sectoral program, and offer advice navigating the government supports available across the sector. More than that, government could lead the way by making hiring commitments and being a first mover by demonstrating how such a sectoral program could work.

Here is a summary of recommendations for a more strategic sectoral approach to skills development:

- *Focus on boosting representation of diverse candidates.* Many employers noted the need to increase diversity and equity across the sector. This should not merely be along identity lines (although most acknowledged how white and male the sector has become), but should include those with disabilities, those from lower socio-economic backgrounds and recently arrived migrants. While wage subsidies can assist, much greater emphasis needs to be placed on wrap around supports, mentorship, informal supports and targeted case management. Consideration should be given to what funding and intermediary structures are needed to achieve this.
- *Ensure portable skills and qualifications are mixed with firm specific training.* While there is a need to ensure that employers gain employees who are skilled in proprietary software and enterprise processes, it is crucial that a sectoral approach ensures that skills are benchmarked, portable and have applications across the sector, not just at the enterprise level. By reviewing and co-designing occupationally specific VET qualifications with employers, workers and training providers, and delivering them through the accountable TAFE system, a sectoral approach to skills can be developed. Enterprises should also be supported by the peak body to design firm specific training programs that allow for workers to become expert with firm level processes, software and practices.
- *Improved career services.* Advancement is often difficult, not immediate, and can take many forms. Programs should promote advancement and not just employment, encouraging employers to have strong professional development structures, career management through informal mentorship and/or formal support staff, and holistic approaches to development. The peak should advocate for funding to support smaller firms to hire those with capacity to oversee workforce development and support.
- *Review the design of employment services.* While employers were not quick to point to the failures of the government's employment services system, the efforts that they are going to at the firm level point to a failure of the current system. A review of the employment services system is currently under way through the Workforce Australia Inquiry, with reforms proposed in submissions to the Inquiry arguing the need for an employment guarantee for young people, as well as resources for individualised case management, wrap around support and a focus on developing individuals to their full potential, rather than pushing young workers into any work regardless of its suitability and sanctions those who fail to comply.

A commitment to fund wages to give young people a start in quality jobs should be accompanied by longer term investments in industry sector programs, able to build an effective systems-level approach to coordinating skills and community and social services partners. A further driver of better outcomes for young people, and a good way to inform which firms most merit government service and funding support, would be to ensure that outcome measures for employment services take account of job security, income growth, and skills achievement linked to work.

Nothing in these approaches is unique to the tech sector, and there are many opportunities to trial the recommendations here in diverse sectors of our economy, particularly concerning care work. By investing in coordinated and collaborative approaches to skills development, we can build secure pathways into skilled work across our economy. However, it will require investment, both economic and political, to ensure that it is developed in a way that is sustainable, secure and satisfying for all the relevant stakeholders within key sectors of the economy.

## Conclusion

Australia stands at a cross roads. As we recover from the long tail of the coronavirus pandemic that has cause widespread health and economic hardship across the country, we are offered an opportunity to re-examine the shibboleths and orthodoxies that have contributed to a skills crisis that threatens to leave many young workers with economic scars for years to come. There is little that these workers can do to control the material conditions in which they enter the labour market, and the time is ripe for reforms that will encourage safety, security and sustainability in the economic lives of the next generation.

By investing in sectoral approaches, government and industry can collaborate with intermediary organisations such as employment services, Group Training Organisations and community organisation partners to create mutually beneficial outcomes. Coordinated efforts in the skills development space can solve the twin skills and labour shortage crises currently impacting our economy, and allow young workers a chance to build secure careers in growing industries.

Ultimately, we need to invest in reforms that shape our welfare state so that it's aims are geared towards the maximization of human capabilities, not simply getting unemployed workers off support payments. Sectoral approaches encourage a collaborative approach to workforce development that prioritises skilled pathways to secure employment, and a dependable skills base to recruit from.

We believe the time is ripe for reform, and that sectoral approaches to skills development offer Australia a clear path out of the skills and labour shortage that currently challenge us.

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